

ANNUAL FINANCIAL REPORT

CITY OF IDALOU, TEXAS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

CITY OF IDALOU
Idalou, Texas

ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2025

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page Number</u>
INTRODUCTORY SECTION		
City Council and Administrative Staff		1
FINANCIAL SECTION		
Independent Auditors' Report on Financial Statements		2
Management's Discussion and Analysis (Required Supplementary Information)		5
<u>Basic Financial Statements</u>		
Government-Wide Financial Statements:		
Statement of Net Position	A-1	14
Statement of Activities	B-1	15
Governmental Fund Financial Statements:		
Balance Sheet-Governmental Funds	C-1	16
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position	C-1R	17
Statement of Revenues, Expenditures, and Changes In Fund Balances – Governmental Funds	C-2	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-3	19
Proprietary Fund Financial Statements		
Statement of Net Position	D-1	20
Statement of Revenues, Expenses, and Changes in Fund Net Position	D-2	21
Statement of Cash Flows	D-3	22
Notes to the Financial Statements		23
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule:		
General Fund	E-1	50
Schedule of Changes in NPL and Related Ratios - TMRS	E-2	51
Schedule of Pension Contributions – TMRS	E-3	52
Schedule of Changes in OPEB and Related Ratios – TMRS	E-4	53
Schedule of OPEB Contributions – TMRS	E-5	54
Notes to the Required Supplementary Information		55
OTHER SUPPLEMENTARY INFORMATION		
Schedule of Delinquent Taxes Receivable	G-1	57

CITY OF IDALOU
Idalou, Texas

ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2025

TABLE OF CONTENTS
(Continued)

	<u>Exhibit</u>	<u>Page Number</u>
Report on Internal Control over Financial Reporting And on Compliance and Other Matters Based on An Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		58
Report on Compliance for Each Major Program and on Internal Control over Compliance Required by The Uniform Guidance		60
Schedule of Findings and Questioned Costs		63
Summary Schedule of Prior Audit Findings		64
Corrective Action Plan		65
Schedule of Expenditures of Federal Awards	K-1	66
Notes to the Schedule of Expenditures of Federal Awards		67

INTRODUCTORY SECTION

CITY OF IDALOU
Idalou, Texas

September 30, 2025

CITY COUNCIL

Russ Perkins

Mayor

Joe Sisk

Mayor Pro-Tem

Brendi Pierce

Councilmember

Darrell Fuller

Councilmember

Albert Bravo

Councilmember

Kyle Dubois

Councilmember

ADMINISTRATIVE STAFF

Suzette Williams
Renee Wilbanks

City Administrator
City Secretary

FINANCIAL SECTION

Terry & King, CPAs, P.C.

5707 114th Street
P.O. Box 93550
Lubbock, TX 79493-3550

Telephone - (806) 698-8858 – Fax – (866) 288-6490

Randel J. Terry, CPA
Ryan R. King, CPA

Independent Auditors' Report on Financial Statements

Honorable Mayor and City Council
City of Idalou, Texas
P.O. Box 1277
Idalou, Texas 79329

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Idalou, Texas, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Idalou, Texas as of September 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Idalou, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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'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 generally accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City'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 the City'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, pension and OPEB schedules, and budgetary comparison information, identified as required supplementary information, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

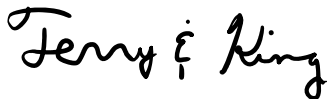
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Idalou, Texas' basic financial statements. The accompanying other schedules listed in the table of contents as Other Supplementary Information and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are 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 Other Supplementary Information and the schedule of expenditures of federal awards are 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 February 9, 2026, on our consideration of the City of Idalou, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Idalou, Texas' 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 Idalou, Texas' internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "Terry & King". The signature is written in a cursive, flowing style.

Terry & King, CPAs, P.C.
Lubbock, Texas
February 9, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Idalou's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2025. Please read this in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's net position increased as a result of this year's operations. While net position of our business-type activities increased by \$185,624 or 4%, net position of our governmental activities increased by \$28,347 or 1%.
- During the year, the City had expenses that were \$110,368 more than the \$1,926,657 generated in tax and other revenues for governmental programs before transfers.
- In the City's business type activities, charges for services increased \$35,983 to \$1,410,291 (or 3%) while operating expenses increased \$81,405 to \$1,231,610.
- The General Fund reported a deficit this year of \$1,101 after receiving transfers from business-type activities of \$99,734.
- The resources available for appropriation were \$31,842 more than budgeted for the General Fund. Expenditures for the General Fund were less than the budgeted amounts by \$17,631.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole -- The Statement of Net Position and the Statement of Activities

Our analysis of the City as a whole begins on page 6. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net position* and changes in it. You can think of the City's net position—the differences between assets and liabilities—as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net position is one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities – Most of the City's basic services are reported here, including the ambulance, fire, police, streets, and parks departments, and general administration. Property taxes, sales taxes, franchise taxes, charges to customers, and state and federal grants finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover the cost of certain services it provides. The City's water, sewer, and sanitation services are reported here.

Reporting the City's Most Significant Funds – Fund Financial Statements

Our analysis of the City's major funds begins on page 10. The fund financial statements begin on page 15 and provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. At times a city council may establish other funds to help it control and manage money for particular purposes, such as special projects or to show that it is meeting legal responsibilities for using certain Federal or State grants. The City's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- *Governmental funds*—Most of the City’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The Governmental fund statements provide a detailed *short-term view* of the City’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in reconciliation on Exhibits C-1R and C-3.
- *Proprietary funds*—When the City charges customers for the services it provides—whether to outside customers or to other units of the City—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City’s enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

THE CITY AS A WHOLE

The City’s combined net position was \$7,344,688. Our following analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the City’s government and business-type activities.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's combined net position was \$7,344,688 at September 30, 2025. (See Table A-1).

Table A-1
City of Idalou's Net Position

	Governmental Activities			Business-type Activities			Total		
	2025	2024	Percentage Change	2025	2024	Percentage Change	2025	2024	Percentage Change
Current assets:									
Cash and Investments	627,442	620,788	1%	3,669,780	3,446,473	6%	4,297,222	4,067,261	6%
Accounts Receivable-Utilities, net	-	-	0%	191,706	190,811	0%	191,706	190,811	0%
Taxes Receivable, net	53,425	44,261	21%	-	-	0%	53,425	44,261	21%
Due from Other Governments	30,720	42,252	-27%	-	-	0%	30,720	42,252	-27%
Total current assets:	711,587	707,301	1%	3,861,486	3,637,284	6%	4,573,073	4,344,585	5%
Noncurrent assets:									
Net Pension Asset	13,417	-	100%	6,216	-	100%	19,633	-	0%
Net Capital Assets	2,401,043	2,480,208	-3%	3,528,427	1,620,934	118%	5,929,470	4,101,142	45%
Total noncurrent assets	2,414,460	2,480,208	-3%	3,534,643	1,620,934	118%	5,949,103	4,101,142	45%
Total Assets	3,126,047	3,187,509	-2%	7,396,129	5,258,218	41%	10,522,176	8,445,727	25%
Deferred Outflows of Resources									
Deferred Outflows - Pension & OPEB	27,030	42,500	-36%	12,511	19,530	-36%	39,541	62,030	-36%
Deferred Charge on Bond Defeasance	4,539	5,447	-17%	2,527	3,033	-17%	7,066	8,480	-17%
Total Deferred Outflows of Resources	31,569	47,947	-34%	15,038	22,563	-33%	46,607	70,510	-34%
Current liabilities:									
Accounts Payable	1,835	7,745	-76%	304,739	64,377	373%	306,574	72,122	325%
Accrued Interest Payable	-	706	-100%	5,079	986	415%	5,079	1,692	200%
Due to Idalou EDC	14,577	11,575	26%	-	-	0%	14,577	11,575	26%
Total current liabilities	16,412	20,026	-18%	309,818	65,363	374%	326,230	85,389	282%
Noncurrent liabilities:									
Due to Others	-	-	0%	68,745	68,345	1%	68,745	68,345	1%
Total Pension & OPEB Liability	7,687	14,985	-49%	3,532	6,896	-49%	11,219	21,881	-49%
Due within one year	123,196	104,419	18%	100,707	91,870	10%	223,903	196,289	14%
Due in more than one year	413,177	524,541	-21%	2,144,820	449,203	377%	2,557,997	973,744	163%
Total noncurrent liabilities	544,060	643,945	-16%	2,317,804	616,314	276%	2,861,864	1,260,259	127%
Deferred Inflows of Resources									
Deferred Inflows - Pension & OPEB	24,624	27,312	-10%	11,377	12,560	-9%	36,001	39,872	-10%
Deferred Inflows - Grant Revenues	-	-	0%	-	-	0%	-	-	0%
Total Deferred Inflows of Resources	24,624	27,312	-10%	11,377	12,560	-9%	36,001	39,872	-10%
Net Position:									
Net investment in capital assets	1,905,531	1,881,185	1%	1,299,426	1,095,064	19%	3,204,957	2,976,249	8%
Restricted for debt service	31,443	30,168	4%	575,115	467,096	23%	606,558	497,264	22%
Restricted for future asset maintenance	-	-	0%	65,652	-	100%	65,652	-	100%
Unrestricted	635,546	632,820	0%	2,831,975	3,024,384	-6%	3,467,521	3,657,204	-5%
Total Net Position	2,572,520	2,544,173	1%	4,772,168	4,586,544	4%	7,344,688	7,130,717	3%

Net position of the City's governmental activities increased (\$2,572,520 compared to \$2,544,173). Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - changed from \$632,820 at September 30, 2024 to \$635,546 at the end of this year. Net position of the City's business-type activities increased 4%, from \$4,586,544 to \$4,772,168.

