

CITY OF CARRIZO SPRINGS
Carrizo Springs, Texas

ANNUAL FINANCIAL AND COMPLIANCE REPORT

For The Year Ended September 30, 2025



GARZA GONZALEZ & ASSOCIATES
— CERTIFIED PUBLIC ACCOUNTANTS —

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CITY OF CARRIZO SPRINGS
Carrizo Springs, Texas

ANNUAL FINANCIAL AND COMPLIANCE REPORT

For The Year Ended September 30, 2025

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CITY OF CARRIZO SPRINGS
Carrizo Springs, Texas

ANNUAL FINANCIAL AND COMPLIANCE REPORT

For The Year Ended September 30, 2024

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CITY OF CARRIZO SPRINGS
LIST OF ELECTED AND APPOINTED OFFICIALS

Elected Officials

Mayor

Mario Ruiz

Mayor Pro Tem

Sofia Morones

Councilor

Anika Saldana

Councilor

Noel Galvan

Councilor

Estanislado Martinez

Appointed Official

City Manager

Azalia Garcia

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of Carrizo Springs
Carrizo Springs, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Carrizo Springs, 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 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 as of September 30, 2025, and the respective changes in financial position, and where applicable cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City 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 opinion.

Emphasis of Matter

As discussed in Note I to the financial statements, the City has adopted the provisions of GASB Statement No. 101, *Compensated Absences*. Accordingly, the accounting changes have been retroactively applied to the prior period. Our opinions are not modified with respect to this matter.

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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

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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 accompanying combining statements and other 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 and other statements as listed in the table of contents 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 23, 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.



March 23, 2026

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CITY OF CARRIZO SPRINGS, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Carrizo Springs, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended September 30, 2025. We encourage readers to consider the information presented here in conjunction with the accompanying financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$19,255,320 (*net position*). Of this amount, \$11,500,630 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's overall total net position increased by \$1,311,219 for the year ended September 30, 2025. Net position of governmental activities increased by \$1,400,154; and net position of the business-type activities decreased by \$88,935.
- Due to the implementation of GASB 101 Compensated Absences a prior period adjustment was required which decreased beginning net position for governmental activities in the amount of \$27,606 and decreasing business type activities by \$11,162.
- The City's governmental funds reported combined fund balances of \$10,730,096, a decrease of \$1,597,011 for the year ended September 30, 2025. The unassigned fund balance of the General Fund totals \$9,480,882.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but not used compensated absences). Both the Statement of Net Position and Statement of Activities are prepared utilizing the accrual basis of accounting.

CITY OF CARRIZO SPRINGS, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

In the Statement of Net Position and the Statement of Activities, the City is divided into two kinds of activities:

Governmental Activities – Most of the City's basic services are reported here, including general government, public safety, public works, sanitation, and culture and recreation. Property taxes, sales taxes and franchise fees finance most of these activities.

Business Type Activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system and gas service are reported as business type activities.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City's governmental and proprietary funds utilize different accounting approaches:

Governmental Funds – The majority of the City's basic services are reported in governmental funds, which focus on the current resources that flow into and out of those funds and the fund balances that may be available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the Government-Wide Statements, readers may better understand the long-term effect of the government's near-term financing decisions. The relationship of differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is detailed in a reconciliation following each of the basic fund financial statements:

Enterprise Funds – The City maintains two individual enterprise funds. The City uses enterprise funds to account for its water and sewer and gas activity. The funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer and gas activity.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements. The notes can be found following the basic financial statement section.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain other supplementary information concerning budgetary comparative information for the general fund and the Debt Service Fund, combining statements for non-major funds and a statement of revenues, expenses and changes in fund net position for the Water and Sewer Fund.

CITY OF CARRIZO SPRINGS, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE CITY AS A WHOLE - Government-Wide Financial Analysis

The City's combined net position was \$19.3 million for the year ended September 30, 2025. Analyzing the net position and net expenses of governmental and business-type activities separately, the business type activities net position were \$2.3 million and the governmental activities were \$17.0 million.

This analysis focuses on the net position (Table I) and changes in general revenues (Table II) and significant expenses of the City's governmental and business-type activities. Prior-year information for both governmental and business-type activities is presented for the purposes of providing a comparative analysis.

A fairly large portion of the City's net position (39%) reflect its investments in capital assets, (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Table I
Net Position**

	Governmental Activities		Business-Type Activities		Total	
	Year Ended		Year Ended		Year Ended	
	9/30/2025	9/30/2024	9/30/2025	9/30/2024	9/30/2025	9/30/2024
Current and Other Assets	\$ 12,594,896	\$ 14,441,342	\$ 434,291	\$ 443,440	\$ 13,029,187	\$ 14,884,782
Capital Assets	11,620,357	10,616,694	7,591,239	7,728,325	19,211,596	18,345,019
Total Assets	24,215,253	25,058,036	8,025,530	8,171,765	32,240,783	33,229,801
Deferred Outflows of Resources	337,719	311,057	149,143	122,856	486,862	433,913
Total Deferred Outflows of Resources	337,719	311,057	149,143	122,856	486,862	433,913
Current Liabilities	628,194	1,222,323	453,219	442,015	1,081,413	1,664,338
Long-Term Liabilities	6,648,228	8,381,488	5,307,291	5,417,063	11,955,519	13,798,551
Total Liabilities	7,276,422	9,603,811	5,760,510	5,859,078	13,036,932	15,462,889
Deferred Inflows of Resources	282,832	144,112	152,562	73,844	435,394	217,956
Total Deferred Outflows of Resources	282,832	144,112	152,562	73,844	435,394	217,956
Net Position:						
Net Investment in Capital Assets	5,744,602	3,096,435	1,732,740	2,348,674	7,477,342	5,445,109
Restricted	277,348	149,383	-	-	277,348	149,383
Unrestricted	10,971,768	12,375,352	528,862	1,863	11,500,630	12,377,215
Total Net Position	\$ 16,993,718	\$ 15,621,170	\$ 2,261,602	\$ 2,350,537	\$ 19,255,320	\$ 17,971,707

CITY OF CARRIZO SPRINGS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Table II
Change in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	Year Ended		Year Ended		Year Ended	
	9/30/2025	9/30/2024	9/30/2025	9/30/2024	9/30/2025	9/30/2024
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,490,290	\$ 1,467,703	\$ 3,006,998	\$ 2,928,138	\$ 4,497,288	\$ 4,395,841
Operating Grants and Contributions	567,125	-	-	-	567,125	-
General Revenues:						
Maintenance and Operations Taxes	811,695	665,202	-	-	811,695	665,202
Debt Service Taxes	912,577	1,024,971	-	-	912,577	1,024,971
Sales Taxes	1,999,137	1,944,614	-	-	1,999,137	1,944,614
Franchise Taxes	203,727	212,191	-	-	203,727	212,191
Other Taxes	374,597	631,721	-	-	374,597	631,721
Penalties and Interest	94,516	89,606	-	-	94,516	89,606
Unrestricted Investment Earnings	49,856	40,114	2,011	2,367	51,867	42,481
Miscellaneous	164,564	2,503	44,770	26,369	209,334	28,872
Total Revenues	6,668,084	6,078,625	3,053,779	2,956,874	9,721,863	\$ 9,035,499
Expenses						
General Government	1,196,541	1,128,218	-	-	1,196,541	1,128,218
Public Safety	1,245,452	955,307	-	-	1,245,452	955,307
Public Works	962,711	1,170,598	-	-	962,711	1,170,598
Health and Welfare	865,062	824,037	-	-	865,062	824,037
Culture and Recreation	713,838	492,383	-	-	713,838	492,383
Interest on Long Term Debt	146,770	164,432	-	-	146,770	164,432
Bond Issuance Cost and Fees	4,776	76,485	-	-	4,776	76,485
Water & Sewer	-	-	2,688,255	2,595,012	2,688,255	2,595,012
Gas	-	-	587,239	781,136	587,239	781,136
Total Expenses	5,135,150	4,811,460	3,275,494	3,376,148	8,410,644	8,187,608
Change in Net Position Before Transfers	1,532,934	1,267,165	(221,715)	(419,274)	1,311,219	847,891
Transfers In (Out)	(132,780)	(178,630)	132,780	178,630	-	-
Change in Net Position	1,400,154	1,088,535	(88,935)	(240,644)	1,311,219	847,891
Net Position - Beginning	15,621,170	14,532,635	2,361,699	2,602,343	17,982,869	17,134,978
Prior Period Adjustments	(27,606)	-	(11,162)	-	(38,768)	-
Net Position Ending	\$ 16,993,718	\$ 15,621,170	\$ 2,261,602	\$ 2,361,699	\$ 19,255,320	\$ 17,982,869

CITY OF CARRIZO SPRINGS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

**Table III
Expense and Program Revenue – Governmental Activities**

	Expenses		Charges for Services		Operating Grants and Contributions	
	Year Ended		Year Ended		Year Ended	
	9/30/2025	9/30/2024	9/30/2025	9/30/2024	9/30/2025	9/30/2024
Expenses						
General Government	\$ 1,196,541	\$ 1,128,218	\$ -	\$ -	\$ -	\$ -
Public Safety	1,245,452	955,307	375,251	477,710	-	-
Public Works	962,711	1,170,598	1,071,347	980,093	567,125	-
Health and Welfare	865,062	824,037	10,932	-	-	-
Culture and Recreation	713,838	492,383	32,760	9,900	-	-
Debt Issuance Cost and Fees	4,776	76,485	-	-	-	-
Bond Interest	146,770	164,432	-	-	-	-
Total Governmental Activities	\$ 5,135,150	\$ 4,811,460	\$ 1,490,290	\$ 1,467,703	\$ 567,125	\$ -

	9/30/2025	9/30/2025	9/30/2024	9/30/2024
	Revenues	%	Revenues	%
Revenue by Source				
Governmental Activities	\$ 1,490,290	23%	\$ 1,467,703	25%
Operating Grants and Contributions	567,125	9%		
Maintenance and Operations Taxes	811,695	12%	665,202	11%
Debt Service Taxes	912,577	14%	1,024,971	17%
Sales Taxes	1,999,137	31%	1,944,614	33%
Franchise Taxes	203,727	3%	212,191	4%
Other Taxes	374,597	6%	631,721	11%
Unrestricted Investment Earnings	49,856	1%	40,114	1%
Penalty and Interest	94,516	1%	89,606	2%
Miscellaneous	164,564	3%	2,503	0%
Transfers	(132,780)	-2%	(178,630)	-3%
Total Governmental Activities	\$ 6,535,304	100.00%	\$ 5,899,995	100.00%

The most significant governmental expenses for the City were in the categories of General Government, Public Safety, Public Works, and Health & Welfare, which incurred expenses of \$1,196,541; \$1,245,452; \$962,711 and \$865,062, respectively, which total \$4,269,766 or 83% of total expenditures.

