

**CITY OF JACINTO CITY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
For the Year Ended September 30, 2025

CITY OF JACINTO CITY, TEXAS  
 ANNUAL FINANCIAL REPORT  
 For the Year Ended September 30, 2025

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
City Council Members of the  
City of Jacinto City, Texas

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Jacinto City, Texas (the "City"), 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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, 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.

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

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

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

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

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### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements as listed in the table of contents 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 combining statements 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 March 27, 2026 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

Houston, Texas  
March 27, 2026

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**



CITY OF JACINTO CITY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2025

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The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities divide the City's financials into two classes of activities:

1. *Governmental Activities* – Most of the City's basic services are reported here, including public safety (police, fire, emergency medical services), community services (building permits/inspection), public works, and general government (City Administrator, City Secretary, Finance, Human Resources, and Information Technology). Interest payments on the City's debt are also reported here. Sales tax, property tax, franchise fees, municipal court fines, and permit fees finance most of these activities.
2. *Business-Type Activities* – Services involving a fee for those services are reported here. These services include the City's water and wastewater services.

The government-wide financial statements can be found after the MD&A within this report.

## **FUND FINANCIAL STATEMENTS**

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The two categories of City funds are governmental and proprietary.

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

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

The City maintains three individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund. The general fund is always considered to be a major fund for reporting purposes.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

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CITY OF JACINTO CITY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2025

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Proprietary Funds: The City maintains two types of proprietary funds. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water distribution and wastewater collection/treatment operations. The proprietary fund financial statements can be found in the basic financial statements of this report.

The City also uses an internal service fund to account for expenses associated with its health reimbursement account claims. This internal service fund has been included within governmental activities in the governmentwide financial statements.

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

Other Information: In addition to the financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general fund, schedule of changes in net pension and total other postemployment benefits liability and related ratios for the Texas Municipal Retirement System (TMRS) and the retiree health plan, and a schedule of contributions for TMRS. RSI can be found after the notes to the basic financial statements.

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. For the City, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$40,574,076 as of year-end. This compares with \$36,935,994 from the prior fiscal year. The largest portion of the City's net position, 91% reflects its investments in capital assets (e.g., land, City hall, police station, fleet equipment, drainage systems, as well as the public works facilities), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the assets themselves cannot be used to liquidate these liabilities.

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CITY OF JACINTO CITY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2025

Statement of Net Position: The following table reflects the condensed Statement of Net Position:

	2025			2024		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
Current and other assets	\$ 10,143,450	\$ 1,737,013	\$ 11,880,463	\$ 10,364,560	\$ 1,570,914	\$ 11,935,474
Noncurrent assets	11,723,598	25,090,791	36,814,389	11,520,153	22,187,503	33,707,656
Total assets	<u>21,867,048</u>	<u>26,827,804</u>	<u>48,694,852</u>	<u>21,884,713</u>	<u>23,758,417</u>	<u>45,643,130</u>
Deferred outflow s - pensions	610,324	112,475	722,799	863,829	153,702	1,017,531
Deferred outflow s - OPEB	20,400	-	20,400	30,855	-	30,855
Total deferred outflow s on resources	<u>630,724</u>	<u>112,475</u>	<u>743,199</u>	<u>894,684</u>	<u>153,702</u>	<u>1,048,386</u>
Long-term liabilities	4,359,417	844,756	5,204,173	4,346,232	806,148	5,152,380
Other liabilities	1,693,553	1,470,080	3,163,633	3,121,223	953,544	4,074,767
Total liabilities	<u>6,052,970</u>	<u>2,314,836</u>	<u>8,367,806</u>	<u>7,467,455</u>	<u>1,759,692</u>	<u>9,227,147</u>
Deferred inflow s - pensions	357,417	72,559	429,976	350,619	71,982	422,601
Deferred inflow s - OPEB	66,193	-	66,193	72,481	-	72,481
Deferred inflow s - leases	-	-	-	33,293	-	33,293
Total deferred inflow s on resources	<u>423,610</u>	<u>72,559</u>	<u>496,169</u>	<u>456,393</u>	<u>71,982</u>	<u>528,375</u>
Net investment in capital assets	11,723,598	25,090,791	36,814,389	11,520,153	22,187,503	33,707,656
Restricted	1,268,370	-	1,268,370	1,185,566	-	1,185,566
Unrestricted	<u>3,029,224</u>	<u>(537,907)</u>	<u>2,491,317</u>	<u>2,149,830</u>	<u>(107,058)</u>	<u>2,042,772</u>
Total net position	<u>\$ 16,021,192</u>	<u>\$ 24,552,884</u>	<u>\$ 40,574,076</u>	<u>\$ 14,855,549</u>	<u>\$ 22,080,445</u>	<u>\$ 36,935,994</u>

A portion of the primary government's net position, \$1,268,370 or 3%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position, \$2,491,317 or 6%, is unrestricted and may be used to meet the City's ongoing obligation to citizens and creditors.

The City's total net position increased by \$3,638,082 or 10% during the current fiscal year. Total assets experienced a net increase of \$3,051,722 as a result of an increase in noncurrent assets due to an increase in construction in progress. Total deferred outflows of resources and total deferred inflows of resources decreased due to changes in projected and actual investment earnings and changes in actuarial assumptions on pension plan liabilities. Total liabilities decreased by \$859,341 due to a decrease in net pension liability as well as a decrease in unearned revenue due to the City using Coronavirus State and Local Fiscal Recovery (CSLFR) grant funding on a City-wide water meter project.

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CITY OF JACINTO CITY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2025

Statement of Revenues, Expenses, and Changes in Fund Net Position: The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30 ,2025			For the Year Ended September 30, 2024		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 1,554,048	\$ 2,749,597	\$ 4,303,645	\$ 1,464,646	\$ 2,648,079	\$ 4,112,725
Operating grants and contributions	241,231	-	241,231	290,390	-	290,390
Capital grants and contributions	3,300,042	672,720	3,972,762	2,327,889	202,353	2,530,242
General revenues						
Ad valorem taxes	4,331,232	-	4,331,232	4,005,850	-	4,005,850
Sales taxes	2,426,402	-	2,426,402	2,201,605	-	2,201,605
Franchise fees and local taxes	578,206	-	578,206	558,632	-	558,632
Investment income	343,274	28,401	371,675	368,736	25,045	393,781
Other revenues	207,336	-	207,336	256,169	-	256,169
Total revenues	<u>12,981,771</u>	<u>3,450,718</u>	<u>16,432,489</u>	<u>11,473,917</u>	<u>2,875,477</u>	<u>14,349,394</u>
<b>Expenses</b>						
General government	1,260,496	-	1,260,496	1,184,410	-	1,184,410
Public safety	4,667,485	-	4,667,485	4,590,398	-	4,590,398
Public works	1,960,282	-	1,960,282	2,088,081	-	2,088,081
Community services	1,035,090	-	1,035,090	1,085,557	-	1,085,557
Public utilities	-	3,871,054	3,871,054	-	3,434,054	3,434,054
Total expenses	<u>8,923,353</u>	<u>3,871,054</u>	<u>12,794,407</u>	<u>8,948,446</u>	<u>3,434,054</u>	<u>12,382,500</u>
Increase in net position before transfers	4,058,418	(420,336)	3,638,082	2,525,471	(558,577)	1,966,894
Transfers	<u>(2,892,775)</u>	<u>2,892,775</u>	<u>-</u>	<u>(2,793,247)</u>	<u>2,793,247</u>	<u>-</u>
Change in net position	1,165,643	2,472,439	3,638,082	(267,776)	2,234,670	1,966,894
Beginning net position	<u>14,855,549</u>	<u>22,080,445</u>	<u>36,935,994</u>	<u>15,123,325</u>	<u>19,845,775</u>	<u>34,969,100</u>
Ending net position	<u>\$ 16,021,192</u>	<u>\$ 24,552,884</u>	<u>\$ 40,574,076</u>	<u>\$ 14,855,549</u>	<u>\$ 22,080,445</u>	<u>\$ 36,935,994</u>

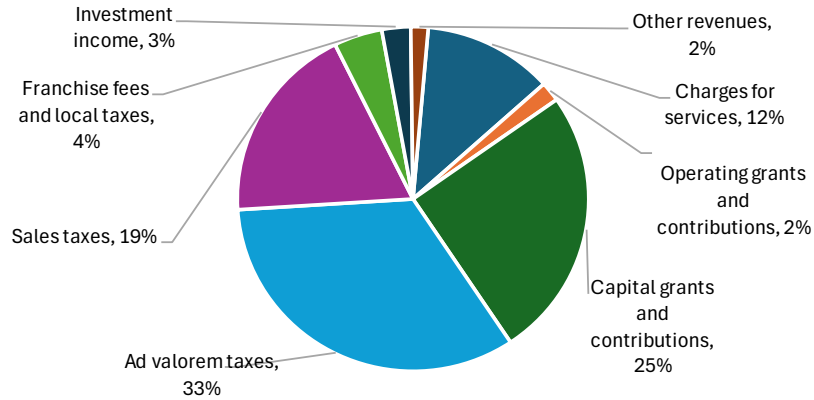
For the year ended September 30, 2025, revenues for governmental activities totaled \$12,981,771, a net increase of \$1,507,854 or 13%, compared to the prior year. This increase was primarily attributed to an increase in capital grants and contributions due to Community Development Block Grant (CDBG) grant revenues received in the current year and CSLFR grant revenue reclassified from unearned revenue. Governmental activities expenses totaled \$8,923,353, which is comparable to the prior year.