Table A-2
Changes in City of Idalou's Net Position

	Governmental Activities			Business-type Activities			Total Primary Government		
	2025	2024	Percentage Change	2025	2024	Percentage Change	2025	2024	Percentage Change
Program Revenues:									
Charges for Services	158,543	140,473	13%	1,410,291	1,374,308	3%	1,568,834	1,514,781	4%
Grants & Contributions	294,060	259,117	13%	-	-	0%	294,060	259,117	13%
General Revenues:									
Property Taxes	900,961	812,589	11%	-	-	0%	900,961	812,589	11%
Nonproperty Taxes	428,142	430,489	-1%	-	-	0%	428,142	430,489	-1%
Court Fines	33,312	26,275	27%	-	-	0%	33,312	26,275	27%
Investment Earnings	47,000	49,751	-6%	145,658	157,303	-7%	192,658	207,054	-7%
Other	64,639	25,601	152%	-	-	0%	64,639	25,601	152%
	<u>1,926,657</u>	<u>1,744,295</u>	<u>10%</u>	<u>1,555,949</u>	<u>1,531,611</u>	<u>2%</u>	<u>3,482,606</u>	<u>3,275,906</u>	<u>6%</u>
Expenses:									
Administration	537,488	558,183	-4%	-	-	0%	537,488	558,183	-4%
Judicial	97,901	90,963	8%	-	-	0%	97,901	90,963	8%
Police Department	510,633	513,827	-1%	-	-	0%	510,633	513,827	-1%
Fire Department	258,727	213,400	21%	-	-	0%	258,727	213,400	21%
EMS	346,994	309,358	12%	-	-	0%	346,994	309,358	12%
Streets	213,180	178,928	19%	-	-	0%	213,180	178,928	19%
Parks	31,498	34,624	-9%	-	-	0%	31,498	34,624	-9%
Library	31,490	29,521	7%	-	-	0%	31,490	29,521	7%
Interest on L-T Debt	8,206	10,729	-24%	-	-	0%	8,206	10,729	-24%
Bond Issuance Costs	908	908	0%	-	-	0%	908	908	0%
Water and Sewer	-	-	0%	929,484	842,095	10%	929,484	842,095	10%
Sanitation	-	-	0%	302,126	308,110	-2%	302,126	308,110	-2%
	<u>2,037,025</u>	<u>1,940,441</u>	<u>5%</u>	<u>1,231,610</u>	<u>1,150,205</u>	<u>7%</u>	<u>3,268,635</u>	<u>3,090,646</u>	<u>6%</u>
Excess (Deficiency) Before Other Resources, Uses & Transfers	(110,368)	(196,146)	44%	324,339	381,406	-15%	213,971	185,260	15%
Other Resources (Uses) Transfers In (Out)	-	-	0%	-	-	0%	-	-	0%
	<u>138,715</u>	<u>132,591</u>	<u>5%</u>	<u>(138,715)</u>	<u>(132,591)</u>	<u>5%</u>	<u>-</u>	<u>-</u>	<u>0%</u>
Increase (Decrease) in Net Position	28,347	(63,555)	145%	185,624	248,815	-25%	213,971	185,260	15%
Net Position - Beginning	<u>2,544,173</u>	<u>2,607,728</u>	<u>-2%</u>	<u>4,586,544</u>	<u>4,337,729</u>	<u>6%</u>	<u>7,130,717</u>	<u>6,945,457</u>	<u>3%</u>
Net Position - Ending	<u>2,572,520</u>	<u>2,544,173</u>	<u>1%</u>	<u>4,772,168</u>	<u>4,586,544</u>	<u>4%</u>	<u>7,344,688</u>	<u>7,130,717</u>	<u>3%</u>

The City's total revenues were \$3,482,606. A significant portion, 45%, of the City's total revenue comes from the water and sewer operations. Revenues available to fund governmental activities consist of property taxes (47%), non-property taxes (22%), charges for services (8%), grants and contributions (15%), and other (8%).

The total cost of all programs and services was \$3,268,635; 38% of these costs were for water, sewer, and sanitation expenses. Expenses for governmental activities consisted of costs for general administration (26%), public safety (43%), streets (10%), health & welfare (17%), parks and library (3%), other (1%).

Governmental Activities

Revenues for the City's governmental activities increased approximately 10%, while total expenses increased 5%.

- Property tax rates increased from \$0.5000 to \$0.50234 per \$100 valuation. The ad valorem tax levy for the previous fiscal year was \$808,215, compared to \$899,338 for the current year. Total tax collections were \$881,415 in the current year of which \$823,691 was for maintenance and operation and \$57,724 for debt service.
- Grant and contribution revenues increased \$34,943. In the current year, the city received grants and contributions for fire department expenditures (\$174,645), ambulance subsidy (\$59,705), and police equipment (\$59,710).
- The cost of all *governmental* activities this year was \$2,037,025. As shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through tax collections was \$900,961 because some of the costs were paid by those who directly benefited from the programs (\$158,543), by nonproperty taxes (\$428,142), or grants and contributions (\$294,060).

Business-type Activities

Revenues of the City's business-type activities (see table A-2) increased 2% (\$1,555,949 from \$1,555,949) and expenses increased 7% (\$1,231,610 from \$1,150,205).

THE CITY'S FUNDS

As the City completed the fiscal year, its governmental funds (as presented in the balance sheet on Exhibit C-1) reported a *combined* fund balance of \$641,750, which is a decrease from the prior year's total of \$643,720. The following items effecting fund balance should be noted:

- In the prior year, expenditures were more than revenues by \$176,951 prior to transfers. In the current year, expenditures were more than revenues by \$140,685 prior to transfers.
- The revenues in the governmental funds increased approximately 8% from the prior period and expenses for the governmental funds increased 9% from the prior period.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the City's budget once. Even with these adjustments, actual revenues were \$31,842 more than budgeted amounts and expenditures were \$17,631 less than final budget amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2025, the City had \$13,902,348 16,186,869 invested in a broad range of capital assets, including buildings, furniture and equipment, and utilities facilities (see Table A-3). This amount represents a net increase (including additions and deductions) of \$2,284,521 over last year.

Table A-3
Fixed Assets

Governmental Activities:	Balance 10-01-24	Additions	Deletions/ Reclassifications	Balance 09-30-25
Land	\$ 219,899	-	-	219,899
Construction in Progress	-	-	-	-
Infrastructure	2,951,832	98,908	-	3,050,740
Buildings& Improvements	1,509,704	-	-	1,509,704
Furniture & Equipment	2,722,084	171,747	(64,084)	2,829,747
Accumulated Depreciation	(4,923,312)	(349,819)	64,084	(5,209,047)
Net Capital Assets	\$ 2,480,207	\$ (79,164)	\$ -	\$ 2,401,043

Business-Type Activities:	Balance 10-01-24	Additions	Deletions/ Reclassifications	Balance 09-30-25
Land	\$ 182,259	-	-	182,259
Construction in Progress	229,180	2,012,830	-	2,242,010
Improvements	218,562	-	-	218,562
Water & Sewer System	4,482,254	49,920	-	4,532,174
Vehicles & Equipment	1,386,575	15,200	-	1,401,775
Accumulated Depreciation	(4,877,895)	(170,459)	-	(5,048,354)
Net Capital Assets	\$ 1,620,935	\$1,907,491	\$ -	\$ 3,528,426

More detailed information about the City's capital assets is presented in the notes to the financial statements.

Debt

A municipal government can finance activities such as capital improvements and acquisitions through general tax bonds or revenue bonds. Additionally, a government may purchase items through the use of capital leases or notes payable with a financial institution.

At year-end, the City had \$2,729,052 in debt outstanding as compared to \$1,130,341 at the end of the prior fiscal year.

Governmental Activities:	Balance 10-01-24	Additions	Decreases	Balance 09-30-25	Due Within One Year
Refunding Bonds	\$ 567,129	\$ -	\$ 93,130	\$ 473,999	\$ 91,203
Direct Financing	37,341	-	11,289	26,052	12,410
	<u>\$ 604,470</u>	<u>\$ -</u>	<u>\$ 104,419</u>	<u>\$ 500,051</u>	<u>\$103,613</u>

Business-Type Activities:	Balance 10-01-24	Additions	Decreases	Balance 09-30-25	Due Within One Year
Refunding Bonds	\$ 315,871	\$ -	\$ 51,870	\$ 264,001	\$ 51,870
Revenue Bonds	210,000	1,795,000	40,000	1,965,000	40,000
	<u>\$ 525,871</u>	<u>\$ 1,795,000</u>	<u>\$ 91,870</u>	<u>\$ 2,229,001</u>	<u>\$ 91,870</u>

More detailed information about the City's long-term obligations is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected officials considered many factors when setting the fiscal year 2026 budget, tax rates, and fees. Factors considered include the current economy, property tax values and the needs of the City in the coming year. The Council has adopted tax rates, budgets and set fees accordingly.

If these estimates are realized, the City's budgetary general fund fund balance is expected to increase slightly by the close of 2026.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers 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 City Administrator at the City's office located in Idalou, Texas.

BASIC FINANCIAL STATEMENTS

CITY OF IDALOU
Idalou, Texas

STATEMENT OF NET POSITION
September 30, 2025

	Primary Government				
	Governmental Activities	Business-type Activities	Total	Component Unit	Total Reporting Entity
ASSETS:					
Cash in Bank	\$ 600,777	\$ 3,029,014	\$ 3,629,791	\$ 440,100	\$ 4,069,891
Cash in Bank - restricted	26,665	640,766	667,431	-	667,431
Accounts Receivable-Utilities, net	-	191,706	191,706	-	191,706
Taxes Receivable, Net	53,425	-	53,425	-	53,425
Due from Other Governments	30,720	-	30,720	-	30,720
Due from Primary Government	-	-	-	14,577	14,577
Noncurrent Assets:					
Net Pension Asset	13,417	6,216	19,633	-	19,633
Land	219,899	182,259	402,158	-	402,158
Construction in Progress	-	2,242,010	2,242,010	-	2,242,010
Streets and Infrastructure	1,032,955	-	1,032,955	-	1,032,955
Buildings & Improvements, net	400,494	109,674	510,168	-	510,168
Utility Systems & Equipment, net	-	896,540	896,540	-	896,540
Furniture & Equipment, net	747,695	97,944	845,639	-	845,639
TOTAL ASSETS	\$ 3,126,047	\$ 7,396,129	\$ 10,522,176	\$ 454,677	\$ 10,976,853
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred Outflows - Pension	\$ 24,024	\$ 11,130	\$ 35,154	\$ -	\$ 35,154
Deferred Outflows - OPEB	3,006	1,381	4,387	-	4,387
Deferred Charge on Bond Defeasance	4,539	2,527	7,066	-	7,066
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 31,569	\$ 15,038	\$ 46,607	\$ -	\$ 46,607
LIABILITIES:					
Current Liabilities:					
Accounts Payable	\$ 1,835	\$ 304,739	\$ 306,574	\$ -	\$ 306,574
Due to Component Unit	14,577	-	14,577	-	14,577
Accrued Interest Payable	-	5,079	5,079	-	5,079
Noncurrent Liabilities:					
Due to Others	-	68,745	68,745	-	68,745
Net OPEB Liability	7,687	3,532	11,219	-	11,219
Due within one year	123,196	100,707	223,903	-	223,903
Due in more than one year	413,177	2,144,820	2,557,997	-	2,557,997
Total Liabilities	560,472	2,627,622	3,188,094	-	3,188,094
DEFERRED INFLOWS OF RESOURCES:					
Deferred Inflows - Pension	16,532	7,659	24,191	-	24,191
Deferred Inflows - OPEB	8,092	3,718	11,810	-	11,810
Deferred Inflows - Grant Revenues	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 24,624	\$ 11,377	\$ 36,001	\$ -	\$ 36,001
NET POSITION					
Net Investment in capital assets	1,905,531	1,299,426	3,204,957	-	3,204,957
Restricted for debt service	31,443	575,115	606,558	-	606,558
Restricted for future asset maintenance	-	65,652	65,652	-	65,652
Unrestricted	635,546	2,831,975	3,467,521	454,677	3,922,198
Total Net Position	\$ 2,572,520	\$ 4,772,168	\$ 7,344,688	\$ 454,677	\$ 7,799,365

The accompanying notes are an integral part of this statement.

CITY OF IDALOU
Idalou, Texas

STATEMENT OF ACTIVITIES
Year Ended September 30, 2025

		Program Revenues			Net (Expense) Revenue and Changes in Net Position				
Functions/Programs	Expenses	Charges for Services	Operating	Capital	Primary Government			Component Unit	Total Reporting Entity
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total		
Government Activities:									
General Administration	537,488	\$ 9,320	\$ -	\$ -	\$ (528,168)	-	(528,168)	-	(528,168)
Judicial	97,901	-	-	-	(97,901)	-	(97,901)	-	(97,901)
Public Safety - Police Department	510,633	-	-	59,710	(450,923)	-	(450,923)	-	(450,923)
Public Safety - Fire Department	258,727	-	119,191	55,454	(84,082)	-	(84,082)	-	(84,082)
Health and Welfare - EMS	346,994	144,159	59,705	-	(143,130)	-	(143,130)	-	(143,130)
Public Works - Street Department	213,180	-	-	-	(213,180)	-	(213,180)	-	(213,180)
Parks	31,498	-	-	-	(31,498)	-	(31,498)	-	(31,498)
Library	31,490	5,064	-	-	(26,426)	-	(26,426)	-	(26,426)
Interest on Long-Term Debt	8,206	-	-	-	(8,206)	-	(8,206)	-	(8,206)
Bond Issuance Costs & Fees	908	-	-	-	(908)	-	(908)	-	(908)
Total Government Activities	2,037,025	158,543	178,896	115,164	(1,584,422)	-	(1,584,422)	-	(1,584,422)
Business-type Activities									
Water and Sewer	929,484	1,077,637	-	-	-	148,153	148,153	-	148,153
Sanitation	302,126	332,654	-	-	-	30,528	30,528	-	30,528
Total Business-type Activities	1,231,610	1,410,291	-	-	-	178,681	178,681	-	178,681
Total Primary Government	3,268,635	1,568,834	178,896	115,164	(1,584,422)	178,681	(1,405,741)	-	(1,405,741)
Component Unit:									
Economic Development Corporation	\$ 14,449	\$ -	\$ -	\$ -				\$ (14,449)	\$ (14,449)
General Revenues:									
Property Taxes, Levied for General Purposes					841,037	-	841,037	-	841,037
Property Taxes, Levied for Debt Service					59,924	-	59,924	-	59,924
Nonproperty Taxes					428,142	-	428,142	64,256	492,398
Grants and Contributions not restricted					-	-	-	-	-
Court Fines					33,312	-	33,312	-	33,312
Investment Earnings					47,000	145,658	192,658	18,400	211,058
Miscellaneous					33,139	-	33,139	-	33,139
Gain on Sale of Assets					31,500	-	31,500	-	31,500
Transfers					138,715	(138,715)	-	-	-
Total General Revenue					1,612,769	6,943	1,619,712	82,656	1,702,368
Change in Net Assets					28,347	185,624	213,971	68,207	282,178
Net Position -- Beginning					2,544,173	4,586,544	7,130,717	386,470	7,517,187
Net Position -- Ending					\$ 2,572,520	\$ 4,772,168	\$ 7,344,688	\$ 454,677	\$ 7,799,365

The accompanying notes are an integral part of this statement.

CITY OF IDALOU
Idalou, Texas

BALANCE SHEET -- GOVERNMENTAL FUNDS
September 30, 2025

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash	\$ 600,777	\$ 26,665	\$ 627,442
Taxes Receivable, net	48,647	4,778	53,425
Due from Other Governments	30,720	-	30,720
<u>TOTAL ASSETS</u>	<u>\$ 680,144</u>	<u>\$ 31,443</u>	<u>\$ 711,587</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	1,835	-	1,835
Due to EDC	14,577	-	14,577
<u>Total Liabilities</u>	<u>16,412</u>	<u>-</u>	<u>16,412</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable Revenue - Property Taxes	48,647	4,778	53,425
Deferred Inflows - Grant Revenues	-	-	-
<u>Total Deferred Inflows of Resources</u>	<u>48,647</u>	<u>4,778</u>	<u>53,425</u>
FUND BALANCES			
Restricted:			
Debt Service	-	26,665	26,665
Committed:			
Library	13,777	-	13,777
Fire Department	166,692	-	166,692
Police	3,136	-	3,136
Unassigned	431,480	-	431,480
<u>Total Fund Balances</u>	<u>615,085</u>	<u>26,665</u>	<u>641,750</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>	<u>\$ 680,144</u>	<u>\$ 31,443</u>	<u>\$ 711,587</u>

The accompanying notes are an integral part of this statement.

CITY OF IDALOU
Idalou, Texas

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2025

Total Fund Balances -- Governmental Funds Balance Sheet	\$	641,750
Amounts reported for governmental activities in the statement of net assets (A-1) are different because:		
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds		53,425
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		2,401,043
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities consist of:		
Accrued interest payable	-	
Accrued leave payable	(36,322)	
Long-Term Debt	<u>(500,051)</u>	
		(536,373)
The net charge related to the defeasance of bonds is reported as a deferred outflow of resources on the statement of net position.		4,539
Included in the items related to noncurrent assets is the recognition of the City's proportionate share of the net pension asset required by GASB 68 in the amount of \$13,417, a deferred resource outflow related to pension in the amount of \$24,024, and a deferred resource inflow of \$16,532. This resulted in an increase in net position by \$20,909.		20,909
Included in the items related to noncurrent liabilities is the recognition of the City's proportionate share of the net OPEB liability required by GASB 75 in the amount of \$7,687, a deferred resource outflow related to OPEB in the amount of \$3,006, and a deferred resource inflow related to OPEB in the amount of \$8,092. This resulted in a decrease in net position by \$12,773.		<u>(12,773)</u>
Net Position of Governmental Activities -- Statement of Net Position	\$	<u>2,572,520</u>

The accompanying notes are an integral part of this statement.

CITY OF IDALOU
Idalou, Texas

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2025

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES:			
Property Taxes (Including Penalty & Interest)	\$ 833,311	\$ 58,486	\$ 891,797
Sales Taxes	321,282	-	321,282
Franchise Taxes	106,860	-	106,860
Municipal Court Revenue	33,312	-	33,312
Licenses & Permits	9,320	-	9,320
Interest Income	47,000	-	47,000
Intergovernmental	139,249	-	139,249
Donations	15,456	-	15,456
Ambulance	203,864	-	203,864
Library Revenue	5,064	-	5,064
Grant Revenues	79,650	-	79,650
Miscellaneous	33,138	-	33,138
<u>Total Revenues</u>	<u>1,827,506</u>	<u>58,486</u>	<u>1,885,992</u>
EXPENDITURES			
Current			
General Administration	487,936	-	487,936
Judicial	98,361	-	98,361
Public Safety - Police Department	539,621	-	539,621
Public Safety - Fire Department	241,918	-	241,918
Health and Welfare - EMS	346,857	-	346,857
Public Works - Street Department	178,387	-	178,387
Parks	20,694	-	20,694
Library	31,072	-	31,072
Debt Service			
Principal	11,289	93,130	104,419
Interest	3,706	5,206	8,912
Bond Issuance Costs & Fees	-	-	-
<u>Total Expenditures</u>	<u>1,959,841</u>	<u>98,336</u>	<u>2,058,177</u>
Excess of Revenues Over (Under) Expenditures	(132,335)	(39,850)	(172,185)
OTHER FINANCING SOURCES (USES)			
Proceeds from Long-Term Debt	-	-	-
Sale of Assets	31,500	-	31,500
Transfers In/Out	99,734	38,981	138,715
<u>Total Other Financing Sources (Uses)</u>	<u>131,234</u>	<u>38,981</u>	<u>170,215</u>
Net Change in Fund Balance	(1,101)	(869)	(1,970)
Fund Balance--Beginning of Year	616,186	27,534	643,720
<u>Fund Balance--End of Year</u>	<u>\$ 615,085</u>	<u>\$ 26,665</u>	<u>\$ 641,750</u>

The accompanying notes are an integral part of this statement.

CITY OF IDALOU
Idalou, Texas

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

For the Year Ended September 30, 2025

Net Change in Fund Balances -- Total Governmental Funds	\$	(1,970)
Amounts reported for governmental activities in the statement of activities ("SOA") 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 useful lives as depreciation expense. This is the amount of capital outlays during the current period.		270,655
The depreciation of capital assets is not reported in the funds. This is the amount of current depreciation on these assets.		(349,820)
Certain property tax revenues are unavailable in the funds. These are the amounts that have not been collected and are therefore do not provide current financial resources. This is the amount that these accounts have changed during the current period.		9,164
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities. The amount of long-term debt principal payments:		104,419
The net charge related to the defeasance of bonds is reported as a deferred outflow of resources on the statement of net position, and amortized over the life of the bonds. This is the amount of change in deferred charge on bond defeasance.		(908)
Some expenses reported in the statement of activities do not require current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in pension expense	8,638	
Change in OPEB expense	(705)	
Change in compensated absences	(11,832)	
Change in accrued interest payable	706	
		(3,193)
Change in Net Position -- Statement of Activities	\$	<u>28,347</u>

The accompanying notes are an integral part of this statement.

CITY OF IDALOU
Idalou, Texas

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
September 30, 2025

	Business-Type Activities Enterprise Funds		
	Water & Sewer Funds	Sanitation	Total
ASSETS			
<u>Current Assets:</u>			
Cash in Bank	\$ 2,678,957	\$ 350,057	\$ 3,029,014
Cash in Bank - Restricted	640,766	-	640,766
Accounts Receivable	225,636	60,522	286,158
Allowance for Uncollectible	(75,875)	(18,577)	(94,452)
<u>Total Current Assets</u>	<u>3,469,484</u>	<u>392,002</u>	<u>3,861,486</u>
<u>Noncurrent Assets:</u>			
Net Pension Asset	6,216	-	6,216
Land	171,386	10,873	182,259
Construction in Progress	2,242,010	-	2,242,010
Buildings and Improvements, net	109,674	-	109,674
Water & Sewer System, net	896,540	-	896,540
Vehicles, Machinery, Furniture & Fixtures, net	45,957	51,987	97,944
<u>Total Noncurrent Assets</u>	<u>3,471,783</u>	<u>62,860</u>	<u>3,534,643</u>
TOTAL ASSETS	\$ 6,941,267	\$ 454,862	\$ 7,396,129
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows - Pension	11,130	-	11,130
Deferred Outflows - OPEB	1,381	-	1,381
Deferred Charge on Bond Defeasance	2,527	-	2,527
<u>TOTAL DEFERRED OUTFLOWS OF RESOURCES</u>	<u>\$ 15,038</u>	<u>\$ -</u>	<u>\$ 15,038</u>
LIABILITIES & NET POSITION			
<u>Current Liabilities</u>			
Accounts Payable	\$ 304,739	\$ -	\$ 304,739
Accrued Interest Payable	5,079	-	5,079
<u>Noncurrent Liabilities</u>			
Customer Deposits	68,745	-	68,745
Net OPEB Liability	3,532	-	3,532
Due within one year	100,707	-	100,707
Due in more than one year	2,144,820	-	2,144,820
<u>TOTAL LIABILITIES</u>	<u>2,627,622</u>	<u>-</u>	<u>2,627,622</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - Pension	7,659	-	7,659
Deferred Inflows - OPEB	3,718	-	3,718
Deferred Inflows - Grant Revenues	-	-	-
<u>TOTAL DEFERRED INFLOWS OF RESOURCES</u>	<u>\$ 11,377</u>	<u>\$ -</u>	<u>\$ 11,377</u>
NET POSITION			
Net investment in capital assets	1,236,566	62,860	1,299,426
Restricted for debt service	575,115	-	575,115
Restricted for future asset maintenance	65,652	-	65,652
Unrestricted	2,439,973	392,002	2,831,975
<u>TOTAL NET POSITION</u>	<u>\$ 4,317,306</u>	<u>\$ 454,862</u>	<u>\$ 4,772,168</u>

The accompanying notes are an integral part of this statement.

CITY OF IDALOU
Idalou, Texas

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION--
PROPRIETARY FUNDS

For the Year Ended September 30, 2025

	Business-Type Activities Enterprise Funds		
	Water & Sewer		
	Funds	Sanitation	Total
<u>Operating Revenues</u>			
Sales	\$ 1,044,833	\$ 332,654	\$ 1,377,487
Penalties	29,537	-	29,537
Tap Fees & Miscellaneous	3,267	-	3,267
<u>Total Operating Revenues</u>	<u>1,077,637</u>	<u>332,654</u>	<u>1,410,291</u>
<u>Operating Expenses</u>			
Salaries	288,404	10,659	299,063
Payroll Taxes	21,583	-	21,583
Retirement Costs	12,227	-	12,227
Employee Insurance	36,262	-	36,262
Materials and Supplies	58,175	4,993	63,168
Repairs & Maintenance	98,753	6,355	105,108
Vehicle Fuel & Maintenance	20,122	-	20,122
Utilities	67,433	-	67,433
Professional Services	27,198	-	27,198
Credit Card Fees	19,004	-	19,004
Other Contracted Services	85,251	267,010	352,261
Training, Travel & Meals	1,465	-	1,465
Miscellaneous	14	-	14
Depreciation	157,349	13,109	170,458
<u>Total Operating Expenses</u>	<u>893,240</u>	<u>302,126</u>	<u>1,195,366</u>
<u>Operating Income (Loss) Before</u>			
<u>Operating Transfers</u>	184,397	30,528	214,925
<u>Non-Operating Revenues (Expenses)</u>			
Interest Income	145,658	-	145,658
Interest Expense	(35,738)	-	(35,738)
Bond Issuance Costs & Fees	(506)	-	(506)
<u>Total Non-Operating Revenues (Expenses)</u>	<u>109,414</u>	<u>-</u>	<u>109,414</u>
<u>Transfers and Capital Contributions:</u>			
Transfers In (Out)	(138,715)	-	(138,715)
Capital Contributions	-	-	-
<u>Total Transfers and Capital Contributions</u>	<u>(138,715)</u>	<u>-</u>	<u>(138,715)</u>
Net Income (Loss)	155,096	30,528	185,624
NET POSITION			
Net Position, Beginning of Year	4,162,210	424,334	4,586,544
Net Position, End of Year	<u>4,317,306</u>	<u>454,862</u>	<u>4,772,168</u>

The accompanying notes are an integral part of this statement.

CITY OF IDALOU
Idalou, Texas

STATEMENT OF CASH FLOWS--
PROPRIETARY FUNDS
For the Year Ended September 30, 2025

	Business-Type Activities Enterprise Funds		
	Water & Sewer Funds	Sanitation	Total
<u>Cash Flows from Operating Activities:</u>			
Receipts from Customers	\$ 1,079,476	\$ 330,319	\$ 1,409,795
Payments to Suppliers	(405,204)	(278,358)	(683,562)
Payments to Employees	(324,634)	(10,659)	(335,293)
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>349,638</u>	<u>41,302</u>	<u>390,940</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>			
Operating Transfers	(138,715)	-	(138,715)
<u>Net Cash Provided (Used) by Non-Capital Financing Activities</u>	<u>(138,715)</u>	<u>-</u>	<u>(138,715)</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>			
Capital Contributions	-	-	-
Acquisition of Fixed Assets	(1,830,861)	(15,200)	(1,846,061)
Debt Issued for the Acquisition of Fixed Assets	1,795,000	-	1,795,000
Payments on Debt Acquired for Fixed Assets	(91,870)	-	(91,870)
Interest Paid on Long-Term Debt	(31,645)	-	(31,645)
<u>Net Cash Provided (Used) by Capital & Related Financing Activities</u>	<u>(159,376)</u>	<u>(15,200)</u>	<u>(174,576)</u>
<u>Cash Flows from Investing Activities:</u>			
Interest Income	145,658	-	145,658
<u>Net Cash Provided by Investing Activities</u>	<u>145,658</u>	<u>-</u>	<u>145,658</u>
Net Increase (Decrease) in Cash & Cash Equivalents	197,205	26,102	223,307
Cash & Cash Equivalents--Beginning of Year	3,122,518	323,955	3,446,473
<u>Cash & Cash Equivalents--End of Year</u>	<u>3,319,723</u>	<u>350,057</u>	<u>3,669,780</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:			
Operating Income (Loss)	184,397	30,528	214,925
Adjustments to Reconcile to Net Cash Provided (Used) by Operating Activities:			
Depreciation	157,349	13,109	170,458
(Increase) Decrease in Net Pension Asset/Liability	(9,770)	-	(9,770)
(Increase) Decrease in Deferred Inflows/Outflows Pensions	5,721	-	5,721
(Increase) Decrease in Net OPEB Asset/Liability	190	-	190
(Increase) Decrease in Deferred Inflows/Outflows OPEB	115	-	115
(Increase) Decrease in Receivables	1,439	(2,335)	(896)
Increase (Decrease) in Liabilities	10,197	-	10,197
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>349,638</u>	<u>41,302</u>	<u>390,940</u>

The accompanying notes are an integral part of this statement.

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS
September 30, 2025

Note A: Summary of Significant Accounting Policies

The City of Idalou, Texas (the City) operates under a mayor – council (5 council members) form of government and provides the following services: Public Safety (Police, Fire, and Ambulance), Highways and Streets, Sanitation, Public Improvements (Water and Sewer Systems), Planning and Zoning, and General Administrative Services. Volunteers staff the fire department.

The accounting and reporting policies of the City relating to the activities included in the accompanying financial statements conform to generally accepted accounting principles (GAAP) as applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

1. The Reporting Entity

As required by generally accepted accounting principles, these financial statements present the City (the primary government) and its component units, if applicable. The City's financial statements include accounts of all City operations. Component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organizations to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The financial statement of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The City holds the corporate powers of the organization
- The City appoints a voting majority of the organization's board
- The City is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the City
- There is fiscal dependency by the organization on the City

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 2
September 30, 2025

Note A: Summary of Significant Accounting Policies (Continued)

Based on the aforementioned criteria, the City of Idalou has a single component unit, the Idalou Economic Development Corporation (EDC). The EDC was formed to provide economic growth in the City. The governing board of the EDC is appointed by the City Council. The City has assigned a portion of its sales tax revenues to the EDC for future economic development of the City. The EDC does not issue separate financial statements. During the fiscal year ended September 30, 2025 the City allocated \$64,256 of its sales tax revenue to the EDC.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the over-reporting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all of taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

General Fund: This is the primary operating fund of the City. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

Debt Service Fund: This fund accounts for financial resources that are restricted, committed, or assigned to expenditures for principal and interest on long-term debt of governmental activities.

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 3
September 30, 2025

Note A: Summary of Significant Accounting Policies (Continued)

In addition, the City reports the following fund types:

Enterprise Funds: Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

b. Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims, and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 4
September 30, 2025

Note A: Summary of Significant Accounting Policies--Continued

The Proprietary Fund Types are accounted for on a flow of economic resources measurement focus utilizing the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The fund equity is segregated in net investment in capital assets, restricted net position, and unrestricted net position.

c. Fund Balance Classification

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Currently, the City's restricted fund balances are made up of \$26,665 restricted for governmental activities debt service. There was \$575,115 restricted for debt service in the water & sewer fund. Additionally, in accordance with a loan agreement, \$65,652 is restricted for future asset maintenance in the water and sewer fund.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. Currently, the City has \$183,605 committed for the library, police, and fire departments.

Unassigned: This classification includes the residual fund balance for the General Fund.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

When an expenditure is 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.

The District reserves the right to selectively spend Unassigned/Unrestricted resources first to defer the use of these other classified funds.

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 5
September 30, 2025

Note A: Summary of Significant Accounting Policies (continued)

3. Financial Statement Amounts

a. Deposits and Investments

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

For purposes of the statement of cash flows, the City considers all highly liquid investments purchased with maturity of three months or less to be cash equivalents.

Investments for the City are reported at fair value.

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1st for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1st of the year following the year in which imposed. On January 1st of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables are based upon historical experience in collecting property taxes. As of September 30, 2025, the amount deemed uncollectible by this estimate was \$37,528. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Inventories and Prepaid Items

The City records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory.

Certain payments to vendors reflect cost applicable to future periods and are recorded as prepaid items.

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 6
September 30, 2025

Note A: Summary of Significant Accounting Policies (continued)

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair market value at the date of the donation. The City has elected not to retroactively report its infrastructure assets. Infrastructure assets acquired after the implementation of GASB 34 will be capitalized. The cost of normal maintenance and repairs that do not add to the value of the assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	20
Buildings	10-40
Building Improvements	10-40
Vehicles	5-10
Office Equipment and Furniture	5-10
Computer Equipment	3

e. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of the period end.

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 7
September 30, 2025

Note A: Summary of Significant Accounting Policies (continued)

g. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

h. Compensated Absences

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximum depending on tenure with the City. The City's policy allows full time, permanent employees to accumulate up to 240 hours of earned but unused vacation leave. Upon separation from service in good standing employees are paid for any unused vacation leave subject to the 240 hour rule. Full time, permanent employees are allowed to accrue up to 240 hours of sick leave. Upon separation of service from the City, accrued sick leave is cancelled without compensation to the employee. For the period ended September 30, 2025, the accrued vacation and sick leave payable was \$52,848.

i. Deferred Outflows/Inflows of Resources

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

Governmental Funds: In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period when the amounts become available.

j. 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/deductions 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.

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 8
September 30, 2025

Note A: Summary of Significant Accounting Policies (continued)

k. Other Post-Employment Benefits

The City provides a supplemental death benefit for retirees that is considered an other post-employment benefit (OPEB) covered by GASB No. 75. This plan benefit is administered by TMRS. For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions 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. There are no investments.

Note B: Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures", violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violations</u>	<u>Action Taken</u>
None Reported	Not Applicable

Note C: Deposits and Investments

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

Cash Deposits

At September 30, 2025, the carrying amount of the City's deposits (cash, certificates of deposit, and interest bearing saving accounts included in temporary investments) was \$4,297,222 and the bank balance was \$4,710,507. The City's cash deposits at September 30 and during the year then ended, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 9
September 30, 2025

Note C: Deposits and Investments (continued)

Investments

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

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports an establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

State statutes and Council policy authorize the City to invest in 1) obligations of the U.S. or its agencies and instrumentalities; 2) obligations of state, 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; 3) guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas; 4) obligations of the state of Texas or its agencies; 5) other obligations guaranteed by the U.S. or the state of Texas or their agencies and instrumentalities; 6) fully collateralized repurchase agreements; and 7) public funds investment pools. Temporary investments are reported at cost, which approximates market, and are secured, when necessary, by the FDIC or obligations of items 1-4 above at 102% of the investment's market value.

The City's investments at September 30, 2025 included certificates of deposit (\$180,852), and investment pools (\$650,220).

<u>Investment Pool</u>	<u>Fund Rating (Standard & Poor's)</u>	<u>Wtd Average Maturity</u>	<u>Amount</u>
Texpool	AAAm	41 Days	\$ 650,220

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of now lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 10
September 30, 2025

Note C: Deposits and Investments (continued)

The City's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

At year end, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 11
September 30, 2025

Note D: Capital Assets

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

<u>Governmental Activities:</u>	Balance <u>10-01-24</u>	<u>Additions</u>	Deletions/ <u>Reclassifications</u>	Balance <u>9-30-25</u>
Land	\$ 219,899	-	-	\$ 219,899
Construction in Progress	-	-	-	-
Infrastructure	2,951,832	98,908	-	3,050,740
Buildings& Improvements	1,509,704	-	-	1,509,704
Furniture & Equipment	<u>2,722,084</u>	<u>171,747</u>	<u>(64,084)</u>	<u>2,829,747</u>
Total Capital Assets	<u>\$ 7,403,519</u>	<u>\$ 270,655</u>	<u>\$ (64,084)</u>	<u>\$ 7,610,090</u>

Less Accumulated
Depreciation:

Infrastruture	\$ 1,884,085	\$ 133,700	-	\$ 2,017,785
Buildings& Improvements	1,049,674	59,536	-	1,109,210
Furniture & Equipment	<u>1,989,553</u>	<u>156,583</u>	<u>(64,084)</u>	<u>2,082,052</u>
Total Accumulated Depreciation	<u>\$ 4,923,312</u>	<u>\$ 349,819</u>	<u>\$ (64,084)</u>	<u>\$ 5,209,047</u>
Net Capital Assets	<u>\$ 2,480,207</u>	<u>\$ (79,164)</u>	<u>\$ -</u>	<u>\$ 2,401,043</u>

<u>Water and Sewer Activities:</u>	Balance <u>10-01-24</u>	<u>Additions</u>	Deletions/ <u>Reclassifications</u>	Balance <u>9-30-25</u>
Land	\$ 171,386	-	-	\$ 171,386
Construction in Progress	229,180	2,012,830	-	2,242,010
Buildings& Improvements	218,562	-	-	218,562
Water & Sewer System	4,482,254	49,920	-	4,532,174
Vehicles, Machinery & Furniture & Fixtures	<u>822,375</u>	<u>-</u>	<u>-</u>	<u>822,375</u>
Total Capital Assets	<u>\$ 5,923,757</u>	<u>\$ 2,062,750</u>	<u>\$ -</u>	<u>\$ 7,986,507</u>

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 12
September 30, 2025

Note D: Capital Assets (continued)

<u>Less Accumulated Depreciation:</u>	<u>Balance 10-01-24</u>	<u>Additions</u>	<u>Deletions/ Reclassifications</u>	<u>Balance 9-30-25</u>
Buildings& Improvements	\$ 99,306	\$ 9,582	-	\$ 108,888
Water & Sewer System	3,507,750	127,885	-	3,635,635
Vehicles, Machinery & Furniture & Fixtures	<u>756,535</u>	<u>19,883</u>	<u>-</u>	<u>776,418</u>
Total Accumulated Depreciation	<u>\$ 4,363,591</u>	<u>\$ 157,350</u>	<u>\$ -</u>	<u>\$4,520,941</u>
Net Capital Assets	<u>\$ 1,560,166</u>	<u>\$ 1,905,400</u>	<u>\$ -</u>	<u>\$3,465,566</u>
<u>Sanitation Activities:</u>	<u>Balance 10-01-24</u>	<u>Additions</u>	<u>Deletions/ Reclassifications</u>	<u>Balance 9-30-25</u>
Land	\$ 10,873	-	-	\$ 10,873
Vehicles, Machinery & Furniture & Fixtures	<u>564,199</u>	<u>15,200</u>	<u>-</u>	<u>579,399</u>
Total Capital Assets	<u>\$ 575,072</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 590,272</u>
<u>Less Accumulated Depreciation:</u>				
Vehicles, Machinery & Furniture & Fixtures	<u>\$ 514,304</u>	<u>\$ 13,109</u>	<u>\$ -</u>	<u>\$ 527,413</u>
Total Accumulated Depreciation	<u>\$ 514,304</u>	<u>\$ 13,109</u>	<u>\$ -</u>	<u>\$ 527,413</u>
Net Capital Assets	<u>\$ 60,768</u>	<u>\$ 2,091</u>	<u>\$ -</u>	<u>\$ 62,859</u>

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

General Administration	\$ 46,746
Public Safety – Police	37,773
Public Safety – Fire Department	120,023
Public Safety - EMS	355
Public Works – Street Department	133,700
Parks	10,804
Library	418
Water and Sewer	157,350
Sanitation	<u>13,109</u>
	<u>\$ 520,278</u>

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 13
September 30, 2025

Note E: Interfund Balances and Activities

Interfund balances at September 30, 2025 consisted of the following individual fund balances:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<u>General Fund:</u>		
Component Unit	\$ -	14,577
<u>Total General Fund</u>	-	14,577
<u>Component Unit:</u>		
General Fund	14,577	-
<u>Total</u>	<u>\$ 14,577</u>	<u>\$ 14,577</u>

These interfund receivables and payables arise out of the normal course of business where the general fund is allocating sales tax revenues to the Idalou EDC. All balances are expected to be paid within one year.

Note F: Interfund Transfers

Interfund transfers for the year ended September 30, 2025 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<u>General Fund:</u>		
Water & Sewer Fund	99,734	-
<u>Total General Fund</u>	99,734	-
<u>Debt Service Fund:</u>		
Water & Sewer Fund	38,981	-
<u>Proprietary Fund:</u>		
General Fund	-	99,734
Debt Service Fund	-	38,981
<u>Total</u>	<u>\$ 138,715</u>	<u>\$ 138,715</u>

These interfund transfers represent cash flow transfers between funds in the normal course of business.

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 14
September 30, 2025

Note G: Long-Term Obligations

At September 30, 2025 debt consisted of the following individual issues:

Series 2021 General Obligation Refunding Bonds are 1.00% interest bearing. Principal is due in annual payments on February 15 and interest is due in semi-annual payments on February 15 and August 15. The balance at September 30, 2025 was \$738,000 of which \$142,000 is due within one year.

In fiscal year 2023, The City entered into a financing agreement for the purchase of a door security system. The agreement calls for 5 annual payments of \$14,995 with an interest rate of 9.5%.

In fiscal year 2024, the City authorized the issuance of Waterworks and Sewer System Revenue Bonds, Taxable Series 2024 with an aggregate total of \$2,850,000 with an interest rate of 2.75%. As of September 30, 2025, the City had been delivered \$2,005,000 of these Bonds. Principal is due in annual payments on February 15 and interest is due in semi-annual payments on February 15 and August 15. The balance at September 30, 2025 was \$1,965,000 of which \$41,000 is due within one year.

Changes in long-term obligations for the year ended September 30, 2025 are as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Refunding Bonds, 2021	\$ 567,129	\$ -	\$ 93,130	\$ 473,999	\$ 91,203
Direct Financing	37,341	-	11,289	26,052	12,410
Compensated Absences*	24,490	11,832	-	36,322	19,583
Net Pension Liability	7,738	11,271	32,426	(13,417)	-
Total OPEB Liability	<u>7,247</u>	<u>440</u>	<u>-</u>	<u>7,687</u>	<u>-</u>
<u>Total Governmental Funds:</u>	<u>\$ 643,945</u>	<u>\$ 23,543</u>	<u>\$ 136,845</u>	<u>\$ 530,643</u>	<u>\$123,196</u>

<u>Business-Type Activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Refunding Bonds, 2021	\$ 315,871	\$ -	\$ 51,870	\$ 264,001	\$ 50,797
Revenue Bonds, 2024	210,000	1,795,000	40,000	1,965,000	41,000
Compensated Absences*	15,202	1,324	-	16,526	8,910
Net Pension Liability	3,554	5,242	15,012	(6,216)	-
Total OPEB Liability	<u>3,342</u>	<u>199</u>	<u>- 9</u>	<u>3,532</u>	<u>-</u>
<u>Total Enterprise Funds:</u>	<u>\$ 547,969</u>	<u>\$ 1,801,765</u>	<u>\$ 106,891</u>	<u>\$ 2,242,843</u>	<u>\$100,707</u>

*The change in compensated absences is reported as a net increase or decrease.

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 15
September 30, 2025

Note G: Long-Term Obligations (continued)

The debt service fund is used to liquidate the governmental activities long-term debt and the water and sewer fund liquidates the business-type activities long-term debt. The annual aggregate maturities of general obligation refunding bonds-series 2021 and revenue bonds-series 2024 for the years subsequent to September 30, 2025 are as follows:

<u>Bonds Payable</u> Year Ending September 30,	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 91,203	\$ 4,284	\$ 91,797	\$ 49,309
2027	91,845	3,368	93,155	54,510
2028	96,341	2,428	96,659	52,810
2029	96,984	1,461	98,016	51,069
2030	97,626	488	99,374	49,296
2031-2035	-	-	247,000	225,289
2036-2040	-	-	283,000	188,752
2041-2045	-	-	326,000	146,671
2046-2050	-	-	373,000	98,449
2051-2055	-	-	428,000	43,091
2056	-	-	93,000	1,286
Total	<u>\$ 473,999</u>	<u>\$ 12,029</u>	<u>\$ 2,229,001</u>	<u>\$ 960,532</u>

Future payments on direct financing agreements as of September 30, 2025 are as follows.

Governmental Funds – Direct financing agreements

Year Ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 12,410	\$ 2,585	\$ 14,995
2027	<u>13,642</u>	<u>1,354</u>	<u>14,996</u>
Total	<u>\$ 26,052</u>	<u>\$ 3,939</u>	<u>\$ 29,991</u>

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 16
September 30, 2025

Note H: TMRS-Pension Plan

Plan Description

The City of Idalou 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 tmrs.com.

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

Benefits Provided

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

At retirement, the 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 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 contributions and interest.

	<u>Plan Year 2024</u>	<u>Plan Year 2023</u>
Employee deposit rate	7.0%	5.0%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	0%	0%
Annuity Increase (to retirees)	0% of CPI	0% of CPI

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 17
September 30, 2025

Note H: TMRS-Pension Plan (continued)

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	22
Active employees	<u>12</u>
Total	37

Contributions

Member contribution rates in TMRS are either 5%, 6% or 7% of the Member's total compensation, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The 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 of Idalou were required to contribute 7% of their annual compensation during the fiscal year. The actuarially determined contribution rates for the City of Idalou were 6.08% and 6.45% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025 were \$49,444, and were equal to the required contributions.

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.

Actuarial assumptions:

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

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 18
September 30, 2025

Note H: TMRS-Pension Plan (continued)

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 MP-2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. 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 by best estimate range of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in fiscal year 2024 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
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	<u>4.00%</u>	7.30%
Total	100.00%	

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 19
September 30, 2025

Note H: TMRS-Pension Plan (continued)

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 member 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 Members. 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.

Change in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/23	\$ 1,006,744	\$ 995,452	\$ 11,292
Changes for the year:			
Service cost	104,271		104,271
Interest	69,735		69,735
Change of benefit terms			
Difference between expected and actual experience	(298)		(298)
Changes of assumptions	-		-
Contributions - employer		47,417	(47,417)
Contributions - employee		54,592	(54,592)
Net investment income		103,303	(103,303)
Benefit payments, including refunds of employee contributions	(51,527)	(51,527)	-
Administrative expense		(663)	663
Other changes		(16)	16
Net changes	122,181	153,106	(30,925)
Balance at 12/31/24	<u>\$ 1,128,925</u>	<u>\$ 1,148,558</u>	<u>\$ (19,633)</u>

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:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability/(asset)	\$ 164,590	\$ (19,633)	\$ (169,465)

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 20
September 30, 2025

Note H: TMRS-Pension Plan (continued)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2025, the city recognized pension expense of \$36,757.

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	\$ -	\$ 8,050
Changes in actuarial assumptions	\$ -	\$ 3,465
Difference between projected and actual investment earnings	\$ -	\$ 12,676
Contributions subsequent to the measure date December 31, 2024	\$ 35,154	\$ -
Total	\$ 35,154	\$ 24,191

\$35,154 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec 31:	
2025	\$ (10,995)
2026	9,416
2027	(15,390)
2028	(7,222)
2029	-
Thereafter	-
Total	\$ (24,191)

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 21
September 30, 2025

Note I: Supplemental Death Benefits Plan

1. Plan Description

The City participates in the single-employer unfunded 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 SDBF had 818 participating cities as of December 31, 2024.

2. OPEB Plan Fiduciary Net Position

Detailed information about the fiduciary net position of the Supplemental Death Benefits Fund is available in the separately-issued TMRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at tmrs.com or by writing to TMRS at P.O. Box 149153, Austin, TX 78714-9153.

3. Benefits Provided

The death benefit for active members provides a lump-sum payment approximately equal to the member's annual salary (calculated based on the members' actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an "other post-employment benefit" ("OPEB") and is a fixed amount of \$7,500. The obligations of this plan are payable only from the SDBF and are not an obligation of the Pension Trust Fund. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

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	0
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>12</u>
Total	15

CITY OF IDALOU
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 22
September 30, 2025

Note I: Supplemental Death Benefits Plan (continued)

4. Contributions

The City contributes to the SDBF monthly based on the payroll of their covered members at an annually actuarially determined rate. There is a one-year delay between the actuarial valuation that serves as the basis for the city's contribution rate and the calendar year when the rate goes into effect.

TMRS pools the SDBF contributions with those of the Pension Trust Fund for investment purposes. The SDBF's funding policy assures that adequate resources are available to meet all death benefit payments for the upcoming year. The SDBF is a pay-as-you-go fund, and any excess contributions are available for future SDBF benefits.

	<u>Contribution Rates</u>	
City and Component Unit	<u>2024</u> 0.15%	<u>2025</u> 0.12%
Current Fiscal Year Employer Contributions		
Primary Government		\$ 1,007

CITY OF IDALOU
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 23
September 30, 2025

Note I: Supplemental Death Benefits Plan (continued)

5. Actuarial Assumptions

The total OPEB liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Summary of Actuarial Methods and Assumptions

Valuation Date	December 31, 2024
Actuarial Cost Method	Entry Age Normal
Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Discount Rate*	4.08%*
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

*The discount rate was based on the Bond Buyer "20-Bond GO Index" rate closest to, but not later than December 31, 2024.

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

CITY OF IDALOU
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 24
September 30, 2025

Note I: Supplemental Death Benefits Plan (continued)

6. Discount Rate

As of December 31, 2024, the discount rate used in the development of the Total OPEB Liability was 4.08% compared to 3.77% as of December 31, 2023. In accordance with GASB No. 75, paragraph 155, the applicable discount rate for an unfunded OPEB is based on an index of tax exempt 20-year municipal bond rates rated as AA or higher. The projection of cash flows used to determine the discount rate assumed that contributions are made at the actuarially determined rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to *not be able to* make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Bond Buyer "20-Bond GO Index" as of December 31, 2024.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.77%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (3.08%)	Discount Rate (4.08%)	1% Increase in Discount Rate (5.08%)
Primary Government	\$ 14,749	\$ 11,219	\$ 8,611

8. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At September 30, 2025, the City reported a liability of \$11,219 for total OPEB liability. The total OPEB liability was measured as of December 31, 2024 by an actuarial valuation as of that date.

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

As of December 31, 2024, the discount rate used in the development of the Total OPEB Liability was 4.08% compared to 3.77% as of December 31, 2023. The discount rate was based on the Bond Buyer "20-Bond GO Index" rate closest to, but not later than December 31, 2024.

For the year ended September 30, 2025, the City recognized OPEB expense of \$2,017.

CITY OF IDALOU
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 25
September 30, 2025

Note I: Supplemental Death Benefits Plan (continued)

Change in the Total OPEB Liability

	Total OPEB Liability
	<u>Primary Government</u>
Balance at 12/31/23	\$ 10,589
Changes for the year:	
Service cost	2,028
Interest	437
Change of benefit terms	-
Difference between expected and actual experience	(883)
Changes of assumptions	(952)
Benefit payments, including refunds of employee contributions	-
Other changes	-
Net changes	<u>630</u>
Balance at 12/31/24	<u>\$ 11,219</u>

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Primary Government:</u>		
Differences between expected and actual economic experience	\$ 171	\$ (5,568)
Changes in actuarial assumptions	\$ 3,562	\$ (6,242)
Difference between projected and actual investment earnings	\$ -	\$ -
Contributions subsequent to the measure date December 31, 2024	<u>\$ 654</u>	<u>\$ -</u>
Total	\$ 4,387	\$ (11,810)

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 26
September 30, 2025

Note I: Supplemental Death Benefits Plan (continued)

The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended Dec 31:	<u>Primary Government</u>
2025	\$ (1,628)
2026	(1,691)
2027	(1,573)
2028	(2,033)
2029	(833)
Thereafter	(319)
Total	\$ (8,077)

Note J: Contingent Liabilities

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement, which may arise as the result of these audits, is not believed to be significant.

From time to time the City is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a significant adverse impact on the affected funds of the City.

CITY OF IDALOU
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 27
September 30, 2025

Note K: Risk Management

The City manages risk by purchasing commercial insurance. The City provides health insurance as a fringe benefit for full time, permanent employees through the Texas Municipal League health insurance program.

Workers compensation coverage is also provided for all employees through the Texas Municipal League Intergovernmental Risk Pool (the Pool). The Pool provides property, liability and workers' compensation coverage for certain governmental entities of the State of Texas. Member entities include municipalities, housing authorities, councils of governments, hospital districts, water districts and tax appraisal districts. The Pool consists of five separate funds: the Workers' Compensation Fund, the Liability Fund, the Property Fund, and the Reinsurance Fund and the Stability Fund. The financial results of these coverages are accounted for in separate funds by the Pool.

The Texas Workers' Compensation Fund Joint Insurance Fund (the Workers' Compensation Fund) was created in 1974 by the Texas Municipal League. This Fund provides coverage that conforms to the workers' compensation laws of Texas. As part of the coverage, the Pool provides risk management services with emphasis on loss control.

The premiums paid for Workers' Compensation Coverage are based on estimated payroll amounts and are subject to fluctuations based upon an audit of payroll costs by the insurer. Any increase or decrease is not expected to be material to the financial statements.

For insured programs there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three preceding years.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF IDALOU
Idalou, Texas

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended September 30, 2025

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>				
Property Taxes (Including Penalty and Interest)	\$ 844,146	\$ 844,146	\$ 833,311	\$ (10,835)
Sales Taxes	300,000	312,000	321,282	9,282
Franchise Taxes	120,000	120,000	106,860	(13,140)
Municipal Court Revenue	32,875	32,875	33,312	437
License & Permits	5,000	5,000	9,320	4,320
Interest Income	30,000	30,000	47,000	17,000
Intergovernmental	139,213	139,213	139,249	36
Donations	500	12,500	15,456	2,956
Ambulance	200,000	200,000	203,864	3,864
Library Revenue	3,220	3,220	5,064	1,844
Grant Revenues	35,296	69,710	79,650	9,940
Miscellaneous	27,000	27,000	33,138	6,138
<u>Total Revenues</u>	<u>1,737,250</u>	<u>1,795,664</u>	<u>1,827,506</u>	<u>31,842</u>
<u>Expenditures</u>				
<u>Current</u>				
General Administration	459,291	489,291	487,936	1,355
Judicial	102,138	102,138	98,361	3,777
Public Safety - Police Department	551,347	545,761	539,621	6,140
Public Safety - Fire Department	189,599	243,099	241,918	1,181
Health and Welfare - EMS	358,692	347,692	346,857	835
Public Works - Street Department	115,620	178,410	178,387	23
Parks	10,000	21,000	20,694	306
Library	35,086	35,086	31,072	4,014
<u>Debt Service</u>				
Principal	11,289	11,289	11,289	-
Interest	3,706	3,706	3,706	-
<u>Total Expenditures</u>	<u>1,836,768</u>	<u>1,977,472</u>	<u>1,959,841</u>	<u>17,631</u>
<u>Other Financing Sources (Uses)</u>				
Proceeds from Long-Term Debt	-	-	-	-
Sale of Assets	-	31,500	31,500	-
Operating Transfers In (Out)	99,734	99,734	99,734	-
<u>Total Other Financing Sources (Uses)</u>	<u>99,734</u>	<u>131,234</u>	<u>131,234</u>	<u>-</u>
<u>Ex Over (Under) Expenditures and Other Uses</u>	216	(50,574)	(1,101)	49,473
Fund Balance, Beginning of Year	616,186	616,186	616,186	-
<u>Fund Balance, End of Year</u>	<u>\$ 616,402</u>	<u>\$ 565,612</u>	<u>\$ 615,085</u>	<u>\$ 49,473</u>

CITY OF IDALOU
Idalou, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/ASSET
AND RELATED RATIOS - TMRS
(unaudited)

	Measurement Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service Cost	\$ 104,271	\$ 87,561	\$ 62,197	\$ 65,979	\$ 53,944	\$ 52,976	\$ 46,621	\$ 49,071	\$ 50,244	\$ 48,215
Interest (on the Total Pension Liability)	69,735	62,939	54,676	49,441	44,674	39,938	38,110	34,932	30,296	26,672
Changes of benefit terms	-	27,643	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(298)	(14,420)	(9,584)	(11,941)	(20,873)	(14,378)	(35,833)	(13,344)	(5,326)	(20,549)
Change of assumptions	-	(10,331)	-	-	-	1,278	-	-	-	21,066
Benefit payments, including refunds of employee contributions	(51,527)	(15,297)	(35,109)	(12,950)	(13,353)	(6,913)	(43,078)	(1,618)	(10,274)	(6,966)
Net change in Total Pension Liability	122,181	138,095	72,180	90,529	64,392	72,901	5,820	69,041	64,940	68,438
Total Pension Liability - Beginning	<u>1,006,744</u>	<u>868,649</u>	<u>796,469</u>	<u>705,940</u>	<u>641,548</u>	<u>568,647</u>	<u>562,827</u>	<u>493,786</u>	<u>428,846</u>	<u>360,408</u>
Total Pension Liability - Ending (a)	<u>\$ 1,128,925</u>	<u>\$ 1,006,744</u>	<u>\$ 868,649</u>	<u>\$ 796,469</u>	<u>\$ 705,940</u>	<u>\$ 641,548</u>	<u>\$ 568,647</u>	<u>\$ 562,827</u>	<u>\$ 493,786</u>	<u>\$ 428,846</u>
Plan Fiduciary Net Position										
Contributions - employer	47,417	28,159	27,408	29,478	24,348	26,396	23,764	26,249	22,764	22,486
Contributions - employee	54,592	33,522	33,368	35,975	30,102	30,341	26,702	28,105	28,069	28,462
Net investment income	103,303	98,324	(64,820)	96,323	49,287	80,553	(15,881)	58,237	24,036	460
Benefit payments, including refunds of employee contributions	(51,527)	(15,297)	(35,109)	(12,950)	(13,353)	(6,913)	(43,078)	(1,618)	(10,274)	(6,966)
Administrative expense	(663)	(627)	(562)	(448)	(320)	(456)	(307)	(302)	(272)	(280)
Other	(16)	(4)	671	4	(13)	(14)	(16)	(15)	(15)	(14)
Net Change in Plan Fiduciary Net Position	153,106	144,077	(39,044)	148,382	90,051	129,907	(8,816)	110,656	64,308	44,148
Plan Fiduciary Net Position - Beginning	<u>995,452</u>	<u>851,375</u>	<u>890,419</u>	<u>742,037</u>	<u>651,986</u>	<u>522,079</u>	<u>530,895</u>	<u>420,239</u>	<u>355,931</u>	<u>311,783</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 1,148,558</u>	<u>\$ 995,452</u>	<u>\$ 851,375</u>	<u>\$ 890,419</u>	<u>\$ 742,037</u>	<u>\$ 651,986</u>	<u>\$ 522,079</u>	<u>\$ 530,895</u>	<u>\$ 420,239</u>	<u>\$ 355,931</u>
Net Pension Liability/(Asset) - Ending (a) - (b)	\$ (19,633)	\$ 11,292	\$ 17,274	\$ (93,950)	\$ (36,097)	\$ (10,438)	\$ 46,568	\$ 31,932	\$ 73,547	\$ 72,915
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	101.74%	98.88%	98.01%	111.80%	105.11%	101.63%	91.81%	94.33%	85.11%	83.00%
Covered Employee Payroll	\$ 779,886	\$ 670,448	\$ 667,353	\$ 719,507	\$ 602,050	\$ 606,828	\$ 534,033	\$ 562,100	\$ 561,389	\$ 569,245
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	-2.52%	1.68%	2.59%	-13.06%	-6.00%	-1.72%	8.72%	5.68%	13.10%	12.81%

The accompanying notes are an integral part of this statement.

CITY OF IDALOU
Idalou, Texas

SCHEDULE OF CONTRIBUTIONS - TMRS PENSION
(unaudited)

	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially Determined Contribution	\$ 49,444	\$ 41,991	\$ 27,692	\$ 28,658	\$ 27,264	\$ 24,368	\$ 26,111	\$ 24,125	\$ 25,164	\$ 23,131
Contributions in relation to the actuarially determined contribution	<u>49,444</u>	<u>41,991</u>	<u>27,692</u>	<u>28,658</u>	<u>27,264</u>	<u>24,368</u>	<u>26,111</u>	<u>24,125</u>	<u>25,164</u>	<u>23,131</u>
Contribution (deficiency) excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 779,727	\$ 752,954	\$ 654,342	\$ 697,804	\$ 667,034	\$ 591,240	\$ 596,868	\$ 535,030	\$ 556,962	\$ 573,832
Contributions as a percentage of covered employee payroll	6.34%	5.58%	4.23%	4.11%	4.09%	4.12%	4.37%	4.51%	4.52%	4.03%

The accompanying notes are an integral part of this statement.

CITY OF IDALOU
Idalou, Texas

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS - TMRS
(unaudited)

	Measurement Year							
	2023	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability								
Service Cost	\$ 2,028	\$ 1,542	\$ 2,736	\$ 3,022	\$ 2,107	\$ 1,396	\$ 908	\$ 843
Interest (on the Total OPEB Liability)	437	392	365	353	338	248	261	219
Changes of benefit terms	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(883)	(886)	(1,060)	(2,049)	(1,158)	489	(1,721)	-
Change of assumptions	(952)	627	(278)	984	3,607	3,138	(916)	1,017
Benefit payments, including refunds of employee contributions	-	-	-	-	-	-	-	-
Net change in Total OPEB Liability	630	1,675	1,763	2,310	4,894	5,271	(1,468)	2,079
Total OPEB Liability - Beginning	10,589	8,914	18,452	16,142	11,248	5,977	7,445	5,366
Total OPEB Liability - Ending	<u>\$ 11,219</u>	<u>\$ 10,589</u>	<u>\$ 20,215</u>	<u>\$ 18,452</u>	<u>\$ 16,142</u>	<u>\$ 11,248</u>	<u>\$ 5,977</u>	<u>\$ 7,445</u>
 Covered Employee Payroll	 \$ 779,886	 \$ 670,448	 \$ 667,353	 \$ 719,507	 \$ 602,050	 \$ 606,828	 \$ 534,033	 \$ 562,100
 Total OPEB Liability/(Asset) as a Percentage of Covered Payroll	 1.44%	 1.58%	 3.03%	 2.56%	 2.68%	 1.85%	 1.12%	 1.32%

The accompanying notes are an integral part of this statement.

CITY OF IDALOU
Idalou, Texas

SCHEDULE OF CONTRIBUTIONS - TMRS OPEB
(unaudited)

	Fiscal Year							
	2025	2024	2023	2022	2021	2020	2019	2018
Actuarially Determined Contribution	\$ 1,007	\$ 1,109	\$ 391	\$ 419	\$ 402	\$ 370	\$ 416	\$ 389
Contributions in relation to the actuarially determined contribution	<u>1,007</u>	<u>1,109</u>	<u>391</u>	<u>419</u>	<u>402</u>	<u>370</u>	<u>416</u>	<u>389</u>
Contribution (deficiency) excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 779,727	\$ 752,954	\$ 654,342	\$ 697,804	\$ 667,034	\$ 591,240	\$ 596,868	\$ 535,030
Contributions as a percentage of covered employee payroll	0.1291%	0.1473%	0.0598%	0.0600%	0.0603%	0.0626%	0.0697%	0.0727%

The accompanying notes are an integral part of this statement.

CITY OF IDALOU
Idalou, Texas

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2025

Schedule of Pension Contributions – TMRS

Valuation Date:

Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	17 Years (longest amortization ladder)
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). Pre-retirement: PUP(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information:

Notes

There were no benefit changes during the year.

CITY OF IDALOU
Idalou, Texas

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2025

Schedule of Contributions for OPEB – TMRS

Valuation Date:

Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method

Entry Age Normal

Asset Valuation

For purposes of calculating the Total OPEB Liability, the plan is considered to be unfunded and therefore no assets are accumulated for OPEB.

Inflation

2.5%

Salary Increases

3.60% to 11.85% including inflation

Discount Rate*

4.08%

Retirees' share of benefit-related costs

0\$

Administrative expenses

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

Mortality rates – service retirees

2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Mortality rates – disabled retirees

2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

*The discount rate was based on the Bond Buyer "20-Bond GO Index" rate closest to, but not later than December 31, 2024.

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

OTHER SUPPLEMENTARY INFORMATION

CITY OF IDALOU
Idalou, Texas

SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended September 30, 2025

Years Ended September 30	Tax Rate Per \$100 Value	Assessed/Appraised Value for Tax Purposes	Balance 10/01/24	Add: Current Levy	Less: Collections	Total Year's Adjustments	Balance 09/30/25
2016 and prior	\$ --	\$ --	\$ 8,248	\$ -	\$ 166	\$ (131)	\$ 7,951
2017	0.608170	101,034,579	2,027	-	-	(2)	2,025
2018	0.608170	103,780,357	1,899	-	-	(2)	1,897
2019	0.608170	109,290,823	2,725	-	-	(3)	2,722
2020	0.608170	118,099,216	3,425	-	255	8	3,178
2021	0.608170	120,844,172	5,336	-	710	10	4,636
2022	0.574950	132,590,486	9,106	-	587	27	8,546
2022	0.511740	150,780,670	14,168	-	2,648	42	11,562
2023	0.500000	161,643,000	27,277	-	9,335	98	18,040
2024	0.502340	179,029,741	-	899,338	867,714	(1,228)	30,396
		<u>Totals</u>	<u>\$ 74,211</u>	<u>\$ 899,338</u>	<u>\$ 881,415</u>	<u>\$ (1,181)</u>	<u>\$ 90,953</u>

Terry & King, CPAs, P.C.

5707 114th Street
P.O. Box 93550
Lubbock, TX 79493-3550

Telephone - (806) 698-8858 – Fax – (866) 288-6490

Randel J. Terry, CPA
Ryan R. King, CPA

Independent Auditors' Report

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*

To the Honorable Mayor and City Council
City of Idalou
P.O. Box 1277
Idalou, Texas 79329

Members of the City Council:

We have audited, in accordance with the 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Idalou, Texas, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Idalou's basic financial statements, and have issued our report thereon dated February 9, 2026.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Idalou's internal control over financial reporting (internal control) as a basis for designing 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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Idalou'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.



Independent Auditors' Report
Page 2

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

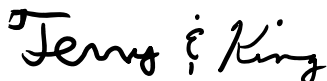
Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Idalou'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 financial statements. 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*.

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.

Respectfully submitted,

A handwritten signature in black ink that reads "Terry & King". The signature is written in a cursive, flowing style.

Terry & King, CPAs, P.C.
Lubbock, Texas
February 9, 2026

Terry & King, CPAs, P.C.

5707 114th Street
P.O. Box 93550
Lubbock, TX 79493-3550

Telephone - (806) 698-8858 – Fax – (866) 288-6490

Randel J. Terry, CPA
Ryan R. King, CPA

Independent Auditors' Report

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor and City Council
City of Idalou
P.O. Box 1277
Idalou, Texas 79329

Members of the City Council:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Idalou's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended September 30, 2025. City of Idalou's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Idalou complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Idalou and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Idalou's compliance with the compliance requirements referred to above.



Independent Auditors' Report
Page 2

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Idalou's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Idalou's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Idalou's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over*

Independent Auditors' Report
Page 3

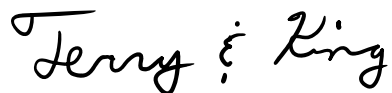
compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in cursive script that reads "Terry & King".

Terry & King, CPAs, P.C.
Lubbock, Texas
February 9, 2026

CITY OF IDALOU
Idalou, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2025

A. Summary of Auditors' Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
Material weakness(es) identified? Yes X No

Significant deficiencies identified that
are not considered to be material
weaknesses? Yes X None Reported

Noncompliance material to financial
Statements noted? Yes X No

2. Federal Awards

Internal control over major programs:
Material weakness(es) identified? Yes X No

Significant deficiencies identified that
are not considered to be material
weaknesses? Yes X None Reported

Type of auditor's report issued on compliance
for major programs: Unmodified

Any audit findings disclosed that are required
To be reported in accordance with the
Uniform Guidance? Yes X No

Identification of major programs: <u>CFDA Number(s)</u> 10.760	<u>Name of Federal Program or Cluster</u> Water and Wastewater Disposal Systems for Rural Communities
--	---

Dollar threshold used to distinguish between
type A and type B programs: \$1,000,000

Auditee qualified as low-risk auditee? Yes X No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

CITY OF IDALOU
Idalou, Texas

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2025

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation if Not Implemented</u>
None	N/A	N/A

CITY OF IDALOU
Idalou, Texas

CORRECTIVE ACTION PLAN
For the Year Ended September 30, 2025

Not Applicable – None Required

CITY OF IDALOU
Idalou, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2025

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Direct Program:			
Water and Waste Disposal Systems for Rural Communities (Loan Program)	10.760	N/A	<u>1,722,436</u>
Total U.S. Department of Agriculture			<u>1,722,436</u>
<u>U.S. Department of Justice</u>			
Passed Through the Office of the Governor:			
Edward Byrne Memorial Justice Assistance Gran	16.738	DJ 5133901	<u>35,296</u>
Total U.S. Department of Justice			<u>35,296</u>
<u>TOTAL EXPENDITURES OF FEDERAL AWARDS</u>			<u>\$ 1,757,732</u>

* - Indicates a cluster program under Uniform Guidance.

The accompanying notes are an integral part of this schedule.

CITY OF IDALOU
Idalou, Texas

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2025

The accompanying schedule of expenditures of federal awards includes the federal award activity of the City under programs of the federal government for the year ended September 30, 2025. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or changes in net position of the City.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. The Business-Type activities are reported using the economic resources measurement focus and the accrual basis of accounting.

The modified accrual basis of accounting is used for the Governmental Fund Types in the fund financial statements. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Proprietary Fund Financial Statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange include grants, entitlements, and donations. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly when such funds are received, they are recorded as unearned revenue until earned.

The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in 2 CFR Part 200, Part 3, Section H, Period of Performance.

The City elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Outstanding Loan Balances as of September 30, 2025:

USDA Water and Waste Disposal Systems for Rural Communities (10.760) - \$1,965,000