Business-Type Activities

Revenues of the City's business-type activities were \$3.05 million for the year ended September 30, 2025. Expenses for the City's business-type activities were \$3.28 million for the year.

CITY OF CARRIZO SPRINGS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Table IV
Expense and Program Revenue – Business-Type Activities

	Expenses		Operating Revenues	
	Year Ended		Year Ended	
	9/30/2025	9/30/2024	9/30/2025	9/30/2024
Water & Sewer	\$ 2,688,255	\$ 2,595,012	\$ 2,598,958	\$ 2,523,468
Gas	587,239	781,136	408,040	404,670
Total Business-Type Activities	\$ 3,275,494	\$ 3,376,148	\$ 3,006,998	\$ 2,928,138

	9/30/2025	9/30/2025	9/30/2024	9/30/2024
	Revenues	%	Revenues	%
General Revenue by Source				
Unrestricted Investment Earnings	\$ 2,011	4%	\$ 2,367	8%
Miscellaneous Revenue	44,770	96%	26,369	92%
	\$ 46,781	100%	\$ 28,736	100%

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the year ended September 30, 2025, the City had approximately \$18.9 million invested in a broad range of capital assets, including police and fire equipment, buildings, roads, bridges, and water and sewer lines. (See Table V below.)

Table V
Capital Assets
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	Year Ended		Year Ended		Year Ended	
	9/30/2025	9/30/2024	9/30/2025	9/30/2024	9/30/2025	9/30/2024
Land	\$ 64,692	\$ 64,692	\$ 95,798	\$ 95,798	\$ 160,490	\$ 160,490
Buildings	3,052,203	2,073,050	1,061,269	1,061,269	4,113,472	3,134,319
Improvements Other than Buildings	-	-	3,065,452	3,385,770	3,065,452	3,385,770
Machinery and Equipment	2,746,773	2,655,054	418,255	238,130	3,165,028	2,893,184
Infrastructure	5,049,938	5,392,527	2,840,030	2,947,358	7,889,968	8,339,885
Construction in Progress	502,017	431,371	-	-	502,017	431,371
Total	\$ 11,415,623	\$ 10,616,694	\$ 7,480,804	\$ 7,728,325	\$ 18,896,427	\$ 18,345,019

CITY OF CARRIZO SPRINGS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Debt

At year-end, the City had \$12.1 million in General Obligation Bonds and Combination Tax and Revenue Certificates of Obligations outstanding. See Notes H of the Notes to Financial Statements for additional information.

**Table VI
Outstanding Debt
Certificate of Obligations and Revenue Bonds**

	Governmental Activities		Business-Type Activities		Total	
	Year Ended		Year Ended		Year Ended	
	9/30/2025	9/30/2024	9/30/2025	9/30/2024	9/30/2025	9/30/2024
Bonded Debt/Tax Notes	\$ 5,435,000	\$ 7,575,000	\$ 5,213,000	\$ 5,339,000	\$ 10,648,000	\$ 12,914,000
Loans Payable	323,152	-	-	29,488	323,152	29,488
Intergovernmental Payable	-	267,737	-	-	-	267,737
Closure/Post Closure Liabilities	728,003	711,688	-	-	728,003	711,688
Compensated Absences (Restated)	68,176	62,916	42,978	33,266	111,154	96,182
Total	\$ 6,554,331	\$ 8,617,341	\$ 5,255,978	\$ 5,401,754	\$ 11,810,309	\$ 14,019,095

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual expenditures for the fiscal year of \$4.8 million (excluding operating transfers) were less than final appropriations by \$917,015.

Actual revenues for the fiscal year were \$4,680,883, which was \$85,123 less than budgeted.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials considered many factors when setting the 2025-2026 budget. The City will be looking closely at its Business-type activities to ensure profitability, specifically for the Gas Fund.

FINANCIAL CONTACT

The City's financial statements are designed to present users with a general overview of the city's finances and to demonstrate the city's accountability. If you have any questions about the report or need additional information, please contact the City Manager of City of Carrizo Springs at P.O. Box 329, Carrizo Springs, Texas 78834.

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Basic Financial Statements

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Government-Wide Financial Statements

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CITY OF CARRIZO SPRINGS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 6,208,273	\$ 4,306,252	\$ 10,514,525
Taxes Receivable, Net	910,209	-	910,209
Accounts Receivable, Net	606,785	565,629	1,172,414
Due from Other Funds	4,742,286	(4,742,286)	-
Due from Others	14,644	13,213	27,857
Inventories	550	40,299	40,849
Restricted Investments	112,149	-	112,149
Restricted Cash	-	251,184	251,184
Capital Assets:			
Land Purchase and Improvements	64,692	95,798	160,490
Infrastructure, Net	5,049,938	2,840,030	7,889,968
Buildings, Net	3,052,203	1,061,269	4,113,472
Improvements other than Buildings, Net	-	3,065,452	3,065,452
Furniture and Equipment, Net	2,746,773	418,255	3,165,028
Construction in Progress	502,017	-	502,017
Net Pension Asset	204,734	110,435	315,169
Total Assets	<u>24,215,253</u>	<u>8,025,530</u>	<u>32,240,783</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge for Refunding	61,225	-	61,225
Deferred Outflow Related to Pension Plan	267,233	144,148	411,381
Deferred Outflow Related to OPEB	9,261	4,995	14,256
Total Deferred Outflows of Resources	<u>337,719</u>	<u>149,143</u>	<u>486,862</u>
LIABILITIES			
Accounts Payable	431,564	160,547	592,111
Wages and Salaries Payable	52,183	29,122	81,305
Payroll Taxes and Related liabilities	27,350	28,833	56,183
Accrued Interest Payable	18,595	17,553	36,148
Unearned Revenues	98,502	-	98,502
Noncurrent Liabilities:			
Due Within One Year:			
Due Within One Year	-	129,000	129,000
Bonds, Notes & Other Payables-Due Within One Year	918,125	-	918,125
Compensated Absences- Due within One Year	6,818	4,298	11,116
Other Non-Current Liability - Due Within One Year	-	217,828	217,828
Due in More Than One Year:			
Bonds & Notes Payable - Noncurrent	4,840,027	5,084,000	9,924,027
Other Long Term Debt Payable - Noncurrent	728,003	-	728,003
Compensated Absences - Noncurrent	61,358	38,680	100,038
Net OPEB Liability	93,897	50,649	144,546
Total Liabilities	<u>7,276,422</u>	<u>5,760,510</u>	<u>13,036,932</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow Related to Pension Plan	260,805	140,680	401,485
Deferred Inflow Related to OPEB	22,027	11,882	33,909
Total Deferred Inflows of Resources	<u>282,832</u>	<u>152,562</u>	<u>435,394</u>
NET POSITION			
Net Investment in Capital Assets and Lease Assets	5,744,602	1,732,740	7,477,342
Restricted:			
Restricted for Capital Acquisition	148,860	-	148,860
Restricted for Debt Service	128,488	-	128,488
Unrestricted	10,971,768	528,862	11,500,630
Total Net Position	<u>\$ 16,993,718</u>	<u>\$ 2,261,602</u>	<u>\$ 19,255,320</u>

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

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

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
General Government	\$ 1,196,541	\$ -	\$ -
Public Safety	1,245,452	375,251	-
Public Works	962,711	1,071,347	567,125
Health and Welfare	865,062	10,932	-
Culture and Recreation	713,838	32,760	-
Interest on Debt	146,770	-	-
Other Debt Service	4,776	-	-
Total Governmental Activities	5,135,150	1,490,290	567,125
BUSINESS-TYPE ACTIVITIES:			
Water & Sewer Fund	2,688,255	2,598,958	-
Gas Fund	587,239	408,040	-
Total Business-Type Activities	3,275,494	3,006,998	-
TOTAL PRIMARY GOVERNMENT	\$ 8,410,644	\$ 4,497,288	\$ 567,125

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes
Property Taxes, Levied for Debt Service
General Sales and Use Taxes
Franchise Tax
Other Taxes
Penalty and Interest on Taxes
Miscellaneous Revenue
Investment Earnings
Transfers In (Out)

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Adjustments and Restatements

Net Position - Ending

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

Net (Expense) Revenue and
Changes in Net Position

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (1,196,541)	\$ -	\$ (1,196,541)
(870,201)	-	(870,201)
675,761	-	675,761
(854,130)	-	(854,130)
(681,078)	-	(681,078)
(146,770)	-	(146,770)
(4,776)	-	(4,776)
(3,077,735)	-	(3,077,735)
-	(89,297)	(89,297)
-	(179,199)	(179,199)
-	(268,496)	(268,496)
(3,077,735)	(268,496)	(3,346,231)
811,695	-	811,695
912,577	-	912,577
1,999,137	-	1,999,137
203,727	-	203,727
374,597	-	374,597
94,516	-	94,516
164,564	44,770	209,334
49,856	2,011	51,867
(132,780)	132,780	-
4,477,889	179,561	4,657,450
1,400,154	(88,935)	1,311,219
15,621,170	2,361,699	17,982,869
(27,606)	(11,162)	(38,768)
\$ 16,993,718	\$ 2,261,602	\$ 19,255,320

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Governmental Funds Financial Statements