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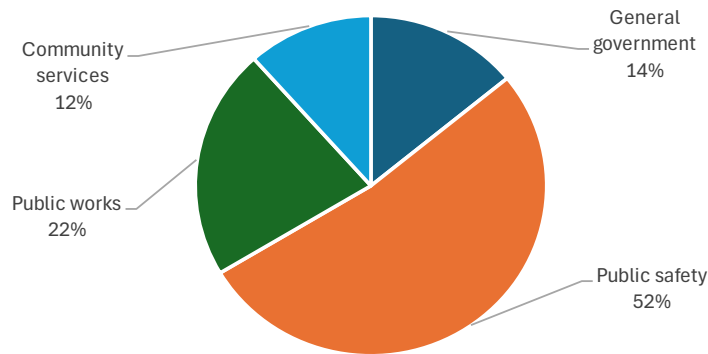
CITY OF JACINTO CITY, TEXAS  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 For the Year Ended September 30, 2025

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

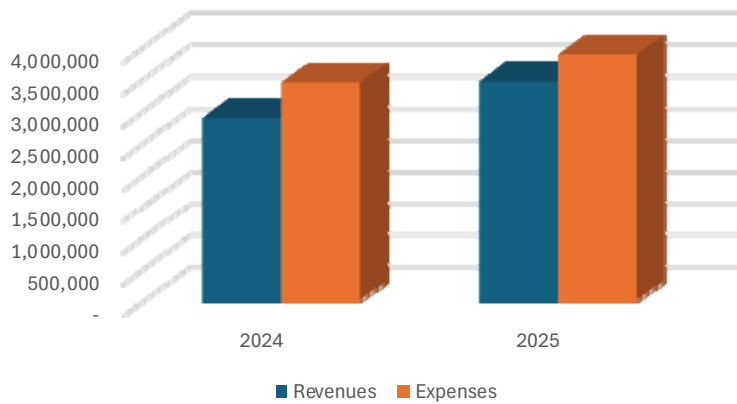
### GOVERNMENTAL REVENUES



### GOVERNMENTAL EXPENSES



### BUSINESS-TYPE ACTIVITIES



(Continued)

CITY OF JACINTO CITY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2025

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Net position before transfers for business-type activities decreased \$420,336 compared to the prior year. Revenues increased by \$575,241 when compared to the previous year due to an increase in capital grants and contributions from CDBG grants than in the previous year. Expenses increased \$437,000 primarily from an increase in water purchases and grant administration costs.

### **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

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

The City's governmental funds reflect a combined fund balance of \$7,041,884. Of this, \$1,243,447 is restricted for various purposes. There was a net increase in the combined fund balance of \$772,888 from the prior year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,798,437. As a measure of the general fund's liquidity, it may be useful to compare both unassigned and total fund balance to total fund expenditures. Unassigned fund balance represents 50% of the total general fund expenditures, while total fund balance represents 59% of that same amount.

The fund balance in the general fund increased by \$762,791 for a total of \$6,840,479 at year end. This increase is largely the result of an increase in revenues and a transfer in from the enterprise fund. Revenues increased primarily due to an increase in intergovernmental revenue from CDBG and CSLFR funds and an increase in ad valorem taxes as a result of an increase in assessed values and property tax rate.

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

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The City amended the budget to reflect an additional \$2,840,587 in expenditures to align with anticipated results. The City had a total net positive budget variance of \$3,608,240 for the general fund. Total actual revenues were more than budgeted revenues by a net \$3,059,334. The largest variances were from intergovernmental revenue due to the City's utilization CSLFR grant funds. Actual expenditures were \$522,727 less than budgeted expenditures. The largest negative budget variances were recognized within capital outlay due to more grant construction project expenditures than anticipated. The largest positive variance was in public safety due to less personnel costs than anticipated.

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CITY OF JACINTO CITY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2025

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**CAPITAL ASSETS**

At the end of the year, the City's governmental activities and business-type activities had invested \$36,814,389 in a variety of capital assets and infrastructure (net of accumulated depreciation).

The significant capital asset events during the current year included the following:

- Fire rescue truck \$209,969
- Paving improvements \$200,000
- City-wide water meter project (construction in progress): \$2,114,709
- Wastewater treatment plant rehabilitation (construction in progress): \$1,290,042

More detailed information about the City's capital assets is presented in Note 3 to the financial statements.

**LONG-TERM DEBT**

At the end of the current year, the City had no outstanding general obligation debt or notes payable.

More detailed information about the City's long-term liabilities is presented in note III.E. to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The City's budgeted expenditures for fiscal year 2026 total \$10,010,875 in the general fund. The City Council adopted a 2025 tax rate of \$0.603444 per \$100 valuation.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the finances of the City. Questions concerning this report or requests for additional financial information should be directed to Lon Squyres, City Manager, City of Jacinto City, 1301 Mercury Street, Jacinto City, Texas, 77029.

## **BASIC FINANCIAL STATEMENTS**

CITY OF JACINTO CITY, TEXAS  
STATEMENT OF NET POSITION  
September 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash - unrestricted	\$ 7,067,197	\$ 572,362	\$ 7,639,559
Investments	697,228	245,719	942,947
Receivables, net	2,247,044	991,002	3,238,046
Internal balances	72,070	(72,070)	-
Cash - restricted	59,911	-	59,911
	<u>10,143,450</u>	<u>1,737,013</u>	<u>11,880,463</u>
Capital assets			
Nondepreciable	473,051	8,102,664	8,575,715
Net depreciable capital assets	11,250,547	16,988,127	28,238,674
	<u>11,723,598</u>	<u>25,090,791</u>	<u>36,814,389</u>
Total assets	<u>21,867,048</u>	<u>26,827,804</u>	<u>48,694,852</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows - pensions	610,324	112,475	722,799
Deferred outflows - OPEB SDBF	20,400	-	20,400
Total deferred outflows of resources	<u>630,724</u>	<u>112,475</u>	<u>743,199</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities	1,506,347	702,384	2,208,731
Customer deposits	-	267,525	267,525
Unearned revenue	187,206	500,171	687,377
Total current liabilities	<u>1,693,553</u>	<u>1,470,080</u>	<u>3,163,633</u>
Noncurrent liabilities			
Due within one year	103,692	21,295	124,987
Due in more than one year	4,255,725	823,461	5,079,186
Total noncurrent liabilities	<u>4,359,417</u>	<u>844,756</u>	<u>5,204,173</u>
Total liabilities	<u>6,052,970</u>	<u>2,314,836</u>	<u>8,367,806</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows - pensions	357,417	72,559	429,976
Deferred inflows - OPEB SDBF	66,193	-	66,193
Total deferred inflows of resources	<u>423,610</u>	<u>72,559</u>	<u>496,169</u>
<b>NET POSITION</b>			
Net investment in capital assets	11,723,598	25,090,791	36,814,389
Restricted for			
Child safety	403,010	-	403,010
Debt service	73,690	-	73,690
Court technology	144,911	-	144,911
Municipal court	147,639	-	147,639
Governmental programming	332,753	-	332,753
Special projects	166,367	-	166,367
Unrestricted	<u>3,029,224</u>	<u>(537,907)</u>	<u>2,491,317</u>
Total net position	<u>\$ 16,021,192</u>	<u>\$ 24,552,884</u>	<u>\$ 40,574,076</u>

See Notes to Financial Statements.

CITY OF JACINTO CITY, TEXAS  
STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2025

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Government Activities	Business-Type Activities	Total
<b>Primary Government</b>							
Governmental activities							
General government	\$ 1,260,496	\$ -	\$ -	\$ -	\$ (1,260,496)	\$ -	\$ (1,260,496)
Public safety	4,667,485	918,759	12,612	-	(3,736,114)	-	(3,736,114)
Public works	1,960,282	635,289	80,058	3,300,042	2,055,107	-	2,055,107
Community services	1,035,090	-	148,561	-	(886,529)	-	(886,529)
Total governmental activities	<u>8,923,353</u>	<u>1,554,048</u>	<u>241,231</u>	<u>3,300,042</u>	<u>(3,828,032)</u>	<u>-</u>	<u>(3,828,032)</u>
Business-type activities							
Public utilities	3,871,054	2,749,597	-	672,720	-	(448,737)	(448,737)
Total business-type activities	<u>3,871,054</u>	<u>2,749,597</u>	<u>-</u>	<u>672,720</u>	<u>-</u>	<u>(448,737)</u>	<u>(448,737)</u>
Total primary government	<u>\$ 12,794,407</u>	<u>\$ 4,303,645</u>	<u>\$ 241,231</u>	<u>\$ 3,972,762</u>	<u>(3,828,032)</u>	<u>(448,737)</u>	<u>(4,276,769)</u>
General revenues							
Taxes							
Ad valorem taxes					4,331,232	-	4,331,232
Sales taxes					2,426,402	-	2,426,402
Franchise fees and local taxes					578,206	-	578,206
Investment revenue					343,274	28,401	371,675
Other revenues					207,336	-	207,336
Transfers					(2,892,775)	2,892,775	-
Total general revenues and transfers					<u>4,993,675</u>	<u>2,921,176</u>	<u>7,914,851</u>
Change in net position					1,165,643	2,472,439	3,638,082
Beginning net position					14,855,549	22,080,445	36,935,994
Ending net position					<u>\$ 16,021,192</u>	<u>\$ 24,552,884</u>	<u>\$ 40,574,076</u>

See Notes to Financial Statements.

CITY OF JACINTO CITY, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2025

	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash - unrestricted	\$ 6,864,735	\$ 201,438	\$ 7,066,173
Investments	697,228	-	697,228
Receivables, net	2,184,685	62,359	2,247,044
Due from other funds	72,102	-	72,102
Cash - restricted	59,911	-	59,911
Total assets	<u>\$ 9,878,661</u>	<u>\$ 263,797</u>	<u>\$ 10,142,458</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 1,467,711	\$ 37,437	\$ 1,505,148
Due to other funds	-	32	32
Unearned revenue	187,206	-	187,206
Total liabilities	<u>1,654,917</u>	<u>37,469</u>	<u>1,692,386</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - EMS services	422,915	-	422,915
Unavailable revenue - property taxes	481,849	24,923	506,772
Unavailable revenue - grants	478,501	-	478,501
Total deferred inflows of resources	<u>1,383,265</u>	<u>24,923</u>	<u>1,408,188</u>
<b>FUND BALANCES</b>			
Restricted for			
Child safety	403,010	-	403,010
Debt service	-	48,767	48,767
Court technology	144,911	-	144,911
Municipal court	147,639	-	147,639
Governmental programming	332,753	-	332,753
Special projects	13,729	152,638	166,367
Unassigned	5,798,437	-	5,798,437
Total fund balances	<u>6,840,479</u>	<u>201,405</u>	<u>7,041,884</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,878,661</u>	<u>\$ 263,797</u>	<u>\$ 10,142,458</u>

See Notes to Financial Statements.

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

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Total fund balances for governmental funds	\$	7,041,884
Adjustments for the Statement of Net Position		
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.		
Capital assets - nondepreciable		473,051
Capital assets - net depreciable		11,250,547
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		
		1,408,188
Long-term liabilities and deferred outflows/inflows are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Deferred outflows - pensions		610,324
Deferred outflows - OPEB SDBF		20,400
Deferred inflows - pensions		(357,417)
Deferred inflows - OPEB SDBF		(66,193)
Noncurrent liabilities due within one year		(103,692)
Noncurrent liabilities due in more than one year		(4,255,725)
The internal service fund is used by management to charge the costs of certain activities such as employee health benefits. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.		
		(175)
Net position of governmental activities	\$	16,021,192

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See Notes to Financial Statements.

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

	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Ad valorem taxes	\$ 4,229,129	\$ 4,929	\$ 4,234,058
Sales taxes	2,426,402	-	2,426,402
Franchise fees and local taxes	578,206	-	578,206
Licenses and permits	106,010	-	106,010
Fines and forfeitures	728,929	-	728,929
Charges for services	825,271	-	825,271
Intergovernmental	2,936,328	126,444	3,062,772
Investment revenue	341,012	2,262	343,274
Other revenue	202,655	4,681	207,336
Total revenues	12,373,942	138,316	12,512,258
<b>Expenditures</b>			
Current			
General government	1,095,061	-	1,095,061
Public safety	4,248,132	-	4,248,132
Public works	1,632,708	128,219	1,760,927
Community services	909,964	-	909,964
Capital outlay	3,751,465	-	3,751,465
Total expenditures	11,637,330	128,219	11,765,549
Excess of revenues over expenditures	736,612	10,097	746,709
<b>Other Financing Sources</b>			
Transfers in	26,179	-	26,179
Total other financing sources	26,179	-	26,179
Net change in fund balances	762,791	10,097	772,888
Beginning fund balances	6,077,688	191,308	6,268,996
Ending fund balances	\$ 6,840,479	\$ 201,405	\$ 7,041,884

See Notes to Financial Statements.

CITY OF JACINTO CITY, 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 changes in fund balances - total governmental funds	\$	772,888
Amounts reported for governmental activities in the Statement of Activities are different because:		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense.</p>		
Capital outlay		3,703,597
Depreciation expense		(581,198)
Transfer of capital assets from governmental activities to business-type activities		(2,918,954)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Deferred property tax revenue		97,174
Deferred emergency medical services revenue		(106,162)
Deferred grants		478,501
<p>The issuance of long-term debt (e.g., bonds and certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. Pension and other postemployment benefits (OPEB) expenses and the amortization of deferred items are recognized at the government-wide level.</p>		
Net pension liability		374,396
Deferred outflows - pensions		(253,505)
Deferred inflows - pensions		(6,798)
Total OPEB liability		99,620
Deferred outflows - OPEB SDBF		(10,455)
Deferred inflows - OPEB SDBF		6,288
<p>Some expense reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Compensated absences		(487,201)
<p>The internal service fund is used by management to charge the costs of certain activities, such as employee health benefits, to individual funds. The net revenue of the internal service fund is reported with governmental activities.</p>		
		(2,548)
Change in net position of governmental activities	\$	1,165,643

See Notes to Financial Statements.

CITY OF JACINTO CITY, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
September 30, 2025

	<u>Enterprise</u>	<u>Governmental Activities Internal Service</u>
<b>ASSETS</b>		
Current assets		
Cash, unrestricted	\$ 572,362	\$ 1,024
Investments	245,719	-
Receivables, net	991,002	-
Total current assets	<u>1,809,083</u>	<u>1,024</u>
Noncurrent assets		
Capital assets:		
Nondepreciable	8,102,664	-
Net depreciable capital assets	16,988,127	-
Total noncurrent assets	<u>25,090,791</u>	<u>-</u>
Total assets	<u>26,899,874</u>	<u>1,024</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows - pensions	112,475	-
Total deferred outflows of resources	<u>112,475</u>	<u>-</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	702,384	1,199
Customer deposits	267,525	-
Due to other funds	72,070	-
Unearned revenue	500,171	-
Total current liabilities	<u>1,542,150</u>	<u>1,199</u>
Noncurrent liabilities		
Due within one year	21,295	-
Due in more than one year	823,461	-
Total noncurrent liabilities	<u>844,756</u>	<u>-</u>
Total liabilities	<u>2,386,906</u>	<u>1,199</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows - pensions	72,559	-
Total deferred inflows of resources	<u>72,559</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	25,090,791	-
Unrestricted	(537,907)	(175)
Total net position	<u>\$ 24,552,884</u>	<u>\$ (175)</u>

See Notes to Financial Statements.

CITY OF JACINTO CITY, TEXAS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended September 30, 2025

	<u>Enterprise</u>	<u>Governmental Activities Internal Service</u>
<b>Operating revenues</b>		
Water charges	\$ 1,751,890	\$ -
Sewer charges	890,222	-
Service charges	-	73,000
Other services	107,485	-
Total operating revenues	2,749,597	73,000
<b>Operating expenses</b>		
Costs of sales and services	2,180,392	75,548
Administration	1,135,854	-
Depreciation	554,808	-
Total operating expenses	3,871,054	75,548
Operating income (loss)	(1,121,457)	(2,548)
<b>Nonoperating revenues (expenses)</b>		
Investment revenue	28,401	-
Intergovernmental revenue	672,720	-
Total nonoperating revenues	701,121	-
Income (loss) before contributions and transfers	(420,336)	(2,548)
<b>Contributions and transfers</b>		
Capital contributions	2,918,954	-
Transfers (net)	(26,179)	-
Total contributions and transfers	2,892,775	-
Change in net position	2,472,439	(2,548)
Beginning net position	22,080,445	2,373
Ending net position	\$ 24,552,884	\$ (175)

See Notes to Financial Statements.

CITY OF JACINTO CITY, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended September 30, 2025

	<u>Enterprise</u>	<u>Governmental Activities Internal Service</u>
<b>Cash flows from operating activities</b>		
Receipts from customers	\$ 2,158,815	\$ -
Receipts from interfund charges for services	-	73,000
Payments to suppliers	(1,597,035)	(75,238)
Payments to employees	(1,055,442)	-
Net cash provided (used) by operating activities	<u>(493,662)</u>	<u>(2,238)</u>
<b>Cash flows from noncapital financing activities</b>		
Net transfer from and to other funds	<u>(26,179)</u>	-
Net cash provided (used) by noncapital financing activities	<u>(26,179)</u>	-
<b>Cash flows from capital and related financing activities</b>		
Intergovernmental revenue	672,720	-
Capital purchases	<u>(539,142)</u>	-
Net cash provided (used) by capital and related financing activities	<u>133,578</u>	-
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	(22,717)	-
Interest on investments	<u>28,401</u>	-
Net cash provided by investing activities	<u>5,684</u>	-
Net increase (decrease) in cash and cash equivalents	(380,579)	(2,238)
Beginning cash and cash equivalents	<u>952,941</u>	<u>3,262</u>
Ending cash and cash equivalents	<u>\$ 572,362</u>	<u>\$ 1,024</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	\$ (1,121,457)	\$ (2,548)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	554,808	-
Changes in operating assets and liabilities		
(Increase) decrease in current assets		
Accounts receivable	(596,031)	-
Deferred outflows - pensions	41,227	-
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	511,287	310
Customer deposits	5,249	-
Due from other funds	72,070	-
Compensated absences	118,366	-
Net pension liability	(60,887)	-
Total OPEB liability	(18,871)	-
Deferred inflows - pensions	<u>577</u>	-
Net cash provided (used) by operating activities	<u>\$ (493,662)</u>	<u>\$ (2,238)</u>
Noncash investing, capital, and financing activities		
Contributions of capital assets	<u>\$ 2,918,954</u>	<u>\$ -</u>

See Notes to Financial Statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity: The City of Jacinto City, Texas (the “City”) was incorporated under the laws of the State of Texas (the “State”) in 1946. The City has operated under a “Home Rule Charter”, which provides for a “Council-Manager” form of government, since January 17, 1981.

The City Council is the principal legislative body of the City. The City Manager is appointed by a majority vote of the City Council and is responsible to the City Council for the administration of all the affairs of the City. The City Manager is responsible for appointment and removal of department directors and employees, supervision and control of all City departments, and preparation of the annual budget.

The City provides the following services: public safety including police, fire, and emergency medical services; parks; streets; sanitation; water and sewer services; recreation; public improvements; and general administration.

The City is an independent political subdivision of the State governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City’s financial reporting entity. No other entities have been included in the City’s reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City’s financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City’s financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Government-Wide Financial Statements: The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

Basis of Presentation - Government-Wide Financial Statements: While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and an internal service fund, while business-type activities incorporate data from the City’s enterprise fund. Separate financial statements are provided for governmental and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City’s water and wastewater functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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(Continued)

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

Basis of Presentation - Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category - governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

The City reports the following governmental funds:

The *general fund* is used to account for and report all financial resources not accounted for and reported in another fund. The principal sources of revenues include local property taxes, sales taxes, franchise fees, fines and forfeitures, as well as licenses and permits. Expenditures include general government, public safety, public works, and community services. The general fund is always considered a major fund for reporting purposes.

The *debt service fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The primary source of revenue for debt service is local property taxes. The debt service fund is considered nonmajor for reporting purposes.

The *special revenue fund* is used to account for proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes. The grant fund is used to account for the receipt of grant funds from the State or Federal Government, as governed by the terms of the grant. The grant fund is considered a nonmajor fund for reporting purposes.

The City reports the following proprietary fund:

The *enterprise fund* is used to account for and report the operations that provide water and sewer services. These services 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 will be financed or recovered primarily through user charges. The enterprise fund is considered a major fund for reporting purposes.

Additionally, the City reports the following fund type:

The *internal service fund* accounts for services provided to other departments or agencies of the City, or to other governments, on a cost reimbursement basis. This fund includes activity related to an employee health benefits account. The City provides full-time employees with a health reimbursement account for select medical benefit expenses each year.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise fund) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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(Continued)

CITY OF JACINTO CITY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2025

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

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus and Basis of Accounting: The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under note payables are reported as other financing sources.

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

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

Cash and Cash Equivalents: 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 the purpose of the statement of cash flows, the proprietary fund type considers temporary investments with maturity of three months or less when purchased to be cash equivalents.

Investments: Investments in nonparticipating interest-earning contracts, such as certificates of deposit, are reported at cost.

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(Continued)

CITY OF JACINTO CITY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2025

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

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools and commercial paper

Inventories and Prepaid Items: The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method).

Certain payments to vendors reflecting costs applicable to the future accounting period (prepaid expenditures) are recognized as expenditures when utilized.

Capital Assets: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with the construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

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

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years:

<u>Asset Description</u>	<u>Useful Life</u>
Vehicles	10 to 15 years
Equipment	5 to 25 years
Infrastructure	10 to 60 years
Improvements other than buildings	10 to 25 years
Buildings	10 to 50 years

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of net 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. In addition to liabilities, the statement of net 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.

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(Continued)

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

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.
- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the City's fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.

At the fund level, the City has two types of items, which arise only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and emergency medical services revenue. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

Compensated Employee Absences: The City accounts for compensated absences in accordance with GASB Statement No. 101, Compensated Absences. Compensated absences include vacation, compensatory time, and sick time that (1) have been earned for services previously rendered by employees, (2) accumulate and may be carried over into subsequent years, and (3) are more likely than not to be used as time off or settled (for example, paid in cash to the employee) during employment or upon separation from employment. The liability is measured using the pay rates in effect at year-end and includes salary-related payments that are directly and incrementally associated with the payment of these benefits.

Employees earn vacation time based on years of service with the City, up to a maximum of 25 days per year. Employees must take vacation time during the year it is earned. Sick leave accrues on the basis of one day per month of employment. Employees are granted sick pay only for actual sick time. Effective January 1, 1992, employees are no longer paid for unused sick time upon termination. However, employees who have unused sick time that accumulated prior to January 1, 1992 may be paid for any of this unused sick time when their employment with the City terminates.

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

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

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(Continued)

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

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund. Although a portion of the general obligation debt was directly related to the purchase of water and sewer infrastructure, the debt service expenditures are included in the governmental fund financial statements as they are expected to be paid from debt service tax revenues instead of water system revenues.

Assets acquired under the terms of a note payable are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum note payable payments at inception of the note. In the year of acquisition, note payable transactions are recorded as other financing sources and as capital outlay expenditures in the applicable fund. Note payable payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

Leases: The City is a lessor for noncancellable leases. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflow of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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

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

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

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

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

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

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

Pensions: For the 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.

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(Continued)

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

Other Postemployment Benefits: The City participates in a defined benefit group-term life insurance plan administered by 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 funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. Benefit payments are treated as being equal to the employer's yearly contributions for retirees. Benefit payments and refunds are due and payable in accordance with the benefit terms. Information about the City's total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense is provided by TMRS from reports prepared by their consulting actuary.

The City also provides medical benefits to eligible retirees through a single-employer defined benefit plan. This plan is an unfunded, pay-as-you-go plan. Information about the City's OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense is provided by the City's consulting actuary.

New Accounting Pronouncement: GASB Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences and associated salary related payments by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Management implemented this pronouncement for the fiscal year ended September 30, 2025. The impact on the financial statements as a result of implementation of this standard was immaterial. The footnotes to the financial statements have been amended in accordance with the standard.

Revenues and Expenditures/Expenses:

Program Revenues: Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes: Property taxes are levied during September of each year, are due upon receipt of the City's tax bill, and become delinquent on February 1 of the following year. The City's tax lien exists from January 1 (the assessment date) each year until the taxes are paid. The penalties and interest accumulate on the unpaid accounts until July 1, at which time the delinquent accounts are turned over to the tax attorney for legal action. The interest continues to accumulate on the account at one percent per month, but the penalty remains at a maximum of 12 percent until paid.

A penalty of six percent and interest of one percent are added to delinquent taxes on February 1. The penalty amount increases to a maximum of 12 percent on July 1 of each year, with interest continuing to increase at one percent per month until the account is paid. An additional penalty of 20 percent is added in July for attorney costs. There are no discounts allowed on taxes.

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(Continued)

CITY OF JACINTO CITY, TEXAS  
 NOTES TO FINANCIAL STATEMENTS  
 For the Year Ended September 30, 2025

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

Proprietary Funds Operating and Nonoperating Revenues and Expenses: Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund and internal service fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund and internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. The original budget is adopted by the City Council prior to the beginning of the fiscal year. The legal level of control as defined by the charter is the department in the approved budget. The City Manager may transfer appropriations within a department without seeking the approval of City Council. Appropriations lapse at the end of the year. Supplemental budget appropriations were made during the year.

Expenditures in Excess of Appropriations: For the year ended September 30, 2025, expenditures exceeded appropriations at the legal level of control as follows:

General Fund – Capital outlay	\$427,955
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**NOTE 3 - DETAILED NOTES ON ALL FUNDS**

Deposits and Investments: At September 30, 2025, the carrying amount of the City's deposits (cash and certificates of deposit) was \$7,639,559 and the bank balance was \$8,769,696. The City's cash deposits at September 30, 2025, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

As of year-end, the City had the following investments:

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (Years)</u>
Certificates of deposit	\$ <u>942,947</u>	0.35

*Interest rate risk.* In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 180 days or less.

*Credit risk.* State law and the City's investment policy limit investments to obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent.

*Concentration of credit risk.* With the exception of U.S. Treasury securities and authorized pools, the City's investment policy does not allow for an investment in any one issuer that is in excess of 50 percent of the portfolio's total investments.

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(Continued)

CITY OF JACINTO CITY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2025

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**NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)**

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires funds on deposit at the depository bank to be collateralized by securities with a collective market value of at least 102 percent. As of September 30, 2025, market values of pledged securities and FDIC insurance exceeded bank balances.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

Receivables: The following comprise receivable balances at year end:

	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Enterprise</u>	<u>Total</u>
Accounts	\$ 1,409,717	\$ -	\$ 752,817	\$ 2,162,534
Ad valorem	496,199	26,116	-	522,315
Sales taxes	433,404	-	-	433,404
Grants	687,902	37,437	535,932	1,261,271
Other	166,932	-	23,835	190,767
Less allowance	<u>(1,009,469)</u>	<u>(1,194)</u>	<u>(321,582)</u>	<u>(1,332,245)</u>
Total	<u>\$ 2,184,685</u>	<u>\$ 62,359</u>	<u>\$ 991,002</u>	<u>\$ 3,238,046</u>

Lease Receivable: The City previously entered into several lease agreements (the "Agreements") as a lessor for the use of their communication facilities and the City's annex building. As of September 30, 2025, all such lease agreements had expired or otherwise terminated. Accordingly, the City reported no lease receivable and no deferred inflow of resources related to leases at year-end, and there were no remaining future lease payments receivable as of September 30, 2025. The lease revenue that was recorded with charges for services for fiscal year 2025 was \$34,125, which consists of the interest payments on the leases receivable of \$832 and the amortization of the deferred inflow of resources from leases of \$33,293.

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(Continued)

CITY OF JACINTO CITY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2025

**NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)**

Capital Assets: A summary of changes in capital assets at year-end is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)/ Reclassifications</u>	<u>Ending Balance</u>
<u>Governmental activities</u>				
Capital assets not being depreciated				
Land	\$ 37,084	\$ -	\$ -	\$ 37,084
Construction in progress	367,864	2,987,057	(2,918,954)	435,967
Total capital assets not being depreciated	<u>404,948</u>	<u>2,987,057</u>	<u>(2,918,954)</u>	<u>473,051</u>
Capital assets being depreciated				
Buildings	13,309,602	18,000	-	13,327,602
Improvements other than buildings	733,191	22,810	-	756,001
Infrastructure	3,517,815	200,000	-	3,717,815
Equipment	1,951,430	11,952	-	1,963,382
Vehicles	2,861,874	463,778	-	3,325,652
Total capital assets being depreciated	<u>22,373,912</u>	<u>716,540</u>	<u>-</u>	<u>23,090,452</u>
Less accumulated depreciation for				
Buildings	(4,863,335)	(296,497)	-	(5,159,832)
Improvements other than buildings	(579,223)	(14,455)	-	(593,678)
Infrastructure	(2,160,740)	(46,174)	-	(2,206,914)
Equipment	(1,487,724)	(70,393)	-	(1,558,117)
Vehicles	(2,167,685)	(153,679)	-	(2,321,364)
Total accumulated depreciation	<u>(11,258,707)</u>	<u>(581,198)</u>	<u>-</u>	<u>(11,839,905)</u>
Total capital assets being depreciated, net	<u>11,115,205</u>	<u>135,342</u>	<u>-</u>	<u>11,250,547</u>
Governmental activities capital assets, net	<u>\$ 11,520,153</u>	<u>\$ 3,122,399</u>	<u>\$ (2,918,954)</u>	<u>11,723,598</u>
			Net investment in capital assets	<u>\$ 11,723,598</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 125,508
Public safety	277,622
Public works	115,902
Community services	<u>62,166</u>
Total governmental activities depreciation and amortization	<u>\$ 581,198</u>

(Continued)

CITY OF JACINTO CITY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2025

**NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)**

The following is a summary of changes in capital assets for business-type activities for the year-end:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)/ Reclassifications</u>	<u>Ending Balance</u>
<u>Business-type activities</u>				
Capital assets not being depreciated				
Land	\$ 7,953	\$ -	\$ -	\$ 7,953
Construction in progress	4,689,960	3,404,751	-	8,094,711
Total capital assets not being depreciated	<u>4,697,913</u>	<u>3,404,751</u>	<u>-</u>	<u>8,102,664</u>
Capital assets being depreciated				
Infrastructure	27,124,596	53,345	-	27,177,941
Equipment	187,129	-	-	187,129
Vehicles	279,105	-	-	279,105
Total capital assets being depreciated	<u>27,590,830</u>	<u>53,345</u>	<u>-</u>	<u>27,644,175</u>
Less accumulated depreciation for				
Infrastructure	(9,672,965)	(545,865)	-	(10,218,830)
Equipment	(155,474)	(6,305)	-	(161,779)
Vehicles	(272,801)	(2,638)	-	(275,439)
Total accumulated depreciation	<u>(10,101,240)</u>	<u>(554,808)</u>	<u>-</u>	<u>(10,656,048)</u>
Total capital assets being depreciated, net	<u>17,489,590</u>	<u>(501,463)</u>	<u>-</u>	<u>16,988,127</u>
Business-type activities capital assets, net	<u>\$ 22,187,503</u>	<u>\$ 2,903,288</u>	<u>\$ -</u>	<u>25,090,791</u>
		Net investment in capital assets		<u>\$ 25,090,791</u>

(Continued)

CITY OF JACINTO CITY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2025

**NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)**

Long-Term Debt: The following is a summary of changes in the City's total long-term liabilities for the year end. In general, the City uses the general and debt service funds to liquidate governmental long-term liabilities.

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
<u>Governmental activities</u>					
Compensated absences	\$ 43,266	\$ 487,201	\$ -	\$ 530,467	\$ 80,536
Net pension liability	2,806,247	-	(374,396)	2,431,851	-
Total OPEB liability					
SDBF	171,212	-	(4,012)	167,200	4,772
Health	<u>1,325,507</u>	<u>-</u>	<u>(95,608)</u>	<u>1,229,899</u>	<u>18,384</u>
Total governmental activities	<u>\$ 4,346,232</u>	<u>\$ 487,201</u>	<u>\$ (474,016)</u>	<u>\$ 4,359,417</u>	<u>\$ 103,692</u>
Long-term liabilities due in more than one year				<u>\$ 4,255,725</u>	

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Business-type activities</u>					
Compensated absences	\$ 8,136	\$ 118,366	\$ -	\$ 126,502	\$ 17,666
Net pension liability	588,113	-	(60,887)	527,226	-
Total OPEB liability-health	<u>209,899</u>	<u>-</u>	<u>(18,871)</u>	<u>191,028</u>	<u>3,629</u>
Total business-type activities	<u>\$ 806,148</u>	<u>\$ 118,366</u>	<u>\$ (79,758)</u>	<u>\$ 844,756</u>	<u>\$ 21,295</u>
Long-term liabilities due in more than one year				<u>\$ 823,461</u>	

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

(Continued)

CITY OF JACINTO CITY, TEXAS  
 NOTES TO FINANCIAL STATEMENTS  
 For the Year Ended September 30, 2025

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**NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)**

The composition of interfund balances as of year-end were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>
General fund	Enterprise fund	\$ 72,070
General fund	Nonmajor funds	32
		<u>\$ 72,102</u>

Amounts recorded as due to/from are considered to be temporary loans and will be repaid during the following year.

Transfers between the primary government funds during the year were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amounts</u>
General fund	Enterprise fund	\$ 26,179

The enterprise fund transferred garbage fees to the general fund.

Transfers in the government-wide statement of activities during the year include:

- Contribution of \$2,918,954 of capital assets from governmental activities to business type activities.

**NOTE 4 - OTHER INFORMATION**

Risk Management: assets; errors and omissions; and natural disasters for which the City participates along with over 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pool (the "Pool"). The Pool purchases commercial insurance at a group rate for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three fiscal years.

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

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

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(Continued)

**NOTE 4 - OTHER INFORMATION** (Continued)

Pension Plan:

**Texas Municipal Retirement System**

Plan Description: The City participates as one of over 938 plans in the defined benefit cash-balance plan administered by TMRS. TMRS is a statewide public retirement plan created by the State and administered in accordance with the Texas Government Code, Title 8, Subtitle G (the "TMRS Act") as an agent multiple-employer retirement system for municipal 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 (the "Board"); however, TMRS is not fiscally dependent on the State. TMRS issues a publicly available annual comprehensive financial report that can be obtained at [www.tmr.com](http://www.tmr.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, and their age at retirement and other actuarial factors. 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.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	2025	2024
Employee deposit rate	6.00%	6.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

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

Inactive employees or beneficiaries currently receiving benefits	41
Inactive employees entitled to, but not yet receiving, benefits	56
Active employees	63
Total	160

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(Continued)

CITY OF JACINTO CITY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2025

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**NOTE 4 - OTHER INFORMATION** (Continued)

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 actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 17.74% and 17.47% in calendar years 2025 and 2024, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2025 were \$674,923, which 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 NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The TPL in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

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 ranges 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.

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(Continued)

CITY OF JACINTO CITY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2025

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**NOTE 4 - OTHER INFORMATION** (Continued)

The target allocation and best estimates of the expected return for each major asset class in fiscal year 2025 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	35.0%	7.1%
Core fixed income	6.0%	5.0%
Non-core fixed income	6.0%	6.8%
Hedge funds	5.0%	6.4%
Private equity	13.0%	8.5%
Private debt	13.0%	8.2%
Real estate	12.0%	6.7%
Infrastructure	6.0%	6.0%
Other private markets	<u>4.0%</u>	7.3%
Total	<u>100%</u>	

Discount Rate: The discount rate used to measure the TPL 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, TMRS's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

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(Continued)

CITY OF JACINTO CITY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2025

**NOTE 4 - OTHER INFORMATION** (Continued)

Changes in the NPL:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(A)	(B)	(A) - (B)
Changes for the year:			
Service cost	\$ 562,245	\$ -	\$ 562,245
Interest	1,122,339	-	1,122,339
Difference between expected and actual experience	144,358	-	144,358
Contributions - employer	-	659,663	(659,663)
Contributions - employee	-	226,559	(226,559)
Net investment income	-	1,387,092	(1,387,092)
Benefit payments, including refunds of employee contributions	(752,164)	(752,164)	-
Administrative expense	-	(8,881)	8,881
Other changes	-	(208)	208
Net Changes	1,076,778	1,512,061	(435,283)
Balance at December 31, 2023	16,722,207	13,327,847	3,394,360
Balance at December 31, 2024	\$ 17,798,985	\$ 14,839,908	\$ 2,959,077

Sensitivity of the NPL to Changes in the Discount Rate: The following presents the NPL of the City, calculated using the discount rate of 6.75%, as well as what the City's NPL would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 5,219,723	\$ 2,959,077	\$ 1,077,807

Pension Plan Fiduciary Net Position: Detailed information about TMRS's fiduciary net position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at [www.tmr.com](http://www.tmr.com).

(Continued)

CITY OF JACINTO CITY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2025

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**NOTE 4 - OTHER INFORMATION** (Continued)

Pension Expense and Deferred Outflows/Deferred Inflows of Resources Related to Pensions: For the fiscal year ended September 30, 2025, the City recognized pension expense of \$541,747.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 226,999	\$ 191,692
Changes in actuarial assumptions	-	59,816
Difference between projected and actual investment earnings	-	178,468
Contributions subsequent to the measurement date	<u>495,800</u>	<u>-</u>
Total	<u>\$ 722,799</u>	<u>\$ 429,976</u>

\$495,800 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 NPL for the fiscal year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year ended September 30,</u>	<u>Pension Expense</u>
2026	\$ (22,550)
2027	115,939
2028	(198,877)
2029	<u>(97,489)</u>
Total	<u>\$ (202,977)</u>

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(Continued)

**NOTE 4 - OTHER INFORMATION** (Continued)

Other Postemployment Benefits:

**TMRS Supplemental Death Benefits Fund**

Plan Description: The City participates in an OPEB plan administered by TMRS. TMRS administers the defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers 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 member city contributes to the SDBF at a contractually required rate (based on the covered payroll of employee members) as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). As such, the SDBF is considered to be a single-employer unfunded OPEB defined benefit plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund (PTF). 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.

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

Participation in the SDBF as of December 31, 2024 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	21
Inactive employees entitled to, but not yet receiving, benefits	12
Active employees	63
	<hr/>
Total	96
	<hr/> <hr/>

Total OPEB Liability: The City's total OPEB liability of \$167,200 was measured as of December 31, 2024 and was determined by an actuarial valuation as of that date.

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(Continued)

CITY OF JACINTO CITY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2025

**NOTE 4 - OTHER INFORMATION** (Continued)

Actuarial Assumptions and Other Inputs: The OPEB liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Discount rate*	4.08%*
Retirees' share of benefit-related costs	Zero
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements of GASB Statement 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 with scale MP-2021 (with intermediate 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 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale MP-2021 (with intermediate 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.

Changes in the Total OPEB Liability:

	<u>Total OPEB Liability</u>
Changes for the year:	
Service cost	\$ 10,573
Interest	6,554
Difference between expected and actual experience	(7,227)
Changes of assumptions	(8,626)
Benefit payments*	(5,286)
Net changes	(4,012)
Balance at September 30, 2024	171,212
Balance at September 30, 2025	\$ 167,200

\* Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the City's yearly contributions for retirees .

The discount rate increased from 3.77% as of December 31, 2023 to 4.08% as of December 31, 2024. There were no other changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

(Continued)

CITY OF JACINTO CITY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2025

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**NOTE 4 - OTHER INFORMATION** (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (3.08%)	Discount Rate (4.08%)	1% Increase in Discount Rate (5.08%)
City's total OPEB liability	\$ 197,481	\$ 167,200	\$ 143,394

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB: For the year ended September 30, 2025, the City recognized OPEB expense of \$5,782. The City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ 11,558	\$ 46,105
Difference between expected and actual experience	4,650	20,088
Contributions subsequent to the measurement date	4,192	-
Total	<u>\$ 20,400</u>	<u>\$ 66,193</u>

\$4,192 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the fiscal year ending September 30, 2026.

Amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year ended September 30,</u>	<u>OPEB Expense</u>
2026	\$ (13,552)
2027	(14,797)
2028	(13,523)
2029	(7,221)
2030	(892)
Total	<u>\$ (49,985)</u>

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(Continued)

**NOTE 4 - OTHER INFORMATION** (Continued)

**Postemployment Healthcare Plan**

Plan Description: The City administers a single-employer defined benefit OPEB plan, known as the Postemployment Health Plan (the "Plan"). Employees are eligible for retiree health benefits if they retire with at least 20 years of service from the City. Employees may continue coverage on the City's Plan in existence at the time of retirement. The City pays the entire premium for the retiree's health insurance coverage. Dependent coverage is not offered. The Plan offers Medigap insurance coverage to eligible retirees after retirees have attained the age of 65 years and are eligible for Medicare instead of the full coverage provided prior to becoming eligible for Medicare.

Benefits: Participation in the Plan as of September 30, 2025 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to, but not yet receiving, benefits	-
Active employees	48
<b>Total</b>	<b>55</b>

Funding Policy: Funding is provided on a pay-as-you-go basis. There are no assets accumulated in a trust.

Total OPEB Liability: The City's total OPEB liability of \$1,420,927 was measured as of September 30, 2025 and was determined by an actuarial valuation as of October 1, 2024.

Actuarial Assumptions and Other Inputs: The total OPEB liability in the September 30, 2025 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3.00%
Discount rate*	4.90%
Health care trend rate	5.00%
Actuarial cost method	Entry Age Normal
Starting per capita costs	Annual premium rates provided by the City. Rates adjusted for "implicit" cost of covering retirees as dictated by the Alternative Measurement Method in GASB 74/75.
Mortality rates	Based on rates from TMRS Experience Study Report dated September 28, 2023.
Retiree contributions	The City pays the entire premium for the retiree's health insurance coverage. Dependent coverage is not offered. Once retirees are Medicare eligible, they have the option to find a supplemental policy or the City will find a policy for them, with the full cost going to the City. Coverage continues until the death of the retiree.
Termination rates	Based on rates from TMRS Experience Study Report dated September 28, 2023.
Participation rates (coverage)	Employee may continue coverage into retirement on the City Plan. They must have 20 years of service. There are no age requirements.

\* The discount rate is based on the Bond Buyer 20 Bond GO Index rate as of September 25, 2025.

CITY OF JACINTO CITY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2025

**NOTE 4 - OTHER INFORMATION** (Continued)

Changes in the Total OPEB Liability:

	<u>Total OPEB Liability</u>
Changes for the year:	
Service cost	\$ 122,759
Interest	57,965
Changes of assumptions	(267,198)
Benefit payments	<u>(28,005)</u>
Net changes	(114,479)
Beginning balance	<u>1,535,406</u>
 Ending balance	 <u><u>\$ 1,420,927</u></u>

The discount rate increased from 3.81% to 4.90%. There were no other changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using the assumed discount rate that is one percentage point lower or one percentage point higher than the current assumed discount rate:

	1% Decrease in Discount <u>Rate (3.90%)</u>	Discount <u>Rate (4.90%)</u>	1% Increase in Discount <u>Rate (5.90%)</u>
City's total OPEB liability	<u>\$ 1,663,663</u>	<u>\$ 1,420,927</u>	<u>\$ 1,223,609</u>

Sensitivity of the Total OPEB Liability to the Healthcare Cost Trend Rate Assumption: The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using an assumed trend rate that is one percentage point lower or one percentage point higher than the current trend rate:

	1% <u>Decrease</u>	Current Healthcare Cost Trend Rate <u>Assumption</u>	1% <u>Increase</u>
City's total OPEB liability	<u>\$ 1,169,631</u>	<u>\$ 1,420,927</u>	<u>\$ 1,753,671</u>

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB: For the year ended September 30, 2025, the City recognized OPEB income of \$86,474.

The City reported no deferred outflows/inflows of resources related to the Plan.

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF JACINTO CITY, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
For the Year Ended September 30, 2025

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual Amounts</u>	
<b>Revenues</b>				
Ad valorem taxes	\$ 4,405,585	\$ 4,405,585	\$ 4,229,129	\$ (176,456)
Sales taxes	2,100,000	2,100,000	2,426,402	326,402
Franchise fees and local taxes	648,000	648,000	578,206	(69,794)
Licenses and permits	103,700	103,700	106,010	2,310
Fines and forfeitures	656,500	656,500	728,929	72,429
Charges for services	896,653	896,653	825,271	(71,382)
Intergovernmental	116,000	116,000	2,936,328	2,820,328
Investment revenue	200,000	200,000	341,012	141,012
Other revenue	188,170	188,170	202,655	14,485
Total revenues	<u>9,314,608</u>	<u>9,314,608</u>	<u>12,373,942</u>	<u>3,059,334</u>
<b>Expenditures</b>				
General government				
General government	1,145,237	1,182,424	1,095,061	87,363
Public safety	4,438,232	4,814,931	4,248,132	566,799
Public works	1,640,875	1,726,428	1,632,708	93,720
Community services	1,078,813	1,112,764	909,964	202,800
Capital outlay	<u>1,016,313</u>	<u>3,323,510</u>	<u>3,751,465</u>	<u>(427,955) *</u>
Total expenditures	<u>9,319,470</u>	<u>12,160,057</u>	<u>11,637,330</u>	<u>522,727</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,862)</u>	<u>(2,845,449)</u>	<u>736,612</u>	<u>3,582,061</u>
<b>Other financing sources</b>				
Transfers in	<u>-</u>	<u>-</u>	<u>26,179</u>	<u>26,179</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>26,179</u>	<u>26,179</u>
Net change in fund balance	<u>\$ (4,862)</u>	<u>\$ (2,845,449)</u>	<u>762,791</u>	<u>\$ 3,608,240</u>
Beginning fund balance			<u>6,077,688</u>	
Ending fund balance			<u>\$ 6,840,479</u>	

**Notes to Required Supplementary Information:**

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. \*Expenditures exceeded appropriations at the legal level of control.

CITY OF JACINTO CITY, TEXAS  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
For the Year Ended September 30, 2025

	Measurement Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Total pension liability</b>										
Service cost	\$ 562,245	\$ 499,218	\$ 472,901	\$ 472,022	\$ 408,208	\$ 270,218	\$ 260,140	\$ 258,007	\$ 241,136	\$ 212,876
Interest (on the total pension liability)	1,122,339	1,091,808	986,886	910,767	752,902	651,217	613,202	571,985	563,811	554,470
Changes in benefit terms	-	-	-	1,284,606	1,015,982	-	-	-	-	-
Difference between expected and actual experience	144,358	(452,496)	435,815	28,513	130,816	(153,950)	29,683	100,750	(337,728)	(63,980)
Change of assumptions	-	(141,198)	-	-	-	(21,496)	-	-	-	59,781
Benefit payments, including refunds of employee contributions	(752,164)	(400,892)	(307,833)	(260,271)	(279,133)	(369,912)	(319,839)	(322,524)	(386,627)	(304,362)
Net change in total pension liability	1,076,778	596,440	1,587,769	2,435,637	2,028,775	376,077	583,186	608,218	80,592	458,785
Beginning total pension liability	16,722,207	16,125,767	14,537,998	12,102,361	10,073,586	9,697,509	9,114,323	8,506,105	8,425,513	7,966,728
Ending total pension liability	<u>\$ 17,798,985</u>	<u>\$ 16,722,207</u>	<u>\$ 16,125,767</u>	<u>\$ 14,537,998</u>	<u>\$ 12,102,361</u>	<u>\$ 10,073,586</u>	<u>\$ 9,697,509</u>	<u>\$ 9,114,323</u>	<u>\$ 8,506,105</u>	<u>\$ 8,425,513</u>
<b>Plan fiduciary net position</b>										
Contributions - employer	\$ 659,663	\$ 561,309	\$ 504,666	\$ 395,026	\$ 277,832	\$ 219,446	\$ 204,492	\$ 237,581	\$ 220,726	\$ 218,685
Contributions - employee	226,559	212,886	200,261	167,384	174,299	141,033	135,068	134,378	125,985	116,199
Net investment income	1,387,092	1,346,568	(884,019)	1,361,949	724,949	1,281,573	(255,509)	1,032,843	474,618	10,311
Benefit payments, including refunds of employee contributions	(752,164)	(400,892)	(307,833)	(260,271)	(279,133)	(369,912)	(319,839)	(322,524)	(386,627)	(304,362)
Administrative expense	(8,881)	(8,553)	(7,644)	(6,300)	(4,691)	(7,239)	(4,937)	(5,352)	(5,359)	(6,280)
Other	(208)	(60)	9,122	42	(183)	(217)	(257)	(271)	(290)	(310)
Net change in plan fiduciary net position	1,512,061	1,711,258	(485,447)	1,657,830	893,073	1,264,684	(240,982)	1,076,655	429,053	34,243
Beginning plan fiduciary net position	13,327,847	11,616,589	12,102,036	10,444,206	9,551,133	8,286,449	8,527,431	7,450,776	7,021,723	6,987,480
Ending plan fiduciary net position	<u>\$ 14,839,908</u>	<u>\$ 13,327,847</u>	<u>\$ 11,616,589</u>	<u>\$ 12,102,036</u>	<u>\$ 10,444,206</u>	<u>\$ 9,551,133</u>	<u>\$ 8,286,449</u>	<u>\$ 8,527,431</u>	<u>\$ 7,450,776</u>	<u>\$ 7,021,723</u>
Net pension liability	<u>\$ 2,959,077</u>	<u>\$ 3,394,360</u>	<u>\$ 4,509,178</u>	<u>\$ 2,435,962</u>	<u>\$ 1,658,155</u>	<u>\$ 522,453</u>	<u>\$ 1,411,060</u>	<u>\$ 586,892</u>	<u>\$ 1,055,329</u>	<u>\$ 1,403,790</u>
Plan fiduciary net position as a percentage of total pension liability	83.38%	79.70%	72.04%	83.24%	86.30%	94.81%	85.45%	93.56%	87.59%	83.34%
Covered Payroll	\$ 3,775,988	\$ 3,548,100	\$ 3,380,281	\$ 3,347,671	\$ 3,485,982	\$ 2,820,650	\$ 2,701,354	\$ 2,687,570	\$ 2,519,703	\$ 2,323,974
Net pension liability as a percentage of covered payroll	78.37%	95.67%	133.40%	72.77%	47.57%	18.52%	52.24%	21.84%	41.88%	60.40%

CITY OF JACINTO CITY, TEXAS  
SCHEDULE OF CONTRIBUTIONS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
For the Year Ended September 30, 2025

	Fiscal Year									
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 674,923	\$ 643,122	\$ 536,027	\$ 476,971	\$ 360,432	\$ 264,631	\$ 206,538	\$ 211,476	\$ 235,640	\$ 230,156
Contributions in relation to the actuarially determined contribution	<u>(674,923)</u>	<u>(643,122)</u>	<u>(536,027)</u>	<u>(476,971)</u>	<u>(360,432)</u>	<u>(264,631)</u>	<u>(206,538)</u>	<u>(211,476)</u>	<u>(235,640)</u>	<u>(230,156)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,820,132	\$ 3,778,359	\$ 3,422,500	\$ 3,407,038	\$ 3,359,998	\$ 3,339,275	\$ 2,672,169	\$ 2,687,533	\$ 2,671,182	\$ 2,577,210
Contributions as a percentage of covered payroll	17.67%	17.02%	15.66%	14.00%	10.73%	7.92%	7.73%	7.87%	8.82%	8.93%

**Notes to Required Supplementary Information:**

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

2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	21 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 update for the 2023 valuation pursuant to an experience study ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% 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).

3. Other Information: There were no benefit changes during the year.

CITY OF JACINTO CITY, TEXAS  
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
SUPPLEMENTAL DEATH BENEFITS FUND  
For the Year Ended September 30, 2025

	Measurement Year*							
	2024	2023	2022	2021	2020	2019	2018	2017
<b>Total OPEB liability</b>								
Service cost	\$ 10,573	\$ 9,935	\$ 19,268	\$ 18,412	\$ 14,641	\$ 6,487	\$ 7,294	\$ 6,181
Interest (on the total pension liability)	6,554	6,525	3,883	4,119	4,877	5,403	4,999	4,897
Difference between expected and actual experience	(7,227)	(6,276)	8,718	(19,969)	(14,859)	(8,391)	(6,717)	-
Changes of assumptions	(8,626)	7,008	(73,310)	5,819	24,905	25,743	(9,324)	10,921
Benefit payments**	(5,286)	(4,258)	(3,380)	(4,017)	(1,743)	(1,410)	(1,081)	(1,075)
Net change in total OPEB liability	(4,012)	12,934	(44,821)	4,364	27,821	27,832	(4,829)	20,924
Beginning total OPEB liability	171,212	158,278	203,099	198,735	170,914	143,082	147,911	126,987
Ending total OPEB liability	<u>\$ 167,200</u>	<u>\$ 171,212</u>	<u>\$ 158,278</u>	<u>\$ 203,099</u>	<u>\$ 198,735</u>	<u>\$ 170,914</u>	<u>\$ 143,082</u>	<u>\$ 147,911</u>
Covered employee payroll	\$ 3,775,988	\$ 3,548,100	\$ 3,380,281	\$ 3,347,671	\$ 3,485,982	\$ 2,820,650	\$ 2,701,354	\$ 2,687,570
Net OPEB liability as a percentage of covered payroll	4.43%	4.83%	4.68%	6.07%	5.70%	6.06%	5.30%	5.50%

\*Only 8 years of information is currently available. The City will continue to build this schedule over the next two-year period.

\*\*Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contribution for retirees.

**Notes to Required Supplementary Information:**

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

2. Methods and Assumptions Used to Determine Contribution Rates:

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	Zero
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements of 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 with 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 3.0% 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.

3. Other information: No assets are accumulated in a trust that meet the criteria in paragraph 4, GASB 75 to pay related benefits. 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. There were no benefit changes during the year.

CITY OF JACINTO CITY, TEXAS  
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS  
RETIREE HEALTH PLAN  
For the Year Ended September 30, 2025

	Measurement Year*							
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB liability</b>								
Service cost	\$ 122,759	\$ 81,101	\$ 79,091	\$ 23,776	\$ 22,262	\$ 8,649	\$ 6,286	\$ 6,774
Interest (on the total pension liability)	57,965	45,025	40,715	29,722	28,239	25,666	30,337	28,122
Difference between expected and actual experience	-	(47,118)	-	(26,125)	-	75,076	-	-
Changes of assumptions	(267,198)	366,565	(10,544)	(311,665)	1,107	218,918	216,737	(67,690)
Benefit payments	(28,005)	(22,013)	(20,426)	(15,721)	(12,766)	(16,755)	(14,776)	(10,990)
Net change in total OPEB liability	(114,479)	423,560	88,836	(300,013)	38,842	311,554	238,584	(43,784)
Beginning total OPEB liability	<u>1,535,406</u>	<u>1,111,846</u>	<u>1,023,010</u>	<u>1,323,023</u>	<u>1,284,181</u>	<u>972,627</u>	<u>734,043</u>	<u>777,827</u>
Ending total OPEB liability	<u>\$ 1,420,927</u>	<u>\$ 1,535,406</u>	<u>\$ 1,111,846</u>	<u>\$ 1,023,010</u>	<u>\$ 1,323,023</u>	<u>\$ 1,284,181</u>	<u>\$ 972,627</u>	<u>\$ 734,043</u>
Covered employee payroll	\$ 3,418,924	\$ 3,319,343	\$ 3,222,663	\$ 2,585,460	\$ 2,813,276	\$ 1,904,674	\$ 2,749,443	\$ 2,669,363
Net OPEB liability as a percentage of covered payroll	41.56%	46.26%	34.50%	39.57%	47.03%	67.42%	35.38%	27.50%

\* Only eight years of information is currently available. The City will continue to build this schedule over the next two-year period.

**Notes to Required Supplementary Information:**

1. There were no changes of benefits during the year.
2. The only change of assumptions was the change in discount rate from 3.81% to 4.90% to conform with the discount selection requirements of GASB 75.

**SUPPLEMENTARY INFORMATION**

CITY OF JACINTO CITY, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 September 30, 2025

	<u>Debt Service</u>	<u>Grant Fund</u>	Total Nonmajor Governmental <u>Funds</u>
<b>ASSETS</b>			
Cash - unrestricted	\$ 48,800	\$ 152,638	\$ 201,438
Receivables, net	<u>24,922</u>	<u>37,437</u>	<u>62,359</u>
Total assets	<u><u>\$ 73,722</u></u>	<u><u>\$ 190,075</u></u>	<u><u>\$ 263,797</u></u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ -	\$ 37,437	\$ 37,437
Due to other funds	<u>32</u>	<u>-</u>	<u>32</u>
Total liabilities	<u>32</u>	<u>37,437</u>	<u>37,469</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	<u>24,923</u>	<u>-</u>	<u>24,923</u>
Total deferred inflows of resources	<u>24,923</u>	<u>-</u>	<u>24,923</u>
<b>FUND BALANCES</b>			
Restricted for			
Debt service	48,767	-	48,767
Special projects	<u>-</u>	<u>152,638</u>	<u>152,638</u>
Total fund balances	<u>48,767</u>	<u>152,638</u>	<u>201,405</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 73,722</u></u>	<u><u>\$ 190,075</u></u>	<u><u>\$ 263,797</u></u>

CITY OF JACINTO CITY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended September 30, 2025

	<u>Debt Service</u>	<u>Grant Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenues</b>			
Ad valorem taxes	\$ 4,929	\$ -	\$ 4,929
Intergovernmental	-	126,444	126,444
Investment revenue	-	2,262	2,262
Other revenue	4,681	-	4,681
Total revenues	<u>9,610</u>	<u>128,706</u>	<u>138,316</u>
<b>Expenditures</b>			
Current			
Public works	-	128,219	128,219
Total expenditures	<u>-</u>	<u>128,219</u>	<u>128,219</u>
Net change in fund balances	9,610	487	10,097
Beginning fund balances	<u>39,157</u>	<u>152,151</u>	<u>191,308</u>
Ending fund balances	<u>\$ 48,767</u>	<u>\$ 152,638</u>	<u>\$ 201,405</u>