


# ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2025



CITY OF JARRELL, TEXAS
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SEPTEMBER 30, 2025

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CITY OF JARRELL, TEXAS
ELECTED AND APPOINTED OFFICIALS
YEAR ENDED SEPTEMBER 30, 2025

## ELECTED OFFICIALS

| | |
|---|---|
| MAYOR | PATRICK SHEREK |
| ALDERMAN, PLACE 1 | DANIEL KLEPAC |
| ALDERMAN, PLACE 2 | LORI ALLEN |
| ALDERMAN, PLACE 3 | TANYA CLAWSON |
| ALDERMAN, PLACE 4 | DREW SUMNER |
| ALDERMAN, PLACE 5 | DANIEL ISLAS |

## APPOINTED OFFICIALS

| | |
|---|---|
| CITY MANAGER | JORGE HERNANDEZ |
| CITY SECRETARY | DIANNE PEACE |

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Alderman
City of Jarrell, 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, each major fund, and the aggregate remaining fund information of City of Jarrell, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise City of Jarrell's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for City of Jarrell, 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 Jarrell and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

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

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

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

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

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

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to the City's net pension and total other postemployment benefit liabilities, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 City of Jarrell's basic financial statements. The supplementary information (as identified in the table of contents) is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2026 on our consideration of City of Jarrell's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Jarrell's internal control over financial reporting and compliance.



Armstrong, Vaughan & Associates, P.C.

March 3, 2026

As management of the City of Jarrell, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Jarrell 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 at September 30, 2025 by $41.7 million (net position). Of this amount $8.1 million (unrestricted net position), may be used to meet the any of the government's ongoing obligations to citizens and creditors.

- The government's total net position decreased from by $0.5 million. The decrease was largely from increased maintenance and operations in the City water and sewer utility.

- As of September 30, 2025, the City's governmental funds reported combined ending fund balances of $7.8 million, a decrease of $1.6 million. The decrease was from the street maintenance fund conducting significant street improvements.

- The City's General Fund reported a year end fund balance of $5.3 million, which represents approximately 11 months of general fund operating expenditures.

- No new debt was issued.

**Overview of the Financial Statements**

The discussion and analysis is intended to serve as the introduction of the City of Jarrell, Texas' basic financial statements which are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

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 financial presentation.

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through their user fees and charges (business-type activities). The governmental activities of the City include general government, debt service, special revenue funds, and capital projects. The business-type activities of the City include a water/wastewater service fund.

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 and proprietary, and utilize different accounting approaches.

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

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

The City maintains six (6) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Street Maintenance, Capital Projects and Debt Service fund, which are considered to be major funds. Data from the other two (2) governmental funds are combined into a single, aggregated presentation, with detailed information in the supplementary information section. The City adopts an annual appropriated budget for all governmental funds except capital projects (which includes the street maintenance fund). A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

*Proprietary Funds* – The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. The City maintains one 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 an enterprise fund to account for the operation and maintenance of its water/wastewater service.

Notes to the Basic Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Government-wide Financial Analysis**

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $41.7 million (net position). Of this amount $8.1 million (unrestricted net position) may be used to meet the ongoing obligations to citizens and creditors.

The largest portion of the City's net position (67%) is its net investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. 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 City's unrestricted net position is approximately 20% of total net position and approximately 13% represents resources that are subject to external restrictions on how they may be used.

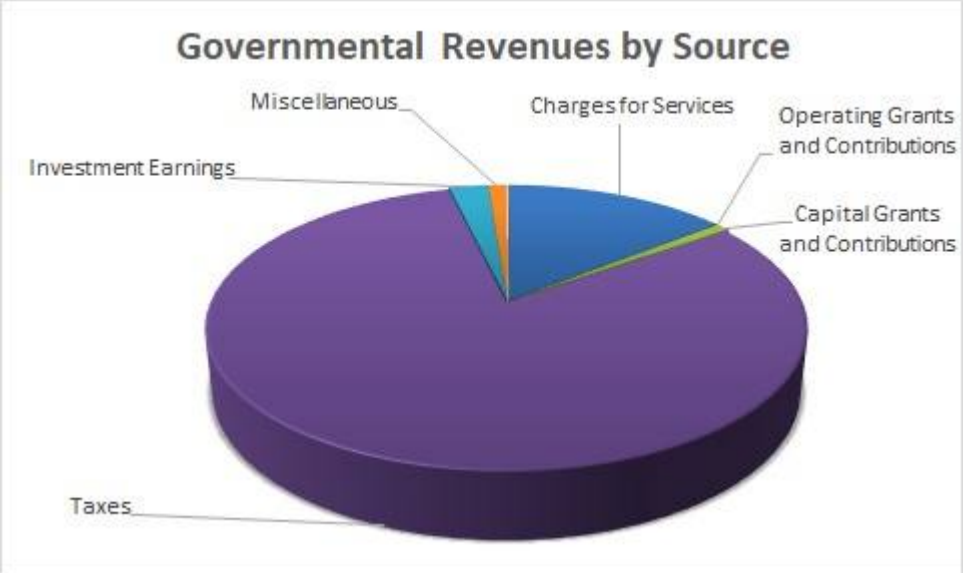
| | Statement of Net Position | | | | | |
|---|---|---|---|---|---|---|
| | Governmental Activities | | Business-Type Activities | | Total | |
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| **Assets** | | | | | | |
| Current and Other Assets | $ 9,120,430 | $ 9,581,372 | $ 8,048,549 | $ 8,259,014 | $ 17,168,979 | $ 17,840,386 |
| Capital Assets | 4,901,504 | 2,726,573 | 60,543,547 | 61,800,199 | 65,445,051 | 64,526,772 |
| Total Assets | 14,021,934 | 12,307,945 | 68,592,096 | 70,059,213 | 82,614,030 | 82,367,158 |
| **Deferred Outflows of Resources** | 96,963 | 169,634 | - | - | 96,963 | 169,634 |
| **Liabilities** | | | | | | |
| Current Liabilities | 1,215,631 | 229,726 | 2,313,417 | 496,158 | 3,529,048 | 725,884 |
| Long-term Liabilities | 130,227 | 2,646 | 37,318,184 | 39,590,765 | 37,448,411 | 39,593,411 |
| Total Liabilities | 1,345,858 | 232,372 | 39,631,601 | 40,086,923 | 40,977,459 | 40,319,295 |
| **Deferred Inflows of Resources** | 29,161 | 1,782 | - | - | 29,161 | 1,782 |
| **Net Position** | | | | | | |
| Net Investment in Capital Assets | 4,901,503 | 2,726,573 | 23,225,363 | 22,209,434 | 28,126,866 | 24,936,007 |
| Restricted | 2,629,523 | 3,787,500 | 2,811,072 | 2,930,121 | 5,440,595 | 6,717,621 |
| Unrestricted | 5,212,852 | 5,729,352 | 2,924,060 | 4,832,735 | 8,136,912 | 10,562,087 |
| Total Net Position | $ 12,743,878 | $ 12,243,425 | $ 28,960,495 | $ 29,972,290 | $ 41,704,373 | $ 42,215,715 |

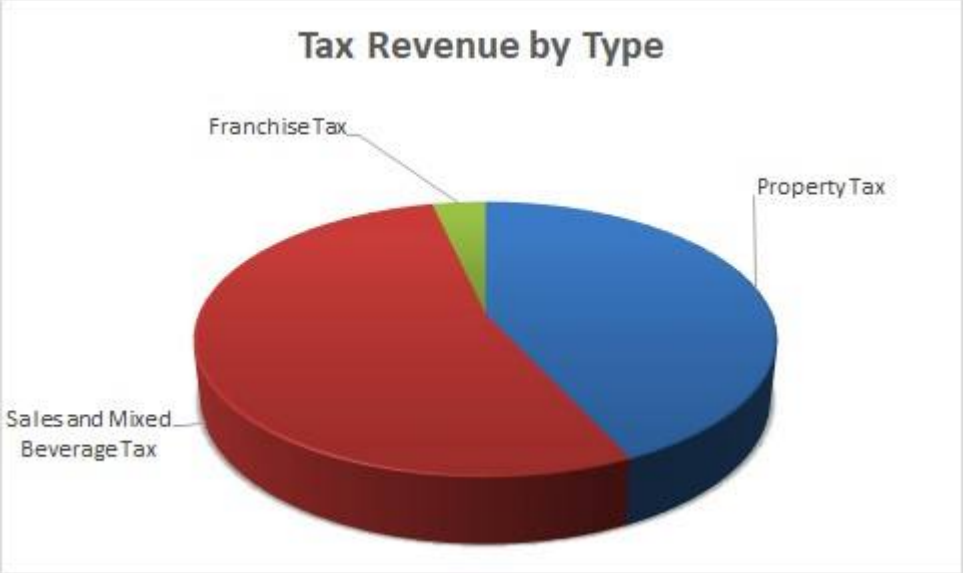
*Governmental Activities* – Property taxes increased $177 thousand primarily from new properties added to the tax rolls. Expenses increased from $4.7 million to $6.8 million, primarily in expanding public safety personnel and significant plan review/inspections from the high permit volume. During the year ending September 30, 2025, the City's governmental net position increased by $0.5 million after providing $1.1 million in support to the utility fund.

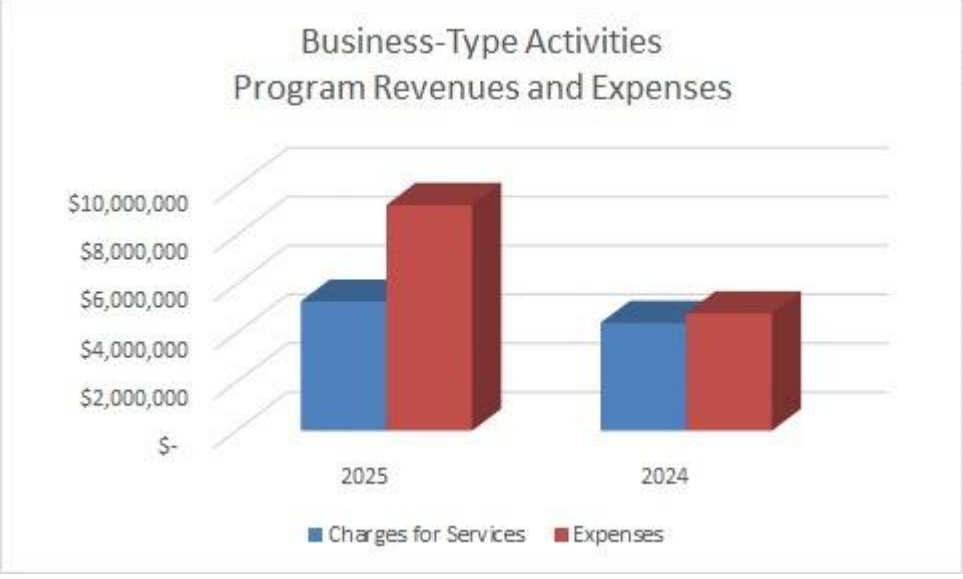
*Business-Type Activities* - Utility charges for services increased 20% as new connections are being added. Costs increased from $4.8 million to $9.3 million. Most of the cost relates to water purchases and outsourced management of the City's water and sewer system. Part of the increase also relates to the settlement of a dispute with a former contractor as discussed in note 15 to the financial statements.

The following table and charts indicates changes in net position for the governmental and business-type activities for the City as of September 30, 2025 and other metrics to evaluate the City activities.

| | Changes in Net Position | | | | | |
|---|---|---|---|---|---|---|
| | Governmental Activities | | Business-Type Activities | | Total | |
| **Revenues:** | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Program Revenues: | | | | | | |
| Charges for Services | $ 1,213,063 | $ 778,602 | $ 5,296,057 | $ 4,423,389 | $ 6,509,120 | $ 5,201,991 |
| Operating Grants and Contributions | 3,250 | 5,305 | - | - | 3,250 | 5,305 |
| Capital Grants and Contributions | 71,216 | - | 1,717,073 | 2,034,827 | 1,788,289 | 2,034,827 |
| General Revenues | | | | | | |
| Taxes | | | | | | |
| Property Taxes | 2,949,022 | 2,772,840 | - | - | 2,949,022 | 2,772,840 |
| Sales and Mixed Beverage | 3,651,777 | 3,770,038 | - | - | 3,651,777 | 3,770,038 |
| Franchise Taxes | 242,012 | 215,571 | - | - | 242,012 | 215,571 |
| Investment Earnings | 211,689 | 127,106 | 128,941 | 61,990 | 340,630 | 189,096 |
| Miscellaneous | 103,163 | 80,260 | - | - | 103,163 | 80,260 |
| Total Revenues | 8,445,192 | 7,749,722 | 7,142,071 | 6,520,206 | 15,587,263 | 14,269,928 |
| **Expenses:** | | | | | | |
| General Government | 4,131,526 | 3,967,099 | - | - | 4,131,526 | 3,967,099 |
| Development Services | 1,259,383 | 4,310 | - | - | 1,259,383 | 4,310 |
| Public Safety | 796,217 | 444,616 | - | - | 796,217 | 444,616 |
| Emergency Management | - | 939 | - | - | - | 939 |
| Court | 10,933 | 4,959 | - | - | 10,933 | 4,959 |
| Community Center | 27,122 | 29,156 | - | - | 27,122 | 29,156 |
| Events | 54,070 | 58,564 | - | - | 54,070 | 58,564 |
| Parks | 97,704 | 78,014 | - | - | 97,704 | 78,014 |
| Public Works | 467,124 | 138,265 | - | - | 467,124 | 138,265 |
| Water/Wastewater Service | - | - | 9,254,526 | 4,811,589 | 9,254,526 | 4,811,589 |
| Total Expenses | 6,844,079 | 4,725,922 | 9,254,526 | 4,811,589 | 16,098,605 | 9,537,511 |
| **INCREASE IN NET POSITION BEFORE TRANSFERS** | 1,601,113 | 3,023,800 | (2,112,455) | 1,708,617 | (511,342) | 4,732,417 |
| Transfers In (Out) | (1,100,660) | (4,109,036) | 1,100,660 | 4,109,036 | - | - |
| **CHANGE IN NET POSITION** | 500,453 | (1,085,236) | (1,011,795) | 5,817,653 | (511,342) | 4,732,417 |
| **BEGINNING NET POSITION** | 12,243,425 | 13,328,661 | 29,972,290 | 24,154,637 | 42,215,715 | 37,483,298 |
| **ENDING NET POSITION** | $ 12,743,878 | $ 12,243,425 | $ 28,960,495 | $ 29,972,290 | $ 41,704,373 | $ 42,215,715 |


Governmental Revenues by Source
Miscellaneous
Charges for Services
Operating Grants and Contributions
Investment Earnings
Capital Grants and Contributions
Taxes


Tax Revenue by Type
Franchise Tax
Property Tax
Sales and Mixed Beverage Tax


Business-Type Activities
Program Revenues and Expenses
$10,000,000
$8,000,000
$6,000,000
$4,000,000
$2,000,000
$-
2025
2024
Charges for Services
Expenses

## Financial Analysis of the Government's Funds

As noted earlier, the City of Jarrell 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.

The City's general fund is the chief operating fund of the City and is used to account for all financial resources except those required to be accounted for by another fund. Property and sales taxes provide the major source of income. At the end of the current fiscal year, the unassigned fund balance portion of the general fund was $5.6 million compared to $4.8 million in the prior year. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures.

*Proprietary Fund* – The City's proprietary funds provide the same information found in the government-wide financial statements for business-type activities.

## Budgetary Highlights

*General Fund* – General fund revenues exceeded budgetary estimates by $181 thousand. Sales and property tax collections were not as strong as expected but permit activity was much higher with the growth in the area. Expenditures were $11 thousand over budget caused by development services. The permit plan reviews and inspections were outsourced in 2025 and grew more than expected along with the permit revenue. The final budget anticipated decreasing fund balance by $1.5 million but actual results only decreased fund balance by $373 thousand.

## Capital Asset and Debt Administration

*Capital Assets* - The City's investment in capital assets for its governmental and business-type activities as of September 30, 2025 amounted to $65.4 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, roads, park facilities, and machinery and equipment. The City's most significant additions during the year ending September 30, 2025 included several vehicles and street improvements. More detailed information on the City's capital asset activity is presented in the notes to the financial statements.

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Land | $ 404,177 | $ 404,177 | $ 2,573,382 | $ 2,573,382 | $ 2,977,559 | $ 2,977,559 |
| Water Rights | - | - | 1,750,000 | 1,750,000 | 1,750,000 | 1,750,000 |
| Construction in Progress | 1,591,989 | - | 2,222,754 | 21,989,711 | 3,814,743 | 21,989,711 |
| Total Not Depreciated | 1,996,166 | 404,177 | 6,546,136 | 26,313,093 | 8,542,302 | 26,717,270 |
| Buildings and Improvements | 1,579,148 | 1,579,148 | - | - | 1,579,148 | 1,579,148 |
| Infrastructure/Utility System | 1,666,306 | 1,471,306 | 63,811,236 | 43,427,891 | 65,477,542 | 44,899,197 |
| Machinery and Equipment | 1,563,012 | 852,860 | - | 252,250 | 1,563,012 | 1,105,110 |
| Accumulated Depreciation | (1,903,128) | (1,580,918) | (9,813,825) | (8,193,035) | (11,716,953) | (9,773,953) |
| Total Depreciated | 2,905,338 | 2,322,396 | 53,997,411 | 35,487,106 | 56,902,749 | 37,809,502 |
| Total | $ 4,901,504 | $ 2,726,573 | $ 60,543,547 | $ 61,800,199 | $ 65,445,051 | $ 64,526,772 |

*Long-Term Debt* – As of September 30, 2025, the City had total debt outstanding of $36 million. This amount is backed by the full faith and credit of the City and a pledge of utility net revenues. No new debt was issued in 2025 and payments were made as scheduled. More detailed information about the City's long-term liabilities is presented in the notes to the financial statements.

| | Business-Type Activities | |
|---|---|---|
| | 2025 | 2024 |
| Certificates of Obligation | $34,165,000 | $36,140,000 |
| Note Payable | 1,735,000 | 1,880,000 |
| TOTALS | $35,900,000 | $38,020,000 |

**Economic Factors and Next Year's Budgets and Rates**

The 2025-2026 budget levied a tax rate of 0.394004 per $100 (the same rate as 2024-2025). The City is expected to raise $348 thousand more in revenue from valuation increases and new property. General fund spending is budgeted to increase approximately 11% to expand personnel to keep up with the growth in the City and eventually bring more operations in-house rather than outsourced.

The City has conducted a utility rate study and is evaluating utility rate structures to ensure financial solvency of the utility system. The City anticipates issuing $13 million in bonds in 2026 to an elevated water storage tank and sewer plant expansion.

**Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the finance department, at the City of Jarrell, 161 Town Center Blvd, Jarrell, Texas 76537.

## BASIC FINANCIAL STATEMENTS

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

- Government-wide financial statements
- Fund financial statements
    - Governmental funds
    - Proprietary fund

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

CITY OF JARRELL
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and Cash Equivalents | $ 2,951,723 | $ 950,981 | $ 3,902,704 |
| Investments | 6,757,669 | 4,490,979 | 11,248,648 |
| Receivables (net of allowances): | | | |
| Property Taxes | 38,330 | - | 38,330 |
| Sales Tax | 609,862 | - | 609,862 |
| Other | 74,159 | 1,198,269 | 1,272,428 |
| Internal Balances | (1,408,320) | 1,408,320 | - |
| Prepaid Items | 12,671 | - | 12,671 |
| Net Pension Asset | 84,336 | - | 84,336 |
| Capital Assets: | | | |
| Land and Water Rights | 404,177 | 4,323,382 | 4,727,559 |
| Buildings and Improvements (net) | 1,267,119 | - | 1,267,119 |
| Utility System and Infrastructure (net) | 810,403 | 53,997,411 | 54,807,814 |
| Machinery and Equipment (net) | 827,816 | - | 827,816 |
| Construction in Progress | 1,591,989 | 2,222,754 | 3,814,743 |
| **TOTAL ASSETS** | 14,021,934 | 68,592,096 | 82,614,030 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | |
| Deferred Pension Related Outflows | 96,963 | - | 96,963 |
| **TOTAL DEFERRED OUTFLOWS** | $ 96,963 | $ - | $ 96,963 |

See accompanying notes to basic financial statements.

CITY OF JARRELL
STATEMENT OF NET POSITION (CONT.)
SEPTEMBER 30, 2025

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| **LIABILITIES** | | | |
| Accounts Payable | $ 1,160,824 | $ 1,855,225 | $ 3,016,049 |
| Accrued Interest Payable | - | 183,018 | 183,018 |
| Accrued Wages | 50,320 | - | 50,320 |
| Customer Deposits | 4,487 | 261,750 | 266,237 |
| Customer Overpayments | - | 13,424 | 13,424 |
| Long-term Liabilities | | | |
| Due in One Year | | | |
| Bonds and Notes Payable | - | 2,175,000 | 2,175,000 |
| Accrued Compensated Absences | 30,598 | - | 30,598 |
| Total OPEB Liability | 25 | - | 25 |
| Due in More than One Year | | | |
| Bonds and Notes Payable | - | 35,143,184 | 35,143,184 |
| Accrued Compensated Absences | 91,794 | - | 91,794 |
| Total OPEB Liability | 7,810 | - | 7,810 |
| **TOTAL LIABILITIES** | 1,345,858 | 39,631,601 | 40,977,459 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Deferred Pension Related Inflows | 27,829 | - | 27,829 |
| Deferred OPEB Related Inflows | 1,332 | - | 1,332 |
| **TOTAL DEFERRED INFLOWS** | 29,161 | - | 29,161 |
| **NET POSITION** | | | |
| Net Investment In Capital Assets | 4,901,503 | 23,225,363 | 28,126,866 |
| Restricted For: | | | |
| Debt Service | 245,748 | - | 245,748 |
| Economic Development | 1,595,292 | - | 1,595,292 |
| Public Safety | 1,860 | - | 1,860 |
| Access Fees | - | 2,811,072 | 2,811,072 |
| Net Pension Asset | 84,336 | - | 84,336 |
| Street Maintenance | 702,287 | - | 702,287 |
| Unrestricted | 5,212,852 | 2,924,060 | 8,136,912 |
| **TOTAL NET POSITION** | $ 12,743,878 | $ 28,960,495 | $ 41,704,373 |

See accompanying notes to basic financial statements.

CITY OF JARRELL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

| Functions and Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions |
|---|---|---|---|---|
| **Primary Government:** | | | | |
| *Governmental Activities:* | | | | |
| General Government | $ 4,131,526 | $ - | $ - | $ - |
| Development Services | 1,259,383 | 1,164,387 | - | - |
| Public Safety | 796,217 | - | 750 | - |
| Court | 10,933 | 32,766 | - | - |
| Community Center | 27,122 | 15,910 | - | - |
| Events | 54,070 | - | - | - |
| Parks | 97,704 | - | 2,500 | - |
| Public Works | 467,124 | - | - | 71,216 |
| *Total Governmental Activities* | 6,844,079 | 1,213,063 | 3,250 | 71,216 |
| *Business-Type Activities* | | | | |
| Water and Wastewater Service | 9,254,526 | 5,296,057 | - | 1,717,073 |
| *Total Business-Type Activities* | 9,254,526 | 5,296,057 | - | 1,717,073 |
| **Total Primary Government** | $ 16,098,605 | $ 6,509,120 | $ 3,250 | $ 1,788,289 |
| **General Revenues:** | | | | |
| Taxes: | | | | |
| Property Taxes | | | | |
| Sales and Mixed Beverage Taxes | | | | |
| Franchise Taxes | | | | |
| Investment Earnings | | | | |
| Miscellaneous | | | | |
| **Total General Revenues** | | | | |
| Transfers | | | | |
| **Change in Net Position** | | | | |
| **Net Position at Beginning of Year** | | | | |
| **Net Position at End of Year** | | | | |

See accompanying notes to basic financial statements.

| Primary Government | | |
|---|---|---|
| Net (Expense) Revenue and Changes in Net Position | | |
| Governmental Activities | Business-Type Activities | Total |
| $ (4,131,526) | $ - | $ (4,131,526) |
| (94,996) | - | (94,996) |
| (795,467) | - | (795,467) |
| 21,833 | - | 21,833 |
| (11,212) | - | (11,212) |
| (54,070) | - | (54,070) |
| (95,204) | - | (95,204) |
| (395,908) | - | (395,908) |
| (5,556,550) | - | (5,556,550) |
| - | (2,241,396) | (2,241,396) |
| - | (2,241,396) | (2,241,396) |
| (5,556,550) | (2,241,396) | (7,797,946) |
| 2,949,022 | - | 2,949,022 |
| 3,651,777 | - | 3,651,777 |
| 242,012 | - | 242,012 |
| 211,689 | 128,941 | 340,630 |
| 103,163 | - | 103,163 |
| 7,157,663 | 128,941 | 7,286,604 |
| (1,100,660) | 1,100,660 | - |
| 500,453 | (1,011,795) | (511,342) |
| 12,243,425 | 29,972,290 | 42,215,715 |
| $ 12,743,878 | $ 28,960,495 | $ 41,704,373 |

CITY OF JARRELL
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

| | Major Funds | | | |
|---|---|---|---|---|
| | General Fund | Street Maintenance | Capital Projects | Debt Service |
| **ASSETS** | | | | |
| Cash and Cash Equivalents | $ 1,387,979 | $ 19,632 | $ 937,137 | $ 439,127 |
| Investments | 2,568,771 | 1,611,114 | - | 1,219,509 |
| Receivables (net of allowances): | | | | |
| Property Taxes | 18,822 | - | - | 19,508 |
| Sales Tax | 457,397 | 76,233 | - | - |
| Other | 74,159 | - | - | - |
| Prepaid Items | 12,671 | - | - | - |
| Due from Other Funds | 862,517 | - | - | - |
| **TOTAL ASSETS** | $ 5,382,316 | $ 1,706,979 | $ 937,137 | $ 1,678,144 |
| **LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES** | | | | |
| *Liabilities:* | | | | |
| Accounts Payable | $ 52,233 | $ 810,000 | $ 296,948 | $ - |
| Accrued Wages | 50,320 | - | - | - |
| Deposits | 4,487 | - | - | - |
| Due to Other Funds | - | 194,692 | 640,189 | 1,432,396 |
| *Total Liabilities* | 107,040 | 1,004,692 | 937,137 | 1,432,396 |
| *Deferred Inflows of Resources:* | | | | |
| Unavailable Property Tax Revenue | 18,822 | - | - | 19,508 |
| *Fund Balances:* | | | | |
| Nonspendable Prepaid Items | 12,671 | - | - | - |
| Restricted for: | | | | |
| Debt Service | - | - | - | 226,240 |
| Economic Development | - | - | - | - |
| Public Safety | - | - | - | - |
| Street Maintenance | - | 702,287 | - | - |
| Unassigned | 5,243,783 | - | - | - |
| *Total Fund Balances* | 5,256,454 | 702,287 | - | 226,240 |
| **TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES** | $ 5,382,316 | $ 1,706,979 | $ 937,137 | $ 1,678,144 |

See accompanying notes to basic financial statements.

| Other Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|
| $ 167,848 | $ 2,951,723 |
| 1,358,275 | 6,757,669 |
| - | 38,330 |
| 76,233 | 609,863 |
| - | 74,159 |
| - | 12,671 |
| - | 862,517 |
| $ 1,602,356 | $ 11,306,932 |
| | |
| $ 1,644 | $ 1,160,825 |
| - | 50,320 |
| - | 4,487 |
| 3,560 | 2,270,837 |
| 5,204 | 3,486,469 |
| | |
| - | 38,330 |
| | |
| - | 12,671 |
| | |
| - | 226,240 |
| 1,595,292 | 1,595,292 |
| 1,860 | 1,860 |
| - | 702,287 |
| - | 5,243,783 |
| 1,597,152 | 7,782,133 |
| | |
| $ 1,602,356 | $ 11,306,932 |

See accompanying notes to basic financial statements.



CITY OF JARRELL
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

| | | |
|---|---|---|
| TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS | | $ 7,782,133 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 4,901,504 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recognized as revenue in the funds. | | 38,330 |
| Accrued vacation leave payable is not due and payable in the current period and, therefore, is not reported in the funds. | | (122,392) |
| OPEB Liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources are not reported in governmental funds: | | |
| OPEB Liability | (7,835) | |
| OPEB Related Deferred Inflows | (1,332) | (9,167) |
| Net Pension Liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources are not reported in governmental funds: | | |
| Pension Related Deferred Outflows | 96,963 | |
| Net Pension Asset (Liability) | 84,336 | |
| Pension Related Deferred Inflows | (27,829) | 153,470 |
| TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES | | $ 12,743,878 |

See accompanying notes to basic financial statements.

CITY OF JARRELL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

| | Major Funds | | | |
|---|---|---|---|---|
| | General Fund | Street Maintenance | Capital Projects | Debt Service |
| **REVENUES** | | | | |
| Property Taxes | $ 1,830,339 | $ - | $ - | $ 1,112,632 |
| Sales and Mixed Beverage Taxes | 2,732,833 | 459,472 | - | - |
| Franchise Taxes | 242,012 | - | - | - |
| Licenses and Permits | 1,164,387 | - | - | - |
| Grants and Donations | 3,250 | - | 71,216 | - |
| Fines and Forfeitures | 32,766 | - | - | - |
| Investment Earnings | 86,108 | 48,480 | 1,902 | 35,709 |
| Miscellaneous | 131,736 | - | 81,814 | - |
| **TOTAL REVENUES** | 6,223,431 | 507,952 | 154,932 | 1,148,341 |
| **EXPENDITURES** | | | | |
| *Current:* | | | | |
| General Government | 3,800,416 | - | - | 600 |
| Development Services | 1,259,383 | - | - | - |
| Public Safety | 538,685 | - | - | - |
| Court | 10,933 | - | - | - |
| Parks | 79,922 | - | - | - |
| Community Center | 27,122 | - | - | - |
| Events | 54,070 | - | - | - |
| *Capital Outlay* | - | 1,873,549 | 1,182,305 | - |
| *Debt Service:* | | | | |
| Interest and Fiscal Charges | - | - | - | - |
| **TOTAL EXPENDITURES** | 5,770,531 | 1,873,549 | 1,182,305 | 600 |
| **Excess (Deficiency) of Revenues Over (Under) Expenditures** | 452,900 | (1,365,597) | (1,027,373) | 1,147,741 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers In | - | - | 1,027,373 | - |
| Transfers Out | (826,350) | - | - | (1,301,683) |
| **TOTAL OTHER FINANCING SOURCES (USES)** | (826,350) | - | 1,027,373 | (1,301,683) |
| **Net Change in Fund Balance** | (373,450) | (1,365,597) | - | (153,942) |
| **Fund Balances at Beginning of Year** | 5,629,904 | 2,067,884 | - | 380,182 |
| **Fund Balances at End of Year** | $ 5,256,454 | $ 702,287 | $ - | $ 226,240 |

See accompanying notes to basic financial statements.

| Other Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|
| $ - | $ 2,942,971 |
| 459,472 | 3,651,777 |
| - | 242,012 |
| - | 1,164,387 |
| - | 74,466 |
| - | 32,766 |
| 39,488 | 211,687 |
| - | 213,550 |
| 498,960 | 8,533,616 |
| | |
| 202,997 | 4,004,013 |
| - | 1,259,383 |
| - | 538,685 |
| - | 10,933 |
| - | 79,922 |
| - | 27,122 |
| - | 54,070 |
| - | 3,055,854 |
| | |
| - | - |
| 202,997 | 9,029,982 |
| | |
| 295,963 | (496,366) |
| | |
| - | 1,027,373 |
| - | (2,128,033) |
| | |
| - | (1,100,660) |
| | |
| 295,963 | (1,597,026) |
| | |
| 1,301,189 | 9,379,159 |
| $ 1,597,152 | $ 7,782,133 |

See accompanying notes to basic financial statements.



CITY OF JARRELL
RECONCILIATION OF THE STATEMENT OF REVENUES,
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

| | | |
|---|---|---|
| NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS | | $ (1,597,026) |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. | | |
| Capital Outlay | 2,591,618 | |
| Depreciation Expense | (322,210) | 2,269,408 |
| Governmental funds report gross proceeds from the sale of capital assets, however in the statement of activities, the proceeds are reduced by the net book value of the capital assets disposed. | | (94,477) |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. | | 6,051 |
| Governmental funds report required contributions to employee pensions as expenditures. However, in the Statement of Activities the cost of the pension is recorded based on the actuarially determined cost of the plan. This is the amount that contributions exceeded (fell short of) actuarially determined pension expense. | | (31,500) |
| Governmental funds report required contributions to OPEB as expenditures. However, in the Statement of Activities the cost of the expense is recorded based on the actuarially determined cost of the plan. This is the amount that actuarially determined OPEB expense exceeded contributions. | | (6,520) |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds: | | |
| Compensated Absences | | (45,483) |
| CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES | | $ 500,453 |

See accompanying notes to basic financial statements.

CITY OF JARRELL
STATEMENT OF NET POSITION - PROPRIETARY FUND
SEPTEMBER 30, 2025

| | Business-Type Activities Utility Fund |
|---|---|
| **ASSETS** | |
| *Current Assets:* | |
| Cash and Cash Equivalents | $ 950,981 |
| Investments | 4,490,979 |
| Accounts Receivable, Net of Allowance: | |
| Customer Accounts | 963,997 |
| Grants Receivable | 234,272 |
| Due from Other Funds | 1,408,320 |
| *Total Current Assets* | 8,048,549 |
| *Noncurrent Assets:* | |
| Capital Assets: | |
| Land | 2,573,382 |
| Water Rights | 1,750,000 |
| Utility System (net) | 53,997,411 |
| Construction in Progress | 2,222,754 |
| *Total Noncurrent Assets* | 60,543,547 |
| **TOTAL ASSETS** | $ 68,592,096 |
| **LIABILITIES** | |
| *Current Liabilities:* | |
| Accounts Payable | $ 1,855,225 |
| Accrued Interest | 183,018 |
| Customer Overpayments | 13,424 |
| Customer Deposits | 261,750 |
| Current Portion of Long-Term Debt | 2,175,000 |
| *Total Current Liabilities* | 4,488,417 |
| *Long-term Liabilities* | |
| Long-Term Debt (Net of Current Portion) | 35,143,184 |
| *Total Long-term Liabilities* | 35,143,184 |
| **TOTAL LIABILITIES** | 39,631,601 |
| **NET POSITION** | |
| Net Investment in Capital Assets | 23,225,363 |
| Restricted Access Fees | 2,811,072 |
| Unrestricted | 2,924,060 |
| **TOTAL NET POSITION** | 28,960,495 |
| **TOTAL LIABILITIES AND NET POSITION** | $ 68,592,096 |

See accompanying notes to basic financial statements.

CITY OF JARRELL
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

| | Business-Type Activities Utility Fund |
|---|---|
| **OPERATING REVENUES** | |
| Water Charges | $ 1,756,569 |
| Wastewater Charges | 3,299,990 |
| Other Charges | 239,498 |
| **TOTAL OPERATING REVENUES** | 5,296,057 |
| **OPERATING EXPENSES** | |
| Water Purchases | 1,175,516 |
| Depreciation | 1,690,159 |
| Utilities | 458,424 |
| Maintenance | 4,635,033 |
| Administrative Expenses | 191,545 |
| **TOTAL OPERATING EXPENSES** | 8,150,677 |
| **OPERATING INCOME (LOSS)** | (2,854,620) |
| **NONOPERATING REVENUES (EXPENSES)** | |
| Investment Earnings | 128,941 |
| Capital Grants | 286,723 |
| Access Fees | 1,430,350 |
| Loss on Sale of Asset | (97,881) |
| Interest Expense | (1,005,968) |
| **TOTAL NONOPERATING REVENUES** | 742,165 |
| **INCOME BEFORE TRANSFERS** | (2,112,455) |
| **TRANSFERS** | |
| Transfers In | 1,301,683 |
| Transfers Out | (201,023) |
| **TOTAL TRANSFERS** | 1,100,660 |
| **CHANGE IN NET POSITION** | (1,011,795) |
| **NET POSITION AT BEGINNING OF YEAR** | 29,972,290 |
| **NET POSITION AT END OF YEAR** | $ 28,960,495 |

See accompanying notes to basic financial statements.

CITY OF JARRELL
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

| | Business-Type Activities |
|---|---|
| | Utility Fund |
| **Cash Flows From Operating Activities:** | |
| Cash Received From Customers | $ 5,205,966 |
| Cash Paid to Suppliers for Goods & Services | (4,694,727) |
| **Net Cash Provided (Used) by Operating Activities** | 511,239 |
| **Cash Flows From Capital and Related Financing Activities:** | |
| Acquisition and Construction of Capital Assets | (616,388) |
| Capital Grants Received | 52,451 |
| Customer Access Fees Received | 1,430,350 |
| Cash Received from Sale of Asset | 85,000 |
| Principal Paid on Long-term Debt | (2,120,000) |
| Interest Paid on Long-term Debt | (1,166,898) |
| **Net Cash Provided (Used) by Capital and Related Financing Activities** | (2,335,485) |
| **Cash Flows From Noncapital Financing Activities:** | |
| Advances to (from) Other Funds | 1,128,608 |
| **Net Cash Provided (Used) by Noncapital Financing Activities** | 1,128,608 |
| **Cash Flows From Investing Activities:** | |
| Interest Income | 128,941 |
| Purchase of Certificate of Deposit | (2,609,987) |
| **Net Cash Provided (Used) by Investing Activities** | (2,481,046) |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | (3,176,684) |
| **Cash and Cash Equivalents at Beginning of Year:** | 4,127,665 |
| **Cash and Cash Equivalents at End of Year:** | $ 950,981 |

See accompanying notes to basic financial statements.

CITY OF JARRELL
STATEMENT OF CASH FLOWS - PROPRIETARY FUND (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2025

| | Business-Type Activities |
|---|---|
| | Utility Fund |
| **Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:** | |
| Operating Income | $ (2,854,620) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | |
| Depreciation | 1,690,159 |
| Decrease (Increase) in Assets: | |
| Accounts Receivable (net) | (149,908) |
| Increase (Decrease) in Liabilities: | |
| Accounts Payable | 1,765,791 |
| Customer Deposits | 57,750 |
| Customer Overpayments | 2,067 |
| **Net Cash Provided (Used) by Operating Activities** | $ 511,239 |

See accompanying notes to basic financial statements.

## NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Jarrell, Texas, are presented in accordance with generally accepted accounting principles (GAAP) applicable to state and local governmental units as set forth by the Government Accounting Standards Board (GASB). A summary of the City's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

### A. Reporting Entity

The City, for financial purposes, includes all of the activities and funds relevant to the operations of the City of Jarrell. These operations include general government, public safety, public works and water/wastewater service.

The governmental reporting entity consists of the City and its component unit. Blended component units, although legally separate entities, are, in substance, part of the government's operations, and data from these units are combined with the data of the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. The City has one blended component unit.

*Component Unit*

The City of Jarrell Economic Development Corporation (EDC) is governed by a five-member board, all appointed by City Council. The EDC is focused on building economic prosperity in the City of Jarrell. The EDC is funded through a quarter cent Section 4A sales tax. The EDC provides direct services and benefits to the City of Jarrell, its business community, and citizens and functions as an integral part of the City's operations by promoting and incentivizing economic growth and development for the community. The EDC and the City of Jarrell have both a financial and operational relationship which requires that the EDC's financial statements be presented in the City's financial statements. The City Council approves the budget and expenditures of the EDC and the employees of the EDC are employees of the City. Separate financial statements are not issued for the EDC.

### B. Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and statement of activities. Government-wide statements report information on all of the activities of the City. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. The values of interfund services provided and used are not eliminated in the government-wide financial statements, as elimination of those charges would distort the direct costs reported for the various functions. Governmental activities are supported mainly by taxes and intergovernmental revenues. Business-type activities are financed whole or in part by fees charged to external parties for goods and services. The City has no fiduciary funds.

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

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

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns 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. This measurement focus is also used for the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash revenue types, which have been accrued, revenue from the investments, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

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

Governmental fund level financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if collected within 30 (thirty) days of the end of the current fiscal period. Receivables which are measurable but not collectible are reported as deferred inflows of resources. Property taxes which are levied prior to September 30, 2024, and became due October 1, 2024 have been assessed to finance the budget of the fiscal year beginning October 1, 2024 and, accordingly, have been reflected as deferred inflow of resources and taxes receivable in the fund financial statement at September 30, 2025.

Sales taxes, franchise taxes, hotel/motel taxes, interest and fees associated with the current fiscal year are considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal period. All other revenue items received by the government are considered to be measurable and available only when the cash is received by the City.

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The proprietary funds are accounted for using the accrual basis of accounting as follows:

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

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

The government reports the following major governmental funds:

**General Fund** is the general operating fund of the City and is always classified as a major fund. The general fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, sales taxes and franchise fees. Primary expenditures are for general government, public safety, public works and recreation.

**Street Maintenance Fund** sales tax for street maintenance activities and funds repairs and improvements to existing roadways.

**Capital Projects Fund** holds bond proceeds and transfers from other funds for identified capital projects.

**Debt Service Fund** holds property taxes levied to repay qualified debts of the City.

The government reports the following major proprietary fund:

**Utility Fund** accounts for charges to residents and businesses for the provision of water service and the collection and treatment of wastewater.

D. Cash and Cash Equivalents

The City considers all highly liquid investments including cash in banks, cash on hand, and local government investment pools to be cash equivalents.

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Investments

State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (d). Statutes allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations.

Investments are stated at fair value except for certificates of deposit and local government investment pools. Those investments are stated at amortized cost and net asset value, respectively. The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable values or reflective of future fair values. Furthermore, while the City believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Receivables

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2024 and past due after January 31, 2025. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the City. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by the court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as deferred inflows of resources in the fund statements. Receivables are shown net of an allowance for uncollectibles.

G. Short-Term Inter-fund Receivables/Payables

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

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid Items of governmental funds are recorded as expenditures when consumed rather than when purchased.

I. Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of $5,000 or more. Infrastructure assets include city-owned streets, sidewalks, curbs and bridges. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets, donated works of art and capital assets received in a service concession arrangement are recorded at acquisition value at the date of donation.

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

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets (Continued)

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

| Asset | Useful Lives (Years) |
|---|---|
| Buildings | 10-30 |
| Streets and Infrastructure | 15-20 |
| Equipment | 5 |
| Utility System | 5-40 |

J. Compensated Absences

The City's employees earn vacation and sick leave which may either be taken or accumulated, up to certain amounts. Only unused vacation will be paid upon resignation or retirement. Compensated absences are recorded as a liability as they accrue to the employees in the government-wide and proprietary fund financial statements based on an estimate of the leave that is more likely than not to be paid out of converted to leave. For the City, this represents all of the vacation lease and a portion of the sick leave. Compensated absences are reported in the governmental funds only if they have matured (i.e., unused reimbursable leave outstanding following an employee's resignation or retirement). The City uses the first in-first out flows assumption in determining the liability.

K. Deferred Inflows/Outflows of Resources

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

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

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deduction from TMRS'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. The general fund has typically been used in prior years to liquidate pension liabilities.

M. OPEB Liability

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

N. Long-Term Obligations

Debt is defined as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. For this purpose, debt does not include leases, except for contracts reported as a financed purchase of the underlying asset, or accounts payable.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities or proprietary fund type statement of net position. On new bond issues, bond premium and discounts are deferred and amortized over the life of the term of the related debt. Loss on refundings and bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Net Position

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

P. Fund Balance

Five categories of fund balances were created and defined by GASB 54. These five categories are as follows:

- **Restricted** – These funds are governed by externally enforceable restrictions.
- **Non-spendable** – These funds are not available for expenditures based on legal or contractual requirements. An example might by inventories and prepaid expenditures.
- **Committed** - Fund balances in this category are limited by the government's highest level of decision making (in this case the City Council). Any changes of this designation must be done in the same manner that it was implemented. For example, if funds are committed by resolution, the commitment could only be released with another resolution.
- **Assigned** – For funds to be assigned, there must be an intended use which can be established by the City Council or an official delegated by the Council. Authority to make assignments has not been established as this time.
- **Unassigned** - This classification is the default for all funds that do not fit into the other categories. The general fund is the only fund that reports a positive fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for a specific purposes, it may be necessary to report a negative unassigned fund balance in that particular fund.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City's Council or its designated official has provided otherwise in its commitments or assignment actions. The City's policy is to maintain a minimum unassigned fund balance in the General Fund of 25% of the current year's operating expenditures.

Q. Inter-fund Transactions

Legally authorized transfers are treated as inter-fund transfers and are included in the results of operations of both governmental and proprietary funds.

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Operating Revenues and Expenses

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

S. Use of Estimates

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

NOTE 2 -- INVESTMENTS

The City Council has adopted a written investment policy regarding the investments of its funds as defined by the Public Funds Act of 1995 (Chapter 2256, Texas Government Code). The City's investment policy requires all deposits to be fully collateralized. Investments held in pools shall be continuously rated no lower than AAA or AAAm or at an equivalent rating by at least one nationally recognized rating service. The investments of the City are in compliance with the Council's investment policies. All significant legal and contractual provisions for investments were complied with during the year. Investments at year end are representative of the types of investments maintained by the City during the year.

The City's investments at September 30, 2025 consisted entirely of certificates of deposit reported at amortized cost. These certificates are held at the City's depository and were covered as part of the pledged collateral provided by the depository.

NOTE 3 -- PROPERTY TAX

Taxes are levied on and payable as of October 1. The City has contracted with the Williamson County Tax Assessor/Collector to collect taxes on its behalf. Current year taxes become delinquent February 1. Current year delinquent taxes not paid by July 1 are turned over to attorneys for collection action. For fiscal year 2025, the assessed tax rate for the City was $0.394004 per $100 on an assessed valuation of $750 million. This is broken out as $0.244941 per $100 for maintenance and operations and $0.149063 per $100 for debt retirement. Total tax levy for fiscal year 2025 (tax year 2024) is $2.9 million. As of September 30, 2025, the delinquent current taxes for 2025 were $25 thousand.

NOTE 4 -- RECEIVABLES

Receivables consist of the following as of September 30, 2025:

| | Governmental Funds | | | | Proprietary Fund |
|---|---|---|---|---|---|
| | General | Street Maintenance | Debt Service | Other Nonmajor Funds | Utility Fund |
| *Receivables:* | | | | | |
| Property Taxes | $ 18,822 | $ - | $ 19,508 | $ - | $ - |
| Sales Tax | 457,397 | 76,233 | - | 76,233 | - |
| Franchise Taxes | 74,159 | - | - | - | - |
| Retail Customers | - | - | - | - | 530,384 |
| Wholesale | - | - | - | - | 402,091 |
| Unbilled Service | - | - | - | - | 296,714 |
| Gross Receivables | 550,378 | 76,233 | 19,508 | 76,233 | 1,229,189 |
| Less: Allowance for Uncollectibles | - | - | - | - | (265,192) |
| Net Total Receivables | $ 550,378 | $ 76,233 | $ 19,508 | $ 76,233 | $ 963,997 |

NOTE 5 -- TRANSACTIONS BETWEEN FUNDS

The following balances were owed between funds as of September 30, 2025:

| Due From | Due to | Amount | Purpose |
|---|---|---|---|
| Nonmajor Governmental | General Fund | $ 3,560 | Reimbursement |
| Street Maintenance | General Fund | 194,692 | Reimbursement |
| Capital Projects | General Fund | 640,189 | Reimbursement |
| Debt Service | Utility Fund | 1,408,320 | Debt Service Reimbursements |
| Debt Service | General Fund | 24,076 | Allocation of cash receipts |
| | | $2,270,837 | |

Transfers between funds during the year ended September 30, 2025 consisted of the following:

| Transfer From | Transfer To | Amount | Purpose |
|---|---|---|---|
| Utility Fund | Capital Projects | $ 201,023 | Supplement other resources |
| General Fund | Capital Projects | 826,350 | Supplement other resources |
| Debt Service | Utility Fund | 1,301,683 | Taxes levied for utility debt |
| | | $ 2,329,056 | |

NOTE 6 -- CAPITAL ASSETS

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

| | Beginning Balance | Additions | Disposals | Ending Balance |
|---|---|---|---|---|
| **Governmental Activities:** | | | | |
| *Capital Assets, Not Being Depreciated:* | | | | |
| Land | $ 404,177 | $ - | $ - | $ 404,177 |
| Construction in Progress | - | 1,591,989 | - | 1,591,989 |
| *Total Capital Assets Not Being Depreciated* | 404,177 | 1,591,989 | - | 1,996,166 |
| *Capital Assets, Being Depreciated:* | | | | |
| Buildings and Improvements | 1,579,148 | - | - | 1,579,148 |
| Streets and Infrastructure | 1,471,306 | 195,000 | - | 1,666,306 |
| Machinery and Equipment | 852,860 | 804,629 | (94,477) | 1,563,012 |
| *Total Capital Assets Being Depreciated* | 3,903,314 | 999,629 | (94,477) | 4,808,466 |
| *Accumulated Depreciation:* | | | | |
| Buildings and Improvements | (286,311) | (25,718) | - | (312,029) |
| Streets and Infrastructure | (753,274) | (102,629) | - | (855,903) |
| Machinery and Equipment | (541,333) | (193,863) | - | (735,196) |
| *Total Accumulated Depreciation* | (1,580,918) | (322,210) | - | (1,903,128) |
| Total Capital Assets Being Depreciated, Net | 2,322,396 | 677,419 | (94,477) | 2,905,338 |
| Governmental Activities Capital Assets, Net | $ 2,726,573 | $ 2,269,408 | $ (94,477) | $ 4,901,504 |

Depreciation expense was charged to the governmental functions as follows

| | |
|---|---|
| *Governmental Activities:* | |
| General Government | $ 39,551 |
| Public Safety | 140,870 |
| Parks | 17,782 |
| Public Works | 124,007 |
| *Total Depreciation Expense - Governmental Activities* | $ 322,210 |

NOTE 6 -- CAPITAL ASSETS (Continued)

| | Beginning Balance | Additions | Disposals | Ending Balance |
|---|---|---|---|---|
| **Business-Type Activities:** | | | | |
| *Capital Assets, Not Being Depreciated:* | | | | |
| Land | $ 2,573,382 | $ - | $ - | $ 2,573,382 |
| Water Rights | 1,750,000 | - | - | 1,750,000 |
| Construction in Progress | 21,989,711 | 614,808 | (20,381,765) | 2,222,754 |
| *Total Capital Assets Not Being Depreciated* | 26,313,093 | 614,808 | (20,381,765) | 6,546,136 |
| *Capital Assets, Being Depreciated:* | | | | |
| Utility System | 43,427,891 | 1,580 | 20,381,765 | 63,811,236 |
| Machinery and Equipment | 252,250 | - | (252,250) | - |
| *Total Capital Assets Being Depreciated* | 43,680,141 | 1,580 | 20,129,515 | 63,811,236 |
| *Accumulated Depreciation:* | | | | |
| Utility System | (8,146,789) | (1,667,036) | - | (9,813,825) |
| Machinery and Equipment | (46,246) | (23,123) | 69,369 | - |
| *Total Accumulated Depreciation* | (8,193,035) | (1,690,159) | 69,369 | (9,813,825) |
| Total Capital Assets Being Depreciated, Net | 35,487,106 | (1,688,579) | 20,198,884 | 53,997,411 |
| Business-Type Activities Capital Assets, Net | $ 61,800,199 | $ (1,073,771) | $ (182,881) | $ 60,543,547 |

NOTE 7 -- LONG-TERM LIABILITIES

Changes in long-term liabilities during the year ending September 30, 2025 were as follows:

| | Balance 9/30/2024 | Additions | Reductions | Balance 9/30/2025 | Due Within One Year |
|---|---|---|---|---|---|
| **Primary Government** | | | | | |
| *Governmental Activities:* | | | | | |
| Compensated Absences | $ 76,909 | $ 45,483 | $ - | $ 122,392 | $ 30,598 |
| Net Pension Liability (Asset) | (17,118) | 488,676 | (387,222) | 84,336 | - |
| Total OPEB Liability | 2,646 | 6,666 | (1,477) | 7,835 | 25 |
| *Total Governmental Activities* | 62,437 | 540,825 | (388,699) | 214,563 | 30,623 |
| *Business-Type Activities:* | | | | | |
| Bonds, Notes and Related Premiums | 39,590,765 | - | (2,272,581) | 37,318,184 | 2,175,000 |
| *Total Business-Type Activities* | 39,590,765 | - | (2,272,581) | 37,318,184 | 2,175,000 |
| **Total Primary Government** | $ 39,653,202 | $ 540,825 | $ (2,661,280) | $ 37,532,747 | $ 2,205,623 |

The change in compensated absences is a net figure.

## NOTE 8 -- BONDS AND NOTES PAYABLE

The City has the following outstanding debts:

| | Original Principal | Interest Rate | Maturity | Purpose |
|---|---|---|---|---|
| *Business-Type Activities:* | | | | |
| 2006 Certificates | $7,895,000 | 0% | 2026 | Water/Wastewater system improvements |
| 2008 Certificates | 1,520,000 | 0% | 2038 | Water/Wastewater system improvements |
| 2015 Note Payable | 2,985,000 | 3-5% | 2035 | Water/Wastewater system improvements |
| 2017 Certificates | 12,000,000 | 0.71-2.23% | 2042 | Water/Wastewater system improvements |
| 2018 Certificates | 2,005,000 | 3.75-5% | 2043 | Water/Wastewater system improvements |
| 2020 Certificates | 13,685,000 | 2.25-5% | 2045 | Water/Wastewater system improvements |
| 2023 Certificates | 10,790,000 | 4-5% | 2043 | Water/Wastewater system improvements |

The 2006, 2008 and 2017 certificates were privately placed with no subjective acceleration clauses, events of default with finance-related consequences or termination events with finance-related consequences.

The 2015 note payable was created as part of a facilities acquisition agreement with Lone Star Regional Water Authority in which the City took ownership of a ground storage tank upon completion of construction. The tank was financed through bonds issued by Lone Star Regional Water Authority for which the City is making the debt service payments.

Changes in debt during the fiscal year ending September 30, 2025 were as follows:

| | Balance 9/30/2024 | Additions | Reductions | Balance 9/30/2025 | Due Within One Year |
|---|---|---|---|---|---|
| *Business-Type Activities:* | | | | | |
| Public Offerings: | | | | | |
| 2018 Certificates | $ 1,710,000 | $ - | $ (60,000) | $ 1,650,000 | $ 65,000 |
| 2020 Certificates | 12,395,000 | - | (430,000) | 11,965,000 | 450,000 |
| 2023 Certificates | 10,545,000 | - | (350,000) | 10,195,000 | 365,000 |
| Private Placement: | | | | | |
| 2006 Certificates | 1,345,000 | - | (670,000) | 675,000 | 675,000 |
| 2008 Certificates | 1,095,000 | - | (30,000) | 1,065,000 | 30,000 |
| 2017 Certificates | 9,050,000 | - | (435,000) | 8,615,000 | 440,000 |
| 2015 Note Payable | 1,880,000 | - | (145,000) | 1,735,000 | 150,000 |
| Unamortized Premiums | 1,570,765 | - | (152,581) | 1,418,184 | - |
| *Total Business-Type Activities* | $ 39,590,765 | $ - | $ (2,272,581) | $ 37,318,184 | $ 2,175,000 |

NOTE 8 -- BONDS AND NOTES PAYABLE (Continued)

The annual debt service requirements on these bonds as of September 30, 2025 are as follows:

| | Business-Type Activities | | | | |
|---|---|---|---|---|---|
| | Public Offering | | Private Placement | | |
| Year Ending September 30, | Principal | Interest | Principal | Interest | Total |
| 2026 | $ 880,000 | $ 877,119 | $ 1,295,000 | $ 238,401 | $ 3,290,520 |
| 2027 | 925,000 | 833,119 | 670,000 | 228,181 | 2,656,300 |
| 2028 | 970,000 | 786,869 | 680,000 | 217,167 | 2,654,036 |
| 2029 | 1,020,000 | 738,369 | 695,000 | 205,258 | 2,658,627 |
| 2030 | 1,070,000 | 688,119 | 710,000 | 192,330 | 2,660,449 |
| 2031-2035 | 5,915,000 | 2,716,945 | 3,855,000 | 719,705 | 13,206,650 |
| 2036-2040 | 6,910,000 | 1,582,557 | 3,010,000 | 311,675 | 11,814,232 |
| 2041-2045 | 6,120,000 | 445,727 | 1,175,000 | 39,413 | 7,780,140 |
| Total | $ 23,810,000 | $ 8,668,824 | $ 12,090,000 | $ 2,152,130 | $ 46,720,954 |

NOTE 9 -- PENSION PLAN – TEXAS MUNICIPAL RETIREMENT SYSTEM

A. Plan Description

The City participates as one of 938 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan 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 employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at www.tmrs.com. All eligible employees of the City are required to participate in TMRS.

B. 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 member’s benefit is calculated based on the sum of the member’s contributions, with interest, and the City-financed monetary credits with interest. The retiring member may select one of seven monthly benefit payment options. Members may also 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 lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member's contributions and interest.

NOTE 9 -- PENSION PLAN – TEXAS MUNICIPAL RETIREMENT SYSTEM (Continued)

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 | 1 |
| Inactive Employees Entitled to but Not Yet Receiving Benefits | 3 |
| Active Employees | 22 |
| | 26 |

C. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, 7% or 8% of member's total compensation, and the city matching percentages are either 1 to 1, 1.5 to 1, or 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% (increasing to 8% in 2026) of their annual compensation during the fiscal year. The City matches employee contributions 2 to 1. The City's required contribution rates were 7.19% and 7.54% for calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025 were $134,795 which matched the required contributions.

D. Net Pension Liability

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

NOTE 9 -- PENSION PLAN – TEXAS MUNICIPAL RETIREMENT SYSTEM (Continued)

E. Actuarial Assumptions

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

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | N/A |
| Asset Valuation Method | 10 Year Smoothed Market; 12% Soft Corridor |
| Inflation | 2.50% |
| Salary Increases | 3.60% to 11.85% Including Inflation |
| Investment Rate of Return | 6.75% |
| Retirement Age | Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022. |
| 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).<br><br>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). |

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale MP2021 to account for future mortality improvements subject to the 3% floor.

NOTE 9 -- PENSION PLAN – TEXAS MUNICIPAL RETIREMENT SYSTEM (Continued)

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|---|---|---|
| Global Equity | 35.00% | 7.10% |
| Core Fixed Income | 6.00% | 5.00% |
| Non-Core Fixed Income | 6.00% | 6.80% |
| Hedge Funds | 5.00% | 6.40% |
| Private Equity | 13.00% | 8.50% |
| Private Debt | 13.00% | 8.20% |
| Real Estate | 12.00% | 6.70% |
| Infrastructure | 6.00% | 6.00% |
| Other Private Markets | 4.00% | 7.30% |
| | 100.00% | |

F. 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.

NOTE 9 -- PENSION PLAN – TEXAS MUNICIPAL RETIREMENT SYSTEM (Continued)

G. Changes in Net Pension Liability (Asset)

| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability (Asset) |
|---|---|---|---|
| Balance at December 31, 2023 | $ 100,131 | $ 117,249 | $ (17,118) |
| Changes for the year: | | | |
| Service Cost | 303,520 | - | 303,520 |
| Interest | 16,404 | - | 16,404 |
| Change of Benefit Terms | - | - | - |
| Difference Between Expected and Actual Experience | (25,535) | - | (25,535) |
| Changes of Assumptions | - | - | - |
| Contributions - Employer | - | 203,774 | (203,774) |
| Contributions - Employee | - | 145,524 | (145,524) |
| Net Investment Income | - | 12,389 | (12,389) |
| Benefit Payments, Including Refunds of Employee Contributions | (17,728) | (17,728) | - |
| Administrative Expense | - | (78) | 78 |
| Other Changes | - | (2) | 2 |
| Net Changes | 276,661 | 343,879 | (67,218) |
| Balance at December 31, 2024 | $ 376,792 | $ 461,128 | $ (84,336) |

H. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

| | Discount Rate 5.75% | Discount Rate 6.75% | Discount Rate 7.75% |
|---|---|---|---|
| Net Pension Liability (Asset) | $ (22,612) | $ (84,336) | $ (134,491) |

I. Pension Plan Fiduciary Net Position

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

J. Pension Expense

For the year ended September 30, 2025, the City recognized pension expense of $162,604.

NOTE 9 -- PENSION PLAN – TEXAS MUNICIPAL RETIREMENT SYSTEM (Continued)

K. Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

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 | $ - | $ 22,685 |
| Changes in Actuarial Assumptions | - | 1,565 |
| Differences Between Projected and Actual Investment Earnings | - | 3,579 |
| Contributions Subsequent to the Measurement Date | 96,963 | - |
| | $ 96,963 | $ 27,829 |

The City reported $96,963 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (December 31, 2024) will be recognized as a reduction of the net pension liability for the plan year ending December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| For the Year Ended December 31, | |
|---|---|
| 2025 | $ (3,962) |
| 2026 | (3,962) |
| 2027 | (3,962) |
| 2028 | (3,961) |
| 2029 | (3,067) |
| Thereafter | (8,915) |
| | $ (27,829) |

## NOTE 10 -- OTHER POST EMPLOYMENT BENEFIT (OPEB)

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an "other post-employment benefit," or OPEB. Membership in the plan at December 31, 2024, the valuation and measurement date, consisted of:

| | |
|---|---|
| Inactive Employees or Beneficiaries Currently Receiving Benefits | 1 |
| Inactive Employees Entitled to but Not Yet Receiving Benefits | 1 |
| Active Employees | 22 |
| | 24 |

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

| | |
|---|---|
| Inflation | 2.50% |
| Salary Increases | 3.60% to 11.85% Including Inflation |
| Discount Rate | 4.08% (Bond Buyer "20-Bond GO Index") |
| Administrative Expenses | All administrative expenses are paid throe the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68. |
| Mortality Rates - Service Retiree | 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 Retire | 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor. |

NOTE 10 -- OTHER POST EMPLOYMENT BENEFIT (OPEB) (Continued)

The City's contributions to TMRS for the benefit were $2,391 for the fiscal year ended September 30, 2025 and were equal to the required contributions. None of the contributions were attributed to retirees. The SDBF required contribution rates were as follows:

| Calendar Year | Total SDBF Contribution Rate | Retiree Portion to SDB Contribution Rate |
|---|---|---|
| 2024 | 0.16% | 0.00% |
| 2025 | 0.12% | 0.00% |

The City's Total OPEB Liability (TOL), based on the above actuarial factors, as of December 31, 2024 was calculated as follows:

| | Total OPEB Liability |
|---|---|
| Balance at December 31, 2023 | $ 2,646 |
| Changes for the year: | |
| Service Cost | 6,445 |
| Interest | 221 |
| Change of Benefit Terms | - |
| Difference Between Expected and Actual Experience | (946) |
| Changes of Assumptions | (531) |
| Benefit Payments | - |
| Net Changes | 5,189 |
| Balance at December 31, 2024 | $ 7,835 |

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

The following presents the TOL of the City, calculated using the discount rate of 4.08% as well as what the City's TOL would be if it were calculated using a discount rate that is 1-percentage point lower and 1-percentage point higher than the current rate:

| | Discount Rate 3.08% | Discount Rate 4.08% | Discount Rate 5.08% |
|---|---|---|---|
| Total OPEB Liability | $ 9,765 | $ 7,835 | $ 6,415 |

NOTE 10 -- OTHER POST EMPLOYMENT BENEFIT (OPEB) (Continued)

For the year ended September 30, 2025, the City recognized OPEB expense of $6,516. Also as of September 30, 2025, the City reported the following deferred outflows of resources and deferred inflows of resources related to OPEB:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference Between Expected and Actual Experience | $ - | $ 851 |
| Changes in Actuarial Assumptions | - | 481 |
| Contributions Subsequent to the Measurement Date | - | - |
| | $ - | $ 1,332 |

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| For the Year Ended December 31, | |
|---|---|
| 2025 | $ (150) |
| 2026 | (150) |
| 2027 | (150) |
| 2028 | (150) |
| 2029 | (149) |
| Thereafter | (583) |
| | $ (1,332) |

NOTE 11 -- JOINT VENTURE – LONE STAR REGIONAL WATER AUTHORITY

The City participates with the Sonterra Municipal Utility District and Williamson County as members of Lone Star Regional Water Authority (LSRWA). LSRWA was created in 2011 to design, finance, construct and operate wholesale water infrastructure projects for public/private water providers. The City appoints a portion of the Board of LSRWA. In 2015, the City executed a water supply agreement with LSRWA with two other entities to create the East Williamson County Regional Water Transmission System Project ("Project"). The City is entitled to a share of the water produced from the project and is required to make payments to LSRWA in amounts sufficient to cover the City's allocated share of the Project's operating costs and debt service through a pledge of the City's utility fund revenues. LSRWA has issued contract revenue bonds based on the water supply contract. For the fiscal year ended September 30, 2024, LSRWA's audited financial statements reported total assets of $65 million and total liabilities of $61 million. The outstanding bonds and notes for the Project were $32 million. Payments to LSRWA during the year are recorded as water purchase expense in the Utility Fund. Payments by the City to LSRWA for the year ended September 30, 2025 were $1.17 million.

## NOTE 12 -- CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The amount, if any, 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.

## NOTE 13 -- RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are set annually by TML. Liability by the City is generally limited to the contributed amounts. There were no significant changes in coverage during fiscal year 2025.

## NOTE 14 -- COMMITMENTS

The City has entered into contracts for construction and engineering on water and wastewater projects. Commitments on these projects as of September 30, 2025 are as follows:

| | Estimated Project Cost to City | Expended to Date | Estimated Future Commitment |
|---|---|---|---|
| *Business-Type Activities:* | | | |
| CR 305 Waterline Expansion | $ 462,503 | $ 221,833 | $ 240,670 |
| Total Estimated Future Commitments | $ 462,503 | $ 221,833 | $ 240,670 |

## NOTE 15 -- LITIGATION / CLAIMS

During the fiscal year ended September 30, 2025, the City settled two legal claims arising in the ordinary course of operations. These settlements included a claim with a former employee and a contractual dispute with a vendor. The total cost of these settlements are recorded as $0.5 million in General Fund general government expenditures and $1.631 million in Utility Fund maintenance expenses.

The City is also subject to a claim of breach of contract to provide utility service to a future development. Management and legal counsel are of the opinion that the development agreement in question is not valid and plan to aggressively defend the claim. However, if decided adversely to the City, the City may have to incur significant costs to provide utility service to this future development.

## NOTE 16 -- SUBSEQUENT EVENTS

The City intends to issue $13 million in combination tax and pledged revenue bonds for utility system improvements in 2026.

## REQUIRED SUPPLEMENTARY INFORMATION

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

- Budgetary Comparison Schedule - General Fund
- Schedule of Changes in Net Pension Liability and Related Ratios – Last 10 Plan Years
- Schedule of Pension Contributions - Last 10 Fiscal Years
- Schedule of Changes in Total Other Post-Employment Benefit Liability and Related Ratios – Last 10 Plan Years

CITY OF JARRELL
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2025

| | Budgeted Amounts | | Actual | Variance With Final Budget - Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **REVENUES** | | | | |
| Property Taxes | $ 1,861,768 | $ 1,875,968 | $ 1,830,339 | $ (45,629) |
| Sales and Mixed Beverage Taxes | 2,883,754 | 2,883,754 | 2,732,833 | (150,921) |
| Franchise Taxes | 213,880 | 213,880 | 242,012 | 28,132 |
| Licenses and Permits | 686,823 | 896,823 | 1,164,387 | 267,564 |
| Grants and Donations | - | 2,250 | 3,250 | 1,000 |
| Fines and Forfeitures | 30,057 | 24,057 | 32,766 | 8,709 |
| Investment Earnings | 13,443 | 75,443 | 86,108 | 10,665 |
| Miscellaneous | 70,257 | 70,257 | 131,736 | 61,479 |
| **TOTAL REVENUES** | 5,759,982 | 6,042,432 | 6,223,431 | 180,999 |
| **EXPENDITURES** | | | | |
| *Current:* | | | | |
| General Government | 4,472,192 | 4,492,643 | 3,800,416 | 692,227 |
| Development Services | 380,796 | 480,796 | 1,259,383 | (778,587) |
| Public Safety | 623,512 | 503,061 | 538,685 | (35,624) |
| Court | 11,050 | 11,050 | 10,933 | 117 |
| Parks | 141,706 | 141,706 | 79,922 | 61,784 |
| Community Center | 43,019 | 43,019 | 27,122 | 15,897 |
| Events | 87,707 | 87,707 | 54,070 | 33,637 |
| **TOTAL EXPENDITURES** | 5,759,982 | 5,759,982 | 5,770,531 | (10,549) |
| **Excess (Deficiency) of Revenues Over (Under) Expenditures** | - | 282,450 | 452,900 | 170,450 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers In | (1,250,000) | (1,789,892) | (826,350) | 963,542 |
| **TOTAL OTHER FINANCING SOURCES (USES)** | (1,250,000) | (1,789,892) | (826,350) | 963,542 |
| **Net Change in Fund Balance** | (1,250,000) | (1,507,442) | (373,450) | 1,133,992 |
| **Fund Balances, Beginning** | 5,629,904 | 5,629,904 | 5,629,904 | - |
| **Fund Balances, Ending** | $ 4,379,904 | $ 4,122,462 | $ 5,256,454 | $ 1,133,992 |

CITY OF JARRELL
SCHEDULE OF CHANGES IN NET POSITION LIABILITY AND RELATED RATIOS
LAST TEN PLAN YEARS*

| | Total Pension Liability | |
|---|---|---|
| | 2023 | 2024 |
| Service Cost | $ 137,219 | $ 303,520 |
| Interest (on the Total Pension Liability) | 2,120 | 16,404 |
| Changes of Benefit Terms | (37,209) | - |
| Difference between Expected and Actual Experience | - | (25,535) |
| Change of Assumptions | (1,999) | - |
| Benefit Payments, Including Refunds of Employee Contributions | - | (17,728) |
| Net Change in Total Pension Liability | 100,131 | 276,661 |
| Total Pension Liability - Beginning | - | 100,131 |
| Total Pension Liability - Ending | $ 100,131 | $ 376,792 |

| | Plan Fiduciary Net Position | |
|---|---|---|
| | 2023 | 2024 |
| Contributions - Employer | $ 57,868 | $ 203,774 |
| Contributions - Employee | 59,381 | 145,524 |
| Net Investment Income | - | 12,389 |
| Benefit Payments, Including Refunds of Employee Contributions | - | (17,728) |
| Administrative Expense | - | (78) |
| Other | - | (2) |
| Net Change in Plan Fiduciary Net Position | 117,249 | 343,879 |
| Plan Fiduciary Net Position - Beginning | - | 117,249 |
| Plan Fiduciary Net Position - Ending | $ 117,249 | $ 461,128 |
| Net Pension Liability (asset) - Ending | $ (17,118) | $ (84,336) |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 117.10% | 122.38% |
| Covered Payroll | $ 945,688 | $ 2,078,908 |
| Net Pension Liability as a Percentage of Covered Payroll | -1.81% | -4.06% |

*GASB 68 requires 10 fiscal years of data to be provided in this schedule. The City will develop the schedule prospectively as data becomes available. The City began participation in the plan April 1, 2023.

CITY OF JARRELL
SCHEDULE OF CITY PENSION CONTRIBUTIONS
LAST TEN FISCAL YEARS*

| Fiscal Year Ending September 30, | Actuarially Determined Contributions | Contributions in Relation to the Actuarially Determined Contributions | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 2025 | $ 134,795 | $ 134,795 | $ - | $ 1,817,340 | 7.4% |
| 2024 | $ 129,533 | $ 194,285 | $ (64,752) | $ 1,819,106 | 10.7% |
| 2023 | $ 31,452 | $ 31,452 | $ - | $ 449,314 | 7.0% |

*GASB 68 requires 10 fiscal years of data to be provided in this schedule. The City will develop the schedule prospectively as data becomes available. The City began participation in the plan April 1, 2023.

CITY OF JARRELL
SCHEDULE OF CHANGES IN TOTAL OTHER POST-EMPLOYMENT BENEFIT LIABILITY AND RELATED RATIOS
LAST TEN PLAN YEARS*

| | Total OPEB Liability | |
|---|---|---|
| | 2023 | 2024 |
| Service Cost | $ 2,599 | $ 6,445 |
| Interest on Total OPEB Liability | 53 | 221 |
| Changes of Benefit Terms | - | - |
| Difference between Expected and Actual Experience | - | (946) |
| Change of Assumptions or Other Inputs | (6) | (531) |
| Benefit Payments | - | - |
| Net Change in Total OPEB Liability | 2,646 | 5,189 |
| Total OPEB Liability - Beginning | - | 2,646 |
| Total OPEB Liability - Ending | $ 2,646 | $ 7,835 |
| Covered Payroll | $ 945,688 | $2,078,908 |
| Total OPEB Liability as a Percentage of Covered Payroll | 0.28% | 0.38% |

*GASB 75 requires 10 fiscal years of data to be provided in this schedule. The City will develop the schedule prospectively as data becomes available. The City began participation in the plan April 1, 2023.

**Budgetary Information**

The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council and as such is a good management control device. Annual budgets are adopted for all governmental funds except the capital projects funds. Project-length financial plans are adopted for capital projects funds.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level. The City Manager may transfer budgeted amounts within departments within any fund; however, transfers between departments and funds must be approved by City Council.

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

**Pension Schedules**

Changes in Benefit Terms:

2023 Employee deposit rate increased from 6% to 7% and employer matching increased from 1 to 1 to 2 to 1

Changes in Actuarial Assumptions:

None

**Other Post-employment Benefit Schedules**

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

Changes in Benefit Terms:

None

Changes in Actuarial Assumptions:

2024 Discount rate increased to 4.08%

## SUPPLEMENTARY INFORMATION

Supplementary information includes combining nonmajor individual fund statements which are not required by the GASB, nor a part of the basic financial statements.

Such statements and schedules include:

- Combining Statements – Nonmajor Governmental Funds
- Comparative Fund Statements

    General Fund
    Debt Service
    Utility Fund

CITY OF JARRELL
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

| | Economic Development | Asset Forfeiture | Total Nonmajor Funds |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and Cash Equivalents | $ 165,988 | $ 1,860 | $ 167,848 |
| Investments | 1,358,275 | - | 1,358,275 |
| Receivables (net of allowances): | | | |
| Sales Tax | 76,233 | - | 76,233 |
| **TOTAL ASSETS** | $ 1,600,496 | $ 1,860 | $ 1,602,356 |
| **LIABILITIES, DEFFERED INFLOWS OF RESOURCES AND FUND BALANCE** | | | |
| *Liabilities:* | | | |
| Accounts Payable | $ 1,644 | $ - | $ 1,644 |
| Due to Other Funds | 3,560 | - | 3,560 |
| *Total Liabilities* | 5,204 | - | 5,204 |
| *Fund Balance:* | | | |
| Restricted For: | | | |
| Economic Development | 1,595,292 | - | 1,595,292 |
| Public Safety | - | 1,860 | 1,860 |
| *Total Fund Balances* | 1,595,292 | 1,860 | 1,597,152 |
| **TOTAL LIABILITIES, DEFFERED INFLOWS OF RESOURCES AND FUND BALANCES** | $ 1,600,496 | $ 1,860 | $ 1,602,356 |

CITY OF JARRELL
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

| | Economic Development | Asset Forfeiture | Total Nonmajor Funds |
|---|---|---|---|
| **REVENUES** | | | |
| Sales Tax | $ 459,472 | $ - | $ 459,472 |
| Investment Earnings | 39,488 | - | 39,488 |
| **TOTAL REVENUES** | 498,960 | - | 498,960 |
| **EXPENDITURES** | | | |
| *Current:* | | | |
| General Government | 202,997 | - | 202,997 |
| **TOTAL EXPENDITURES** | 202,997 | - | 202,997 |
| **Net Change in Fund Balance** | 295,963 | - | 295,963 |
| **Fund Balances, Beginning** | 1,299,329 | 1,860 | 1,301,189 |
| **Fund Balances, Ending** | $ 1,595,292 | $ 1,860 | $ 1,597,152 |

CITY OF JARRELL
COMPARATIVE BALANCE SHEETS
GENERAL FUND
SEPTEMBER 30, 2025 AND 2024

| | 2025 | 2024 |
|---|---|---|
| **ASSETS** | | |
| Cash and Cash Equivalents | $ 1,387,979 | $ 1,895,909 |
| Investments | 2,568,771 | 2,488,938 |
| Receivables (net of allowances): | | |
| Property Taxes | 18,822 | 11,152 |
| Sales Tax | 457,397 | 482,255 |
| Other | 74,159 | 75,646 |
| Prepaid Items | 12,671 | - |
| Due from Other Funds | 862,517 | 840,282 |
| **TOTAL ASSETS** | $ 5,382,316 | $ 5,794,182 |
| **LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES** | | |
| *Liabilities:* | | |
| Accounts Payable | $ 52,233 | $ 106,492 |
| Accrued Wages | 50,320 | 42,408 |
| Due to Other Funds | - | 309 |
| Deposits | 4,487 | 3,917 |
| *Total Liabilities* | 107,040 | 153,126 |
| *Deferred Inflows of Resources:* | | |
| Unavailable Property Tax Revenue | 18,822 | 11,152 |
| *Total Deferred Inflows of Resources* | 18,822 | 11,152 |
| *Fund Balances:* | | |
| Nonspendable Prepaid Items | 12,671 | - |
| Unassigned | 5,243,783 | 5,629,904 |
| *Total Fund Balances* | 5,256,454 | 5,629,904 |
| **TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES** | $ 5,382,316 | $ 5,794,182 |

CITY OF JARRELL
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND
FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024

| | 2025 | 2024 |
|---|---|---|
| **REVENUES** | | |
| Property Taxes | $ 1,830,339 | $ 1,266,373 |
| Sales and Mixed Beverage Taxes | 2,732,833 | 2,822,048 |
| Franchise Taxes | 242,012 | 215,571 |
| Licenses and Permits | 1,164,387 | 741,399 |
| Grants and Donations | 3,250 | 5,305 |
| Fines and Forfeitures | 32,766 | 20,128 |
| Investment Earnings | 86,108 | 47,734 |
| Miscellaneous | 131,736 | 97,335 |
| **TOTAL REVENUES** | 6,223,431 | 5,215,893 |
| | | |
| **EXPENDITURES** | | |
| *Current* | | |
| General Government | 3,800,416 | 3,824,822 |
| Development Services | 1,259,383 | 4,310 |
| Public Safety | 538,685 | 334,171 |
| Emergency Management | - | 939 |
| Court | 10,933 | 4,959 |
| Parks | 79,922 | 63,609 |
| Community Center | 27,122 | 29,156 |
| Events | 54,070 | 58,564 |
| *Capital Outlay* | - | 60,765 |
| **TOTAL EXPENDITURES** | 5,770,531 | 4,381,295 |
| | | |
| **Excess (Deficiency) of Revenues Over (Under) Expenditures** | 452,900 | 834,598 |
| | | |
| **OTHER FINANCING SOURCES (USES)** | | |
| Transfers Out | (826,350) | - |
| **TOTAL OTHER FINANCING SOURCES (USES)** | (826,350) | - |
| | | |
| **Net Change in Fund Balance** | (373,450) | 834,598 |
| | | |
| **Fund Balances, Beginning** | 5,629,904 | 4,795,306 |
| **Fund Balances, Ending** | $ 5,256,454 | $ 5,629,904 |

CITY OF JARRELL
COMPARATIVE STATEMENTS OF NET POSITION
PROPRIETARY UTILITY FUND
SEPTEMBER 30, 2025 AND 2024

| | 2025 | 2024 |
|---|---|---|
| **ASSETS** | | |
| *Current Assets:* | | |
| Cash and Cash Equivalents | $ 950,981 | $ 4,127,665 |
| Investments | 4,490,979 | 1,880,992 |
| Accounts Receivable, Net of Allowance: | | |
| Customer Accounts | 963,997 | 814,089 |
| Other Receivables | 234,272 | - |
| Due from Other Funds | 1,408,320 | 1,436,268 |
| *Total Current Assets* | 8,048,549 | 8,259,014 |
| *Noncurrent Assets:* | | |
| Capital Assets: | | |
| Land | 2,573,382 | 2,573,382 |
| Water Rights | 1,750,000 | 1,750,000 |
| Utility System (net) | 53,997,411 | 35,281,102 |
| Equipment (net) | - | 206,004 |
| Construction in Progress | 2,222,754 | 21,989,711 |
| *Total Noncurrent Assets* | 60,543,547 | 61,800,199 |
| **TOTAL ASSETS** | $ 68,592,096 | $ 70,059,213 |
| **LIABILITIES** | | |
| *Current Liabilities:* | | |
| Accounts Payable | $ 1,855,225 | $ 89,434 |
| Accrued Interest | 183,018 | 191,367 |
| Customer Overpayments | 13,424 | 11,357 |
| Customer Deposits | 261,750 | 204,000 |
| Current Portion of Long-Term Debt | 2,175,000 | 2,120,000 |
| *Total Current Liabilities* | 4,488,417 | 2,616,158 |
| *Long-term Liabilities* | | |
| Long-Term Debt (Net of Current Portion) | 35,143,184 | 37,470,765 |
| *Total Long-term Liabilities* | 35,143,184 | 37,470,765 |
| **TOTAL LIABILITIES** | 39,631,601 | 40,086,923 |
| **NET POSITION** | | |
| Net Investment in Capital Assets | 23,225,363 | 22,209,434 |
| Restricted Access Fees | 2,811,072 | 2,930,121 |
| Unrestricted | 2,924,060 | 4,832,735 |
| **TOTAL NET POSITION** | 28,960,495 | 29,972,290 |
| **TOTAL LIABILITIES AND NET POSITION** | $ 68,592,096 | $ 70,059,213 |

CITY OF JARRELL
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY UTILITY FUND
FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024

| | 2025 | 2024 |
|---|---|---|
| **OPERATING REVENUES** | | |
| Water Charges | $ 1,756,569 | $ 1,327,479 |
| Wastewater Charges | 3,299,990 | 2,934,135 |
| Other Charges | 239,498 | 161,775 |
| **TOTAL OPERATING REVENUES** | 5,296,057 | 4,423,389 |
| **OPERATING EXPENSES** | | |
| Water Purchases | 1,175,516 | 529,741 |
| Depreciation | 1,690,159 | 1,159,112 |
| Utilities | 458,424 | 425,834 |
| Maintenance | 4,635,033 | 1,565,666 |
| Administrative Expenses | 191,545 | 38,311 |
| **TOTAL OPERATING EXPENSES** | 8,150,677 | 3,718,664 |
| **OPERATING INCOME (LOSS)** | (2,854,620) | 704,725 |
| **NONOPERATING REVENUES (EXPENSES)** | | |
| Investment Earnings | 128,941 | 61,990 |
| Grant Income | 286,723 | - |
| Access Fees | 1,430,350 | 2,034,827 |
| Loss on Sale of Asset | (97,881) | - |
| Interest Expense | (1,005,968) | (1,092,925) |
| **TOTAL NONOPERATING REVENUES** | 742,165 | 1,003,892 |
| **INCOME BEFORE TRANSFERS** | (2,112,455) | 1,708,617 |
| **TRANSFERS** | | |
| Transfers In | 1,301,683 | 4,109,036 |
| Transfers Out | (201,023) | - |
| **TOTAL TRANSFERS** | 1,100,660 | 4,109,036 |
| **CHANGE IN NET POSITION** | (1,011,795) | 5,817,653 |
| **NET POSITION AT BEGINNING OF YEAR** | 29,972,290 | 24,154,637 |
| **NET POSITION AT END OF YEAR** | $ 28,960,495 | $ 29,972,290 |



COMPLIANCE SECTION

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

## INDEPENDENT AUDITOR'S REPORT

To the City Council and management
City of Jarrell

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Jarrell as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise City of Jarrell's basic financial statements, and have issued our report thereon dated March 3, 2026.

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

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

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

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

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

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

We noted certain other matters that we have reported to management of the City of Jarrell in a separate letter dated March 3, 2026.

**Purpose of this Report**

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

Armstrong, Vaughan & Associates, P.C.

Armstrong, Vaughan & Associates, P.C.

March 3, 2026