CITY OF CARRIZO SPRINGS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

	General Fund	Hotel Motel Fund	Debt Service Fund
ASSETS			
Cash and Cash Equivalents	\$ 4,986,114	\$ 572,764	\$ 277,134
Taxes Receivable	433,066	-	513,230
Allowance for Uncollectible Taxes (credit)	(16,515)	-	(19,572)
Accounts Receivable, Net	562,236	4,162	38,887
Due from Other Funds	6,756,526	34,620	1,456,041
Due from Others	12,990	35	1,619
Inventories	550	-	-
Restricted Investments	112,149	-	-
Total Assets	<u>\$ 12,847,116</u>	<u>\$ 611,581</u>	<u>\$ 2,267,339</u>
LIABILITIES			
Accounts Payable	\$ 176,403	\$ 18,359	\$ 1,373
Wages and Salaries Payable	52,183	-	-
Payroll Taxes and Related liabilities	27,328	22	-
Due to Other Funds	1,948,227	45,823	1,652,312
Unearned Revenues	-	-	-
Total Liabilities	<u>2,204,141</u>	<u>64,204</u>	<u>1,653,685</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	416,551	-	493,658
Unavailable Revenue - Court Fines	344,992	-	-
Total Deferred Inflows of Resources	<u>761,543</u>	<u>-</u>	<u>493,658</u>
FUND BALANCES			
Inventories	550	-	-
Capital Acquisition and Contractual Obligation	-	-	-
Retirement of Long-Term Debt	-	-	119,996
Street Improvements	400,000	-	-
Other Assigned Fund Balance	-	547,377	-
Unassigned Fund Balance	9,480,882	-	-
Total Fund Balances	<u>9,881,432</u>	<u>547,377</u>	<u>119,996</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 12,847,116</u>	<u>\$ 611,581</u>	<u>\$ 2,267,339</u>

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

Other Funds	Total Governmental Funds
\$ 372,261	\$ 6,208,273
-	946,296
-	(36,087)
1,500	606,785
148,858	8,396,045
-	14,644
-	550
-	112,149
<u>\$ 522,619</u>	<u>\$ 16,248,655</u>
\$ 235,429	\$ 431,564
-	52,183
-	27,350
7,397	3,653,759
98,502	98,502
<u>341,328</u>	<u>4,263,358</u>
-	910,209
-	344,992
-	<u>1,255,201</u>
-	550
166,006	166,006
-	119,996
-	400,000
15,285	562,662
-	9,480,882
<u>181,291</u>	<u>10,730,096</u>
<u>\$ 522,619</u>	<u>\$ 16,248,655</u>

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

Total Fund Balances - Governmental Funds	\$	10,730,096
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of the assets was \$23,617,193 and the accumulated depreciation was (\$13,000,499). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. At the beginning of the year, bonds payable and other long-term liabilities were (\$8,554,425), the unamortized balance of deferred charge on refundings was \$71,289, interest payable was (\$27,087); and, compensated absences was (\$62,915), as restated. The net effect of including the beginning balances for the above activities in the governmental activities is to increase net position.		2,043,556
Transactions related to current year capital outlay, bonds payable and other long-term liabilities, and changes in interest payable and compensated absences are necessary to convert from a modified accrual basis of accounting to the accrual basis of accounting as follows:		3,639,798
<ul style="list-style-type: none"> • Acquisition of capital assets of \$1,578,361. • Principal payments on bonds payable and notes payable were \$2,140,000. • Issuance of loan in the amount of (\$323,152). • Change in intergovernmental payable of \$267,737 • Change in landfill closure accrual of (\$16,315). • Amortization on deferred charge on refunding was (\$10,064). • (Increase) in compensated absences of (\$5,261) and a decrease in interest payable of \$8,492. The net effect is to increase net position.		
At the beginning of the year, the net position related to the City's proportionate share of the net pension asset was a net pension asset in the amount of \$93,144, deferred outflow of resources in the amount of \$234,725, and a deferred inflow of resources in the amount of (\$125,775). Transactions in the current year included: a net increase in net pension asset of \$111,590, a net increase in deferred outflows of resources of \$32,508, and a net (increase) in deferred inflows of resources of (\$135,030). The net effect is to increase net position.		211,162
At the beginning of the year, the net position related to the City's proportionate share of the net OBEB liability was a net OPEB liability in the amount of (\$94,800), deferred outflow of resources in the amount of \$5,043, and a deferred inflow of resources in the amount of (\$18,337). Transactions in the current year included: a net decrease in net OPEB liability of \$903, a net increase in deferred outflows of resources of \$4,218, and a net (increase) in deferred inflows of resources of (\$3,690). The net effect is to increase net position.		(106,663)
Depreciation is not recognized as an expense in the governmental funds since it does not require the use of current financial resources, The net effect of the current year's depreciation is to decrease net position.		(779,432)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase net position.		1,255,201
Net Position of Governmental Activities	\$	16,993,718

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

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

	General Fund	Hotel Motel Fund	Debt Service Fund
REVENUES:			
Taxes:			
Property Taxes	\$ 779,962	\$ -	\$ 875,328
General Sales and Use Taxes	1,999,137	-	-
Franchise Tax	203,727	-	-
Other Taxes	-	374,597	-
Penalty and Interest on Taxes	58,918	-	35,598
Licenses and Permits	28,373	-	-
Intergovernmental Revenue and Grants	-	-	-
Charges for Services	1,093,211	-	-
Fines	364,319	-	-
Investment Earnings	41,603	2,427	1,757
Rents and Royalties	32,760	-	-
Other Revenue	78,873	-	-
Total Revenues	4,680,883	377,024	912,683
EXPENDITURES:			
Current:			
General Government	1,116,235	-	-
Public Safety	1,210,128	-	-
Public Works	821,120	-	-
Health and Welfare	669,073	-	-
Culture and Recreation	272,415	371,861	-
Debt Service:			
Principal on Debt	-	1,190,000	950,000
Interest on Debt	-	15,650	129,548
Other Debt Service	4,776	-	-
Capital Outlay:			
Capital Outlay	669,230	407,114	-
Total Expenditures	4,762,977	1,984,625	1,079,548
Excess (Deficiency) of Revenues Over (Under) Expenditures	(82,094)	(1,607,601)	(166,865)
OTHER FINANCING SOURCES (USES):			
Noncurrent Loans	323,152	-	-
Transfers In	-	-	508,079
Transfers Out	(408,079)	-	(232,780)
Total Other Financing Sources (Uses)	(84,927)	-	275,299
Net Change in Fund Balances	(167,021)	(1,607,601)	108,434
Fund Balance - October 1 (Beginning)	10,048,453	2,154,978	11,562
Change from Major to Nonmajor Fund	-	-	-
Fund Balance - September 30 (Ending)	\$ 9,881,432	\$ 547,377	\$ 119,996

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

	Prior Year Capital Project Fund	Other Funds	Total Governmental Funds
\$	-	\$ -	\$ 1,655,290
	-	-	1,999,137
	-	-	203,727
	-	-	374,597
	-	-	94,516
	-	-	28,373
	-	567,125	567,125
	-	-	1,093,211
	-	-	364,319
	-	4,069	49,856
	-	-	32,760
	-	-	78,873
	-	571,194	6,541,784
	-	-	1,116,235
	-	-	1,210,128
	-	-	821,120
	-	-	669,073
	-	-	644,276
	-	-	2,140,000
	-	-	145,198
	-	-	4,776
	-	502,017	1,578,361
	-	502,017	8,329,167
	-	69,177	(1,787,383)
	-	-	323,152
	-	-	508,079
	-	-	(640,859)
	-	-	190,372
	-	69,177	(1,597,011)
	163,710	(51,596)	12,327,107
	(163,710)	163,710	-
\$	-	\$ 181,291	\$ 10,730,096

CITY OF CARRIZO SPRINGS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Total Net Change in Fund Balances - Governmental Funds	\$	(1,597,011)
Transactions related to current year capital outlay, bonds payable and other long-term liabilities, and changes in interest payable and compensated absences are necessary to convert from a modified accrual basis of accounting to the accrual basis of accounting as follows:		3,639,798
<ul style="list-style-type: none"> • Acquisition of capital assets of \$1,578,361. • Principal payments on bonds payable and notes payable were \$2,140,000. • Issuance of loan in the amount of (\$323,152). • Change in intergovernmental payable of \$267,737 • Change in landfill closure accrual of (\$16,315). • Amortization on deferred charge on refunding was (\$10,064). • (Increase) in compensated absences of (\$5,261) and a decrease in interest payable of \$8,492. 		
The net effect is to increase net position.		
Various adjustments necessary to record the City's net pension asset were as follows:		9,068
<ul style="list-style-type: none"> • Contributions of \$43,380 were made after the measurement date of December 31, 2024 were de-expended and recorded as deferred outflows of resources. • The City amortized its share of unrecognized deferred inflows and outflows of resources for TMRS as of the measurement date in the net amount of (\$36,952). • The City's portionate share of various expenses in the net amount of \$2,640 were used by TMRS to calculate the City's ending net pension asset. 		
The net effect is an increase to the change in net position		
Various adjustments necessary to record the City's net OPEB liability were as follows:		1,431
<ul style="list-style-type: none"> • Contributions of \$5,417 were made after the measurement date of December 31, 2024 were de-expended and recorded as deferred outflows of resources. • The City amortized its share of unrecognized deferred inflows and outflows of resources for TMRS as of the measurement date in the net amount of (\$18,184). • The City's portionate share of various expenses in the net amount of \$14,198 were used by TMRS to calculate the City's ending net OPEB liability. 		
The net effect is an increase to the change in net position.		
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.		(779,432)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase (decrease) the change in net position.		126,300
Change in Net Position of Governmental Activities	\$	1,400,154

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

Proprietary Funds Financial Statements

CITY OF CARRIZO SPRINGS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2025

	Business-Type Activities - Enterprise Funds		
	Water & Sewer	Gas	Total
	Fund	Fund	Enterprise Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 4,243,406	\$ 62,846	\$ 4,306,252
Restricted Assets - Current:			
Restricted Cash	251,184	-	251,184
Interest Receivable - Investments	3,206	1,753	4,959
Accounts Receivable, Net	475,051	85,619	560,670
Due from Other Funds	2,621,270	1,300,263	3,921,533
Due from Others	440	12,773	13,213
Inventories	33,274	7,025	40,299
Total Current Assets	<u>7,627,831</u>	<u>1,470,279</u>	<u>9,098,110</u>
Noncurrent Assets:			
Capital Assets:			
Land Purchase and Improvements	30,527	65,271	95,798
Infrastructure, net	1,994,550	845,480	2,840,030
Buildings, net	1,061,269	-	1,061,269
Improvements other than Buildings, net	3,065,452	-	3,065,452
Furniture and Equipment, net	385,810	32,445	418,255
Net Pension Asset	90,201	20,234	110,435
Total Noncurrent Assets	<u>6,627,809</u>	<u>963,430</u>	<u>7,591,239</u>
Total Assets	<u>14,255,640</u>	<u>2,433,709</u>	<u>16,689,349</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow Related to Pension Plan	117,737	26,411	144,148
Deferred Outflow Related to OPEB	4,080	915	4,995
Total Deferred Outflows of Resources	<u>121,817</u>	<u>27,326</u>	<u>149,143</u>

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

CITY OF CARRIZO SPRINGS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2025

	Business-Type Activities - Enterprise Funds		
	Water & Sewer	Gas	Total
	Fund	Fund	Enterprise Funds
LIABILITIES			
Current Liabilities:			
Accounts Payable	128,820	31,727	160,547
Wages and Salaries Payable	24,230	4,891	29,121
Payroll Taxes and Related liabilities	21,635	7,198	28,833
Due to Other Funds	7,249,920	1,413,899	8,663,819
Accrued Interest Payable	17,553	-	17,553
Bonds Payable - Current	129,000	-	129,000
Compensated Absences - Current	3,588	710	4,298
Other Current Liabilities	180,360	37,468	217,828
Total Current Liabilities	7,755,106	1,495,893	9,250,999
Noncurrent Liabilities:			
Bonds Payable - Noncurrent	5,084,000	-	5,084,000
Compensated Absences - Noncurrent	32,286	6,394	38,680
Net OPEB Liability	41,369	9,280	50,649
Total Noncurrent Liabilities	5,157,655	15,674	5,173,329
Total Liabilities	12,912,761	1,511,567	14,424,328
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow Related to Pension Plan	114,905	25,775	140,680
Deferred Inflow Related to OPEB	9,705	2,177	11,882
Total Deferred Inflows of Resources	124,610	27,952	152,562
NET POSITION			
Net Investment in Capital Assets and Lease Assets	785,213	947,527	1,732,740
Unrestricted	554,873	(26,011)	528,862
Total Net Position	\$ 1,340,086	\$ 921,516	\$ 2,261,602

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

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

	Business-Type Activities - Enterprise Funds		
	Water & Sewer Fund	Gas Fund	Total Enterprise Funds
OPERATING REVENUES:			
Charges for Services	\$ 2,598,958	\$ 408,040	\$ 3,006,998
Investment Earnings	455	-	455
Other Revenue	44,315	-	44,315
Total Operating Revenues	2,643,728	408,040	3,051,768
OPERATING EXPENSES:			
Personnel Services - Salaries and Wages	567,230	124,512	691,742
Personnel Services - Employee Benefits	226,052	50,422	276,474
Purchased Professional & Technical Services	46,675	60,087	106,762
Purchased Property Services	909,275	34,006	943,281
Other Operating Costs	258,190	102,811	361,001
Supplies	72,355	211,070	283,425
Depreciation	500,515	4,331	504,846
Total Operating Expenses	2,580,292	587,239	3,167,531
Operating Income (Loss)	63,436	(179,199)	(115,763)
NONOPERATING REVENUES (EXPENSES):			
Investment Earnings	1,657	354	2,011
Interest Expense - Nonoperating	(107,963)	-	(107,963)
Total Nonoperating Revenue (Expenses)	(106,306)	354	(105,952)
Income (Loss) Before Transfers	(42,870)	(178,845)	(221,715)
Transfers In	232,780	-	232,780
Transfers Out	(100,000)	-	(100,000)
Change in Net Position	89,910	(178,845)	(88,935)
Total Net Position - October 1 (Restated)	1,250,176	1,100,361	2,350,537
Total Net Position - September 30 (Ending)	\$ 1,340,086	\$ 921,516	\$ 2,261,602

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

CITY OF CARRIZO SPRINGS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Business-Type Activities		
	Water & Sewer Fund	Gas Fund	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$ 2,572,170	\$ 408,040	\$ 2,980,210
Cash Payments to Employees for Services	(789,289)	(176,305)	(965,594)
Cash Payments for Suppliers	(961,877)	(323,522)	(1,285,399)
Net Cash Provided by (Used for) Operating Activities	<u>821,004</u>	<u>(91,787)</u>	<u>729,217</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>			
Transfer In	232,780	-	232,780
Transfer Out	(100,000)	-	(100,000)
Net Cash Provided by Non-Capital Financing Activities	<u>132,780</u>	<u>-</u>	<u>132,780</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition of Capital Assets	(257,325)	-	(257,325)
Principal Paid on Capital Debt	(155,488)	-	(155,488)
Interest Expense on Bonds	(107,963)	-	(107,963)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(520,776)</u>	<u>-</u>	<u>(520,776)</u>
<u>Cash Flows from Investing Activities:</u>			
Interest and Dividends on Investments	1,657	354	2,011
Net Increase (Decrease) in Cash and Cash Equivalents	434,665	(91,433)	343,232
Cash and Cash Equivalents at Beginning of Year	<u>4,059,925</u>	<u>154,279</u>	<u>4,214,204</u>
Cash and Cash Equivalents at End of Year	<u>\$ 4,494,590</u>	<u>\$ 62,846</u>	<u>\$ 4,557,436</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Provided by (Used for) Operating Activities:</u>			
Operating Income (Loss)	\$ 63,436	\$ (179,199)	\$ (115,763)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:			
Depreciation	500,515	4,331	504,846
Effect of Increases and Decreases in Current Assets and Liabilities:			
(Increase) in Receivables	(71,472)	-	(71,472)
Increase in Accounts Payable	3,806	23,014	26,820
(Increase) in Due from Other Funds	(77,611)	-	(77,611)
(Increase) in Due from Others	(86)	-	(86)
Increase in Other Current Liabilities	5,400	638	6,038
Increase in Wages and Salaries Payable	1,113	-	1,113
Increase in Compensated Absences	8,887	825	9,712
Increase in Due to Other Funds	393,023	60,800	453,823
(Increase) in Deferred Outflows related to Pension	(17,770)	(6,106)	(23,876)
(Increase) in Deferred Outflows related to OPEB	(1,933)	(478)	(2,411)
Increase in Deferred Inflows related to Pension	1,895	591	2,486
Increase in Deferred Inflows related to OPEB	61,338	14,894	76,232
(Increase) in Net Pension Asset	(50,532)	(12,176)	(62,708)
Increase in Net OPEB Liability	995	1,079	2,074
Net Cash Provided by (Used for) Operating Activities	<u>\$ 821,004</u>	<u>\$ (91,787)</u>	<u>\$ 729,217</u>

The accompanying notes are an integral part of this statement.

CITY OF CARRIZO SPRINGS
Carrizo Springs, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Carrizo Springs, Texas (the City) adopted its home rule Charter on April 7, 1959. The City is organized under the laws of the state of Texas and is classified as a Home Rule, Council-Manager form of government, with a Mayor and four City Council Members elected at large. The City provides the following types of services: public safety, public works (streets), culture and recreation, health and welfare, legal, election functions and general administrative services.

B. Government-Wide and Fund Financial Statements

The Government-Wide Financial Statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all nonfiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from these statements. 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 for support.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identified with a specific function or segment. 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, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. The fiduciary funds, if any, are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

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

The Government-Wide Financial Statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless 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.

CITY OF CARRIZO SPRINGS
Carrizo Springs, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 government considers revenues to be available if they are collected within 60 days of the current fiscal period. Expenditures generally are recorded when a liability is incurred under modified accrual accounting. However, debt service expenditures are recorded only when payment is due. Compensated absences expenditures are recognized when the benefits are earned by employees. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met.

Property taxes, franchise taxes, 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. All other revenue items are considered measurable and available only when cash is received by the government.

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 funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds 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. Under the full accrual method of accounting revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The government reports the following major governmental funds:

General Fund — the General fund is the government's primary operating fund; it accounts for all financial resources except those required to be accounted for in another fund. The revenues and expenditures incurred for the sanitation department are accounted for as part of the general fund.

Hotel/Motel Tax Fund — Accounts for the accumulation of resources from the Hotel/Motel Tax Assessment levied by the City. These monies are to be spent to promote the progress, development or growth of the City within the guidelines set forth on disposition or revenues collected under the authority of the Texas Hotel Occupancy Tax Act.

Debt Service Fund — The Debt Service fund is used to account for revenues collected to pay interest and related costs and to retire long-term debt.

CITY OF CARRIZO SPRINGS
Carrizo Springs, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government reports the following major enterprise funds:

Water and Sewer Fund — The Water and Sewer Fund accounts for the operations of the City's water and sewer utilities.

Gas Fund — The Gas Fund accounts for the operations of the City's gas utility system.

Additionally, the City reports the following fund types:

Capital Projects Funds — The City accounts for proceeds from long-term debt financing to be used for authorized expenditures related to major capital acquisitions of construction activities.

The Special Revenue Funds account for resources restricted or designated for specific purposes by the City or a grantor.

D. Assets, Liabilities, and Net Position or Equity

1. Cash and Cash Equivalents

The City's cash activities are governed by State statutes. The City's cash must be deposited in FDIC- insured banks located within the State of Texas. The City considers all short-term investment with an original maturity of three (3) months or less to be cash equivalents.

2. Inventories

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than purchased.

3. Receivables and Payables

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Similarly, balances between the funds included in business-type activities (i.e. enterprise funds) are eliminated so that only the net amount is included as internal balance in the business-type activities column.

Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

CITY OF CARRIZO SPRINGS
Carrizo Springs, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the fund financial statements transfers between funds 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 funds, included in the governmental activities, are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, the balances between the funds included in business-type activities are eliminated so that only the net amounts are included as transfers in the business-type activities column.

4. Property Taxes

Property is appraised and a lien on such property becomes enforceable as of January 1 of each year, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Traditionally, property taxes are levied on October 1, of the year in which assessed or as soon thereafter, as practicable. Taxes are due and payable when levied since that is when the City bills the taxpayers. The City begins to collect the taxes as soon as the taxpayers are billed. The appraisal of property values is performed by the Dimmit County Appraisal District for the City.

5. Fund Balance Policies

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

Nonspendable

Amounts not available for appropriation or legally earmarked for a specific use. Examples include inventories, prepaid items, and deferred expenditures.

Restricted

Amounts that have been legally separated for a specific purpose; such as, grants, capital acquisition from bond proceeds and long-term debt. At September 30, 2025, restricted fund balance for capital acquisition and debt service were \$166,006 and \$119,996, respectively.

Committed

Amounts that require Council action to be used for a specific purpose; such as, construction improvements not funded by bond proceeds. Formal action by City Council, which consists of majority approval of an ordinance, to commit funds must occur prior to fiscal year end and can only be modified or removed by the same formal action. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. At September 30, 2025 the City committed \$400,000 for street improvements.

CITY OF CARRIZO SPRINGS
Carrizo Springs, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned

Amounts that do not require Council approval but are intended to be used for a specific purpose, as determined by an official or body to which the Council has delegated authority; such as, the Finance Director or City Manager. The governing council (council) has by resolution authorized the Finance Director or City Manager to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Any amounts that are Assigned by the Finance Director or City Manager do not meet the criteria to be classified as restricted or committed.

Unassigned

Residual amount in the general fund that is available to finance operating expenditures. In other funds, this classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

6. Spending Order

Fund balance amounts that are restricted, committed, or assigned are considered to have been spent when an expenditure is incurred for the respective purpose. If an expenditure is incurred that meets the criteria in more than one fund balance category, then the City considers that fund balance is relieved in the following order: restricted, committed, assigned, and then unassigned.

7. Restricted/Unrestricted Resources

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenditures are incurred, there are both restricted and unrestricted resources available to finance the program. It is the City's policy to first apply cost-reimbursement grant (restricted) resources to such programs and then general revenues.

8. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Management's estimates were considered for depreciation, estimated useful lives, accounts receivable and allowance for doubtful accounts.

CITY OF CARRIZO SPRINGS
Carrizo Springs, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, and the benefits have been earned by employees. During the fiscal year ended September 30, 2025, the City implemented GASB 101 *Compensated Absences*. GASB 101 requires that the City evaluate leave available to employees whether or not the City policy requires a payment for earned leave upon the termination of an employee. Accordingly, the City has evaluated all leave and has recorded a liability related to sick leave earned and unpaid that is more likely than not to be used and/or otherwise paid to an employee. GASB 101 requires that the City recognize the liability as of the prior year end which required a prior period adjustment to the fiscal year ended September 30, 2024. In addition, GASB 101 requires that the City recognize the sick leave liability and vacation payable to be reported as compensated absences liability.

Compensated absences are generally liquidated by the general fund, water and sewer fund and the gas fund and are presented as current and long term liabilities. The vacation payable component is reported as a current liability since all leave is required to be taken by the end of the calendar year.

10. Capital Assets and Depreciation

All capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated property, plant and equipment are valued at their estimated fair value on the date donated. The City has adopted a policy of capitalizing assets with a unit cost of over \$5,000.

Depreciation on all exhaustible capital assets of the City used by proprietary funds is charged as an expense in the proprietary fund statements. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives applied are as follows:

Assets	Years
Vehicles	8-10
Machinery and Equipment	10-20
Buildings	25-50
Improvements	10-20
Infrastructure	20-75

Depreciation is recognized for governmental activities only in the government wide financial statements.

CITY OF CARRIZO SPRINGS
Carrizo Springs, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. Deferred Outflows/Inflows of Resources

The City reports deferred inflows of resources on the balance sheet of the general and debt service funds related to uncollectible property taxes, less the allowance for uncollectible taxes and municipal court fines and receivable less the applicable allowance for uncollectible fines and fees.

The deferred outflows/inflows of resources accounted for on the proprietary fund statement of net position relate to the GASB 68 recognition of the City's portion of the Texas Municipal Retirement System (TMRS) net pension asset/liability. The governmental activities column on the Government-Wide Statement of Net Position reports deferred outflows/inflows of resources of the governmental funds related to the City's portion of the TMRS net pension asset/liability.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

1. Budget and Budgetary Accounting

The City follows these procedures in establishing budgetary data reflected in the financial statements:

The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

A public hearing is conducted to obtain taxpayer comments.

Prior to October 1 on an annual basis the budget is legally enacted through passage of an ordinance.

Any revisions that alter the total expenditures of the enterprise funds or any department for governmental type funds must be approved by the City Council.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund; the Debt Service Fund; and the Hotel/Motel Fund. No budgets are prepared for the Special Revenue, and Capital Projects Funds.

The appropriated budget is prepared by fund, function, and department.

The legal level of budgetary control (i.e., level at which expenditures may not legally exceed appropriations) is the function level. Appropriations in all budgeted funds lapse at year-end even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances are re-appropriated and become part of the subsequent year's budget.

CITY OF CARRIZO SPRINGS
Carrizo Springs, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

2. Excess of Expenditures Over Appropriations

For the year ended September 30, 2025, Capital Outlay in the General Fund exceeded the budget by \$228,854. In addition, under Debt Service for the General Fund the City expended \$4,776 for note issuance costs that were not budgeted.

For the year ended September 30, 2025, principal and interest in the Debt Service Fund exceeded the budget by \$195,000 and \$23,289, respectively.

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The City's cash and investments as of September 30, 2025, consist of the following:

	<u>Fair Value</u>
Cash on Hand	\$ 3,774
Deposits with Depository Bank	10,510,751
Certificates of Deposit (Restricted)	112,149
Restricted Deposits (USDA)	<u>251,184</u>
Total	<u>\$ 10,877,858</u>

1. Deposits

The City's funds are required to be deposited and invested under the terms of a depository contract. Under Texas law, a bank serving as the depository must have a bond or in lieu thereof, deposited or pledged securities with the City or independent third-party agent, an amount equal to the highest daily balance of all deposits the City may have during the term of the depository contract, less applicable federal depository insurance (FDIC).

At September 30, 2025, the carrying amount of the City's deposits (including certificates of deposit) was \$10,874,084 and the bank balance was \$11,071,088. The City's depository bank has FDIC insurance and agreements with the City to collateralize deposits in excess of FDIC coverage with pledged securities.

CITY OF CARRIZO SPRINGS
Carrizo Springs, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

III. DETAILED NOTES ON ALL FUNDS

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act.

2. Custodial Credit Risk–Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of September 30, 2025, the City's bank balance was \$11,071,088. The depository bank pledges securities in amounts sufficient to protect the City's deposits.
3. Concentration of Credit Risk – The City does not have a policy for concentration of credit risk. At year end, the City's investments consisted of Certificates of Deposits with maturities of twelve months or less.

The City's restricted investments at September 30, 2025 was as follows:

Description	Carrying Amount	Fair Value	Weighted Average Maturity (Days)	Standard & Poor's Rates
Certificates of Deposit (Restricted)	\$112,149	\$112,149	365	N/A

Restricted investments are not available for operating purposes, and are measured at fair value, level 1 input.

Restricted cash is also not available for operations. It is restricted for debt service payments in accordance with terms established by the USDA. The restricted cash balance at September 30, 2025 was \$251,184.

CITY OF CARRIZO SPRINGS
Carrizo Springs, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

III. DETAILED NOTES ON ALL FUNDS

B. RECEIVABLES

Receivables as of year-end for the governmental major funds and other nonmajor funds including the applicable allowances for uncollectible accounts are as follows:

	General Fund	Hotel Motel Fund	Debt Service Fund	Other Nonmajor	Total
Court Fines and Fees	\$ 1,379,967	\$ -	\$ -	\$ -	\$ 1,379,967
Utilities & Charges for Services	168,694	-	-	-	168,694
Other Receivables	65,059	4,162	38,887	1,500	109,608
Gross Receivables	1,613,720	4,162	38,887	1,500	1,658,269
Less: Allowance for Uncollectibles	(1,051,484)	-	-	-	(1,051,484)
Net Total Receivables	\$ 562,236	\$ 4,162	\$ 38,887	\$ 1,500	\$ 606,785

Receivables as of year-end for the proprietary funds including the applicable allowances for uncollectible accounts are as follows:

	Enterprise Funds		
	Water & Sewer	Gas	Total
Utilities & Charges for Services	\$ 524,848	\$ 95,132	\$ 619,980
Less: Allowance for Uncollectibles	(49,797)	(9,513)	(59,310)
Net Total Receivables	\$ 475,051	\$ 85,619	\$ 560,670

C. DEFERRED INFLOWS OF RESOURCES

At September 30, 2025, unavailable revenues reported as deferred inflows of resources in the governmental funds were as follows:

	General Fund	Debt Service Fund	Total
Property Taxes Receivable	\$ 433,066	\$ 513,230	\$ 946,296
Allowance for Uncollectible Taxes	(16,515)	(19,572)	(36,087)
Unavailable Revenues – Property Taxes	416,551	493,658	910,209
Court Fines Receivable	1,379,967	-	1,379,967
Allowance for Uncollectible Fines	(1,034,975)	-	(1,034,975)
Unavailable Revenue – Court Fines	344,992	-	344,992
Total Unavailable Revenue	\$ 761,543	\$ 493,658	\$ 1,255,201

CITY OF CARRIZO SPRINGS
Carrizo Springs, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

D. CAPITAL ASSETS

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 64,692	\$ -	\$ -	\$ 64,692
Construction in Progress	431,371	502,017	(431,371)	502,017
Total capital assets, not being depreciated	496,063	502,017	(431,371)	566,709
Capital assets, being depreciated:				
Building and improvements	3,977,039	727,971	-	4,705,010
Machinery, equipment and vehicles	8,002,397	779,744	-	8,782,141
Infrastructure	11,141,694	-	-	11,141,694
Total capital assets, being depreciated	23,121,130	1,507,715	-	24,628,845
Less accumulated depreciation for:				
Building and improvements	(1,903,989)	(54,248)	-	(1,958,237)
Machinery, equipment and vehicles	(5,347,343)	(382,595)	-	(5,729,938)
Infrastructure	(5,749,167)	(342,589)	-	(6,091,756)
Total accumulated depreciation	(13,000,499)	(779,432)	-	(13,779,931)
Total capital assets depreciated, net	10,120,631	728,283	-	10,848,914
Total capital assets, net	\$ 10,616,694	\$ 1,230,300	\$ (431,371)	\$ 11,415,623

CITY OF CARRIZO SPRINGS
Carrizo Springs, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 95,798	\$ -	\$ -	\$ 95,798
Total capital assets, not being depreciated	<u>95,798</u>	<u>-</u>	<u>-</u>	<u>95,798</u>
Capital assets, being depreciated:				
Building and improvements	7,464,364	-	-	7,464,364
Infrastructure	5,316,345	-	-	5,316,345
Machinery, equipment and vehicles	998,997	257,325	-	1,256,322
Total capital assets, being depreciated	<u>13,779,706</u>	<u>257,325</u>	<u>-</u>	<u>14,037,031</u>
Less accumulated depreciation for:				
Building and improvements	(3,017,325)	(320,318)	-	(3,337,643)
Infrastructure	(2,368,988)	(107,327)	-	(2,476,315)
Machinery, equipment and vehicles	(760,867)	(77,200)	-	(838,067)
Total accumulated depreciation	<u>(6,147,180)</u>	<u>(504,845)</u>	<u>-</u>	<u>(6,652,025)</u>
Total capital assets depreciated, net	<u>7,632,526</u>	<u>(247,520)</u>	<u>-</u>	<u>7,385,006</u>
Business-type activities capital assets, net	<u>\$ 7,728,324</u>	<u>\$ (247,520)</u>	<u>\$ -</u>	<u>\$ 7,480,804</u>

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

Governmental Activities	
General Government	\$ 62,206
Public Safety	36,290
Public Works	412,068
Health and Welfare	198,519
Culture and Recreation	70,349
Total Governmental Activities	<u>\$ 779,432</u>
Business-Type Activities	
Water and Sewer	\$ 500,515
Gas	4,330
Total Business-Type Activities	<u>\$ 504,845</u>

CITY OF CARRIZO SPRINGS
Carrizo Springs, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

E. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at September 30, 2025 were as follows:

	Due From	Due To
General Fund	\$ 6,756,526	\$ (1,948,227)
Hotel/Motel Fund	34,620	(45,823)
Debt Service Fund	1,456,041	(1,652,312)
Capital Project Fund	148,858	(7,397)
Water & Sewer Fund	2,621,270	(7,249,920)
Gas Fund	1,300,263	(1,413,899)
	\$ 12,317,578	\$ (12,317,578)

The outstanding amounts payable to the general and gas funds relate to landfill and gas sales collected in the water fund. The outstanding amounts due to the debt service fund relate to tax levies collected in the general fund. The outstanding amounts in the capital projects fund are due to the hotel/motel fund for improvements in connection with the Civic Center. Additionally, there are various borrowing and lending between funds needed to ensure the borrowing funds cash needs are met.

F. TRANSFERS

The composition of transfers for the year ended September 30, 2025 was as follows:

	General Fund	Debt Service Fund	<u>Enterprise Fund</u> Water & Sewer Fund	Total
Transfers out:				
General Fund	\$ -	\$ 408,079	\$ -	\$ 408,079
Debt Service	-	-	232,780	232,780
Water & Sewer	-	100,000	-	100,000
	\$ -	\$ 508,079	\$ 232,780	\$ 740,859

During the year, transfers were used to move revenues from the fund with collection authority to the debt service fund and Water & Sewer Fund as debt service principal and interest payments become due.

CITY OF CARRIZO SPRINGS
Carrizo Springs, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

G. LONG-TERM DEBT

Certificates of Obligation Bonds, Revenues Bonds & Tax Notes

On November 29, 2023, the City approved Ordinance 842 authorizing the issuance of City of Carrizo Springs, Texas Tax Notes, Series 2023 in the amount of \$1,585,000. The notes bear an interest rate of 4.69% over a 6-year term through September 30, 2030. The purpose of the tax notes was to purchase equipment for use at the City’s landfill and for the purchase of Public Work vehicles.

Series 2019A Certificates of Obligation

During the fiscal year ended September 30, 2025, the City paid off its outstanding Series 2019A Certificates of Obligation prior to maturity using available funds. The carrying value of the debt at the time of repayment was \$1,190,000. The City was required to pay \$1,190,000 to retire the obligation. As a result of this transaction, the City has no remaining obligations related to this debt and no future debt service requirements. The Series 2019B Certificates of Obligation in the amount of \$140,000 remain outstanding as of year end.

Certificates of Obligation and Tax Notes have been issued for both governmental and proprietary activities. The amounts outstanding as of September 30, 2025 are as follows.

Description	Maturity Date	Rates	Amount Outstanding September 30, 2025
Governmental Activities			
Series 2019 Certificates of Obligation	2/01/2034	2.69%	\$ 140,000
Series 2021 Limited Tax Refunding Bonds	2/01/2032	1.20%	3,950,000
Tax Notes, Series 2023	8/01/2030	4.69%	1,345,000
Total Governmental Activities			\$ 5,435,000
Business-Type Activities – Water & Sewer			
Series 2015 Certificates of Obligation	2/01/2055	2.0%	5,213,000
Total Business-Type Activities			\$ 5,213,000

CITY OF CARRIZO SPRINGS
Carrizo Springs, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

Annual debt service requirements to maturity for the Certificates of Obligation debt and tax notes are as follows:

Year Ending September 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2026	\$ 860,000	\$ 137,831	\$ 129,000	\$ 104,260
2027	875,000	115,519	131,000	101,680
2028	900,000	92,541	133,000	99,331
2029	915,000	68,722	137,000	96,400
2030	820,000	45,233	139,000	93,660
2031 – 2035	1,065,000	40,988	738,000	425,702
2036 – 2040	-	-	816,000	348,981
2041 – 2045	-	-	899,000	263,875
2046 – 2050	-	-	993,000	170,234
2051 – 2055	-	-	1,098,000	66,829
TOTALS	\$ 5,435,000	\$ 500,834	\$ 5,213,000	\$ 1,770,952

CITY OF CARRIZO SPRINGS
Carrizo Springs, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

H. CHANGES IN LONG-TERM DEBT

The following is a summary of the long-term obligations of the governmental-activities and business-type activities of the City for the year ended September 30, 2025:

Changes in Long-Term Debt	Balance October 1, 2024 (Restated)	Additions	Reductions	Balance September 30, 2025	Due Within One Year
Governmental Activities					
Bonds and Certificates of Obligation Payable and Tax Notes:					
Series 2019A Certificates of Obligation	\$ 1,190,000	\$ -	\$ (1,190,000)	\$ -	-
Series 2019B Certificates of Obligation	175,000	-	(35,000)	140,000	35,000
Series 2021 Limited Tax Refunding Bonds	4,630,000	-	(680,000)	3,950,000	580,000
Tax Notes, Series 2023	1,580,000	-	(235,000)	1,345,000	245,000
Total Bonds Payable	<u>\$ 7,575,000</u>	<u>\$ -</u>	<u>\$ (2,140,000)</u>	<u>\$ 5,435,000</u>	<u>\$ 860,000</u>
Government Capital Loan 2025	-	323,152	-	323,152	58,125
Accrued Post Closure Costs	711,688	16,315	-	728,003	-
Intergovernmental Payable	267,737	-	(267,737)	-	-
Compensated Absences (Restated)	62,916	416,587	(411,327)	68,176	6,818
Total – Governmental Activities	<u>8,617,341</u>	<u>756,054</u>	<u>(2,819,064)</u>	<u>6,554,331</u>	<u>924,943</u>
Business-Type Activities					
Bonds and Certificates of Obligation Payable	5,339,000	-	(126,000)	5,213,000	129,000
Government Capital Loan	29,488	-	(29,488)	-	-
Compensated Absences (Restated)	33,266	111,106	(101,394)	42,978	4,298
Total – Business-Type Activities	<u>5,401,754</u>	<u>111,106</u>	<u>(256,882)</u>	<u>5,255,978</u>	<u>133,298</u>
Grand Total	<u>\$ 14,019,095</u>	<u>\$ 867,111</u>	<u>\$ (3,075,946)</u>	<u>\$ 11,810,309</u>	<u>\$ 1,058,241</u>

I. LOAN PAYABLE

Government Capital Loan

The City entered into a loan agreement with Government Capital Corporation for an equipment purchase. The loan of \$353,152 was issued over 5 years at an interest rate of 5.703%. Periodic payments of \$76,554 including interest are required over the term of the loan. The City has pledged the equipment purchase to collateralize the loans and made a down payment of \$60,477 and incurred issuance costs of \$4,776.

CITY OF CARRIZO SPRINGS
Carrizo Springs, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

Future principal and interest payments for the years following September 30, 2025, are as follows:

	Principal		Interest
2026	\$ 58,125	\$	18,429
2027	61,440		15,114
2028	64,944		11,610
2029	68,647		7,907
2030	69,996		3,992
	\$ 323,152	\$	52,052

J. SEGMENT INFORMATION

The City issued certificate of obligations to finance its sewer department, which operates the City's wastewater treatment plant, sewage pumps and collection systems. Both the water and sewer departments are accounted for in a single fund. Summary financial information for the sewer department is presented below:

Revenues, Expenses, and Changes in Net Position for the current year is presented below:

Sewer Charges		\$	772,520
Depreciation Expense			(361,100)
Other Operating Expense			(582,093)
Investment Earnings			455
Operating Loss			(170,218)
Non-Operating Revenues (Expenses):			
Interest Expenses			(106,780)
Transfers In			232,780
Transfers Out			(100,000)
Total Non-Operating Revenues (Expenses):			26,000
Change in Net Assets			(144,218)
Beginning Net Assets			393
Ending Net Assets		\$	(143,825)

CITY OF CARRIZO SPRINGS
Carrizo Springs, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

K. LANDFILL

GASB Statement No. 18, Accounting for Municipal Solid Waste Landfill (MSWLF) Closure and Post Care Costs, applies to any state or local governmental unit that includes a MSWLF in its financial reporting entity and that is required by local, state, or federal laws or regulations to incur closure or post closure care costs. The Statement was issued primarily as a result of the EPA RULE, Solid Waste Disposal Facility Criteria, which established closure or capping requirements for all MSWLF's that receive waste after October 9, 1991. The rule also established 30-year post closure care requirements for MSWLF's that accepted solid waste after October 9, 1993. Owners and operators are obligated to perform certain closing and post closure monitoring and maintenance functions as a condition for the right to operate in the current period. For example, when a landfill stops accepting waste (i.e., closure), it must be covered to keep liquid away from the buried waste; and once the landfill is closed (i.e., post closure), the owner is responsible during the next 30 years for maintaining the final cover, monitor groundwater; methane gas, and managing leachate.

The current year liability for closure and post closure expenditures as of September 30, 2025 is based on the landfill capacity used. Total current estimated closure and post-closure costs required to be recognized are \$728,003. Total landfill capacity used to date is estimated to be 56%. The remaining life of the landfill is estimated to be 49 years. Closure and post closure costs have been estimated using current costs. These costs will be reevaluated on a year-to-year basis and adjusted as necessary to reflect changing cost estimates due to inflation, technology or applicable laws or regulations.

Closure and post closure financial assurance is required by Title 30 of the Texas Administrative Code Chapter 37.111. The City meets this financial assurance demonstration by maintaining a restricted Certificate of Deposit in the amount of \$112,149. The amount required for compliance with financial assurance is provided by the Texas Commission on Environmental Quality (TCEQ).

L. DEFINED BENEFIT PENSION PLANS

1. Plan Description

The City of Carrizo Springs participates as one of 901 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmrs.com.

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

CITY OF CARRIZO SPRINGS
Carrizo Springs, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

2. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS. At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest. Plan provisions, by city, are included in the last section of TMRS' Annual Comprehensive Financial Report (ACFR).

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 currently receiving benefits	30
Inactive employees entitled to but not yet receiving benefits	47
Active employees	51
	<hr/>
	128
	<hr/>

3. Contributions

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

Employees for the City of Carrizo Springs were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rate for the City of Carrizo Springs was 4.94% in calendar year 2024. The contribution rate for the City was 4.85% for January through September 2025. The City's contributions to TMRS for the year ended September 30, 2025 were \$92,530, and were equal to the required contributions.

CITY OF CARRIZO SPRINGS
Carrizo Springs, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

4. Net Pension Liability

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

Actuarial Assumptions:

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

Inflation	2.50% per year
Overall Payroll Growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense (including inflation)

Salary increases were based on a service-related table. Mortality rates for active members are based on PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees, and beneficiaries were based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for active, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is 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 Scale UMP to account for future mortality improvements subject to the floor.

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

CITY OF CARRIZO SPRINGS
Carrizo Springs, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2025 are summarized in the following table:

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

Discount Rate

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

CITY OF CARRIZO SPRINGS
Carrizo Springs, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

Changes in the Net Pension Liability/(Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/ Asset (a)-(b)
Balance at 12/31/2023	\$ 5,329,120	\$ 5,469,990	\$ (140,871)
Changes for the year:			
Service Cost	176,444	-	176,444
Interest	352,544	-	352,544
Changes in Current Period Benefits	-	-	-
Difference Between Expected and Actual Experience	31,210	-	31,210
Changes of Assumptions	-	-	-
Contributions – Employer	-	85,875	(85,875)
Contributions – Employee	-	86,918	(86,918)
Net Investment Income	-	565,434	(565,434)
Benefit Payments, Including Refunds of Employee Contributions	(388,931)	(388,931)	-
Administrative Expense	-	(3,645)	3,645
Other Changes	-	(85)	85
Net Changes	171,267	345,566	(174,299)
Balance at 12/31/2024	<u>\$ 5,500,387</u>	<u>\$ 5,815,556</u>	<u>\$ (315,169)</u>

Sensitivity of the net pension liability to changes in the discount rate.

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City’s net pension liability/(asset) \$	305,932	\$ (315,169)	\$ (836,190)

Pension Plan Fiduciary Net Position

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

CITY OF CARRIZO SPRINGS
Carrizo Springs, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

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

For the year ended September 30, 2025, the city recognized pension expense of \$92,530.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 27,992	\$ 7,230
Changes in actuarial assumptions	-	27,555
Difference between projected and actual investment earnings	316,679	366,700
Contributions subsequent to the measurement date	66,779	-
Total	\$ 411,380	\$ 401,485

The \$66,779 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability for the year ending September 30, 2025.

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

	Year Ended September 30,
2025	\$ 5,743
2026	64,394
2027	(87,779)
2028	(39,242)
2029	-
Thereafter	-
Total	\$ (56,884)

CITY OF CARRIZO SPRINGS
Carrizo Springs, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

M. OTHER POST EMPLOYMENT BENEFITS – SUPPLEMENTAL DEATH BENEFITS PLAN

1. Plan Description

Texas Municipal Retirement System (“TMRS”) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (“SDBF”), which operates like a group-term life insurance plan. 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. 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 another postemployment benefit (“OPEB”) and is a fixed amount of \$7,500. As the SDBF covers both active and retire participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

The participating city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. 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. As such, contributions fund the covered active member and retiree deaths on a pay-as-you-go basis.

2. Benefits Provided

The SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn’t meet the definition of a trust under GASB No. 75, paragraph 4b, (i.e., no assets are accumulated for OPEB). As such the SDBF is considered to be a single-employer unfunded OPEB plan (and not a cost sharing plan) with benefit payments treated as being equal to the employer’s yearly contributions for retirees. In accordance with paragraph 155, the applicable discount rate for an unfunded OPEB is based on an index of tax exempt 20-year municipal bond rates rated as AA or higher. As of December 31, 2024 (the measurement date), the discount rate used in the development of the Total OPEB Liability was 4.08% compared to 3.77% as of December 31, 2023.

Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. 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 another employment benefit and is a fixed amount of \$7,500. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the TMRS Pension Trust Fund.

CITY OF CARRIZO SPRINGS
Carrizo Springs, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

Employees Covered by Benefit Terms:

Membership counts for inactive employees currently receiving or entitled to but not yet receiving benefits will differ from GASB 68 as they include those eligible for SDBF benefit (i.e., excludes beneficiaries, non-vested terminations due a refund, etc.).

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

Inactive employees currently receiving benefits	22
Inactive employees entitled to but not yet receiving benefits	4
Active employees	51
	<hr/>
	77
	<hr/>

3. Contributions

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund. The TMRS Act requires the Pension Trust Fund to allocate investment income to the SDBF on an annual basis. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

For Plan year 2025, the City had a total SDB contribution rate of 0.61% and a Retiree portion of SDB contribution rate of 0.38%.

As an employer, the City's contributions to the TMRS SDBF for the years ended September 30, 2025, September 30, 2024, and September 30, 2023 were \$11,730, \$10,517, and \$10,369, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

CITY OF CARRIZO SPRINGS
Carrizo Springs, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

4. Net OPEB Liability

The City's Net Other Post-Employment Benefits (OPEB) Liability was measured as of December 31, 2024, and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

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

Inflation	2.50%
Salary Increases	3.60% to 11.85% (including inflation)
Discount Rate *	4.08%
Retiree's Share of Benefit-related Costs	\$0
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates – Service Retirees	2019 Municipal Retirees of Texas Mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality Rates – Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021(with immediate convergence) to account for future mortality improvements subject to the floor.

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

The actuarial assumptions used in December 31, 2023 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 4.08%.

CITY OF CARRIZO SPRINGS
Carrizo Springs, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2023	\$ 143,375
Changes for the year:	
Service Cost	7,127
Interest on Total OPEB Liability	5,445
Change of Benefit Terms (including TMRS Plan Participant)	-
Differences Between Expected and Actual Experience	(355)
Changes in Assumptions or Other Inputs	(6,005)
Benefit Payments**	(5,041)
Net Changes	1,171
Balance at 12/31/2024	\$ 144,546

** 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 contributions for retirees.

Sensitivity of the total OPEB liability to changes in the discount rate:

The following presents the net OPEB liability of the City, calculated using the discount rate of 4.08%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08%) or 1-percentage-point higher (5.08%) than the current rate:

	1% Decrease in Discount Rate (3.08%)	Discount Rate (4.08%)	1% Increase in Discount Rate (5.08%)
City's Total OPEB Liability	\$ 165,455	\$ 144,546	\$ 127,365

CITY OF CARRIZO SPRINGS
Carrizo Springs, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

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

For the year ended September 30, 2025, the city recognized OPEB expense of \$11,370.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 650	\$ 4,838
Changes in actuarial assumptions	5,267	29,071
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	8,339	-
Total	\$ 14,256	\$ 33,909

The \$8,339 is 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 Net OPEB Liability for the year ending September 30, 2025.

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

Year Ended September 30,	
2025	\$ (11,823)
2026	(12,595)
2027	(3,486)
2028	(88)
2029	-
Thereafter	-
Total	\$ (27,992)

CITY OF CARRIZO SPRINGS
Carrizo Springs, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

N. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. The City has not had any significant reductions in insurance coverage from coverage in the prior year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

O. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

From time to time, the City is a defendant in legal proceedings relating to its operations as a City. In the best judgment of the City's management, the outcome of any present legal proceedings will not have any material adverse effect on the financial condition of the City. Accordingly, no provision for losses has been recorded in the accompanying financial statements for such contingencies.

P. FUND BALANCE

In the governmental fund financial statements, fund balance are as follows:

	General Fund	Hotel/Motel Fund	Debt Service Fund	Non-Major Capital Projects Fund	Non-Major Special Revenue Funds	Total
NonSpendable:						
Inventories	\$ 550	\$ -	\$ -	\$ -	\$ -	\$ 550
Restricted:						
Debt Service	-	-	119,996	-	-	119,996
Capital Projects	-	-	-	166,006	-	166,006
Committed:						
Street Improvements	400,000	-	-	-	-	400,000
Assigned:						
Hotel/Motel Fund	-	547,377	-	-	-	547,377
Other	-	-	-	-	15,285	15,285
Unassigned	9,480,882	-	-	-	-	9,480,882
	<u>\$ 9,881,432</u>	<u>\$ 547,377</u>	<u>\$ 119,996</u>	<u>\$ 166,006</u>	<u>\$ 15,285</u>	<u>\$ 10,730,096</u>

CITY OF CARRIZO SPRINGS
Carrizo Springs, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

Q. PRIOR PERIOD ADJUSTMENT

Beginning net position as of October 1, 2024 was restated as follows:

	Governmental Activities	Business Type Activities
Net Position, September 30, 2024	\$ 15,621,170	\$ 2,361,699
Effect of GASB 101 Implementation Compensated Absences	(27,606)	(11,162)
Restated Net Position October 1, 2024	\$ 15,593,564	\$ 2,350,537
	Water Fund	Gas Fund
Net Position, September 30, 2024	\$ 1,257,600	\$ 1,104,099
Effect of GASB 101 Implementation Compensated Absences	(7,424)	(3,738)
Restated Net Position October 1, 2024	\$ 1,250,176	\$ 1,100,361

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF CARRIZO SPRINGS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 1,079,734	\$ 999,734	\$ 779,962	\$ (219,772)
General Sales and Use Taxes	1,936,000	1,956,300	1,999,137	42,837
Franchise Tax	160,000	170,000	203,727	33,727
Penalty and Interest on Taxes	45,000	57,000	58,918	1,918
Licenses and Permits	24,600	29,600	28,373	(1,227)
Charges for Services	1,057,200	1,074,064	1,093,211	19,147
Fines	425,000	395,000	364,319	(30,681)
Investment Earnings	6,000	6,358	41,603	35,245
Rents and Royalties	25,000	29,950	32,760	2,810
Other Revenue	18,000	48,000	78,873	30,873
Total Revenues	<u>4,776,534</u>	<u>4,766,006</u>	<u>4,680,883</u>	<u>(85,123)</u>
EXPENDITURES:				
Current:				
General Government	1,292,468	1,298,764	1,116,235	182,529
Public Safety	1,052,643	1,355,458	1,210,128	145,330
Public Works	926,452	1,142,325	821,120	321,205
Health and Welfare	964,200	936,294	669,073	267,221
Culture and Recreation	343,484	331,488	272,415	59,073
Debt Service:				
Principal on Debt	175,287	175,287	-	175,287
Other Debt Service	-	-	4,776	(4,776)
Capital Outlay:				
Capital Outlay	22,000	440,376	669,230	(228,854)
Total Expenditures	<u>4,776,534</u>	<u>5,679,992</u>	<u>4,762,977</u>	<u>917,015</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>(913,986)</u>	<u>(82,094)</u>	<u>831,892</u>
OTHER FINANCING SOURCES (USES):				
Noncurrent Loans	-	318,376	323,152	4,776
Transfers In	35,000	35,000	-	(35,000)
Transfers Out	(35,000)	(35,000)	(408,079)	(373,079)
Total Other Financing Sources (Uses)	<u>-</u>	<u>318,376</u>	<u>(84,927)</u>	<u>(403,303)</u>
Net Change	-	(595,610)	(167,021)	428,589
Fund Balance - October 1 (Beginning)	10,048,453	10,048,453	10,048,453	-
Fund Balance - September 30 (Ending)	<u>\$ 10,048,453</u>	<u>\$ 9,452,843</u>	<u>\$ 9,881,432</u>	<u>\$ 428,589</u>

CITY OF CARRIZO SPRINGS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	FY 2025 Plan Year 2024	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022
A. Total Pension Liability			
Service Cost	\$ 176,444	\$ 183,176	\$ 173,340
Interest (on the Total Pension Liability)	352,544	347,944	331,658
Changes of Benefit Terms		958	-
Difference between Expected and Actual Experience	31,210	(16,212)	88,897
Changes of Assumptions		(61,785)	-
Benefit Payments, Including Refunds of Employee Contributions	(388,931)	(374,279)	(342,725)
Net Change in Total Pension Liability	\$ 171,267	\$ 79,802	\$ 251,170
Total Pension Liability - Beginning	5,329,120	5,249,317	4,998,147
Total Pension Liability - Ending	\$ 5,500,387	\$ 5,329,119	\$ 5,249,317
B. Total Fiduciary Net Position			
Contributions - Employer	\$ 85,875	\$ 82,469	\$ 100,180
Contributions - Employee	86,918	90,503	96,909
Net Investment Income	565,434	586,196	(410,694)
Benefit Payments, Including Refunds of Employee Contributions	(388,931)	(374,279)	(342,725)
Administrative Expense	(3,645)	(3,747)	(3,565)
Other	(85)	(26)	4,255
Net Change in Plan Fiduciary Net Position	\$ 345,566	\$ 381,116	\$ (555,640)
Plan Fiduciary Net Position - Beginning	5,469,990	5,088,874	5,644,514
Plan Fiduciary Net Position - Ending	\$ 5,815,556	\$ 5,469,990	\$ 5,088,874
C. Net Pension Liability (Asset)	\$ (315,169)	\$ (140,871)	\$ 160,443
D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability (Asset)	105.73%	102.64%	96.94%
E. Covered Payroll	\$ 1,738,360	\$ 1,810,052	\$ 1,790,707
F. Net Pension Liability (Asset) as a Percentage of Covered Payroll	(18.13%)	(7.78%)	8.96%

Note: GASB Codification, Vol. 2, P20.146 requires that the data in this schedule be presented for the time period covered by the measurement date rather than the governmental entity's current fiscal year.

	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015
\$	189,105	\$ 158,279	\$ 149,605	\$ 127,790	\$ 125,988	\$ 143,545	\$ 185,637
	336,725	322,744	315,741	310,749	307,041	300,782	300,886
	-	-	-	-	-	-	-
	(251,743)	55,986	(32,690)	(29,968)	(49,486)	(15,296)	22,269
	-	-	18,762	-	-	-	32,652
	(339,816)	(350,783)	(353,231)	(337,802)	(321,207)	(333,860)	(391,634)
\$	(65,729)	\$ 186,226	\$ 98,187	\$ 70,769	\$ 62,336	\$ 95,171	\$ 149,810
	5,063,876	4,877,650	4,779,463	4,708,694	4,646,358	4,551,187	4,401,377
\$	4,998,147	\$ 5,063,876	\$ 4,877,650	\$ 4,779,463	\$ 4,708,694	\$ 4,646,358	\$ 4,551,187
\$	97,836	\$ 86,915	\$ 80,210	\$ 72,074	\$ 66,775	\$ 74,427	\$ 108,698
	97,177	81,587	76,251	65,533	64,083	74,145	98,848
	666,583	373,870	686,654	(143,498)	607,003	289,250	6,587
	(339,816)	(350,783)	(353,231)	(337,802)	(321,207)	(333,860)	(391,634)
	(3,092)	(2,425)	(3,888)	(2,777)	(3,149)	(3,269)	(4,013)
	21	(94)	(117)	(145)	(160)	(176)	(198)
\$	518,709	\$ 189,070	\$ 485,879	\$ (346,615)	\$ 413,345	\$ 100,517	\$ (181,712)
	5,125,805	4,936,735	4,450,856	4,797,471	4,384,126	4,283,609	4,465,321
\$	5,644,514	\$ 5,125,805	\$ 4,936,735	\$ 4,450,856	\$ 4,797,471	\$ 4,384,126	\$ 4,283,609
\$	(646,367)	\$ (61,929)	\$ (59,085)	\$ 328,607	\$ (88,777)	\$ 262,232	\$ 267,578
	112.93%	101.22%	101.21%	93.12%	101.89%	94.36%	94.12%
\$	1,943,530	\$ 1,631,738	\$ 1,525,028	\$ 1,310,665	\$ 1,281,664	\$ 1,482,903	\$ 1,976,962
	(33.26%)	(3.80%)	(3.87%)	25.07%	(6.93%)	17.68%	13.53%

CITY OF CARRIZO SPRINGS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE FISCAL YEAR 2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Actuarially Determined Contribution	\$ 92,530	\$ 89,410	\$ 89,013
Contributions in Relation to the Actuarially Determined Contributions	92,530	89,410	89,013
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 1,738,360	\$ 1,822,338	\$ 1,905,898
Contributions as a Percentage of Covered Payroll	5.32%	4.91%	4.67%

Note: GASB Codification, Vol. 2, P20.146 requires that the data in this schedule be presented as of the governmental entity's respective fiscal years as opposed to the time periods covered by the measurement dates ending December 31 for the respective fiscal years.

	2022	2021	2020	2019	2018	2017	2016
\$	93,840	\$ 86,195	\$ 84,506	\$ 78,589	\$ 88,278	\$ 68,181	\$ 94,274
	93,840	86,195	84,506	78,589	88,278	68,181	94,274
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$	1,832,294	\$ 1,687,006	\$ 1,593,013	\$ 1,476,434	\$ 1,637,071	\$ 1,333,966	\$ 1,782,923
	5.12%	5.41%	5.30%	5.32%	5.39%	5.11%	5.29%

CITY OF CARRIZO SPRINGS
 SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

	FY 2025 Plan Year 2024	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022
Total OPEB Liability			
Service Cost	\$ 7,127	\$ 4,706	\$ 8,416
Interest on the Total OPEB Liability	5,445	5,341	3,543
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	(355)	1,054	(8,598)
Changes of Assumptions	(6,005)	5,465	(56,978)
Benefit Payments*	(5,041)	(5,430)	(5,014)
Net Change in Total OPEB Liability	1,171	11,136	(58,631)
Total OPEB Liability - Beginning	143,375	132,239	190,870
Total OPEB Liability - Ending	\$ 144,546	\$ 143,375	\$ 132,239
Covered Payroll	\$ 1,738,360	\$ 1,810,052	\$ 1,790,707
Total OPEB Liability as a Percentage of Covered Payroll	8.32%	7.92%	7.38%

*The Supplemental Death Benefit Fund is considered to be an unfunded OPEB plan under GASB 75. Because of this benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Note: GASB Codification, Vol. 2, P52.139 states that the information on this schedule should be determined as of the measurement date of the plan.

As required by GASB 75, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

	<u>FY 2022</u> <u>Plan Year 2021</u>	<u>FY 2021</u> <u>Plan Year 2020</u>	<u>FY 2020</u> <u>Plan Year 2019</u>	<u>FY 2019</u> <u>Plan Year 2018</u>
\$	10,106	\$ 7,016	\$ 5,185	\$ 5,767
	3,653	4,274	4,568	4,190
	-	-	-	-
	(3,206)	(3,501)	(1,200)	(3,978)
	5,369	21,318	24,397	(7,673)
	(5,248)	(1,632)	(1,525)	(1,442)
	10,674	27,475	31,425	(3,136)
	180,196	152,721	121,296	124,432
\$	<u>190,870</u>	<u>\$ 180,196</u>	<u>\$ 152,721</u>	<u>\$ 121,296</u>
\$	1,943,530	\$ 1,631,738	\$ 1,525,028	\$ 1,476,434
	9.82%	11.04%	10.01%	8.22%

CITY OF CARRIZO SPRINGS, TEXAS
Carrizo Springs, Texas

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION – PENSION AND OPEB

For The Year Ended September 30, 2025

Economic Assumptions

- A. General Inflation – General Inflation is assumed to be 2.50% per year.
- B. Discount/Crediting Rates
 - 1. System-wide Investment Return Assumption: 6.75% per year, compounded annually, composed of an assumed 2.50% inflation rate and a 4.25% net real rate of return. This rate represents the assumed return, net of all investment and administrative expenses. This is the discount rate used to value the liabilities of the individual employers.
 - 2. Because the Supplemental Death Benefits Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index’s “20-Bond GO Index” rate as of the measurement date.
 - 3. Assumed discount/crediting rate for Supplemental Disability Benefits Fund and individual employee accounts: an annual rate of 5.00% for (1) accumulating prior service credit and updated service credit after the valuation date, (2) accumulating the employee current service balances, (3) determining the amount of the monthly benefit at future dates of retirement or disability, and (4) calculating the actuarial liability of the system-wide Supplemental Disability Benefits Fund.
- C. Overall Payroll Growth – 2.75% per year, which is used to calculate the contribution rates for the retirement plan of each participating city as a level percentage of payroll. This represents the expected increase in total payroll. This increase rate is solely due to the effect of wage inflation on salaries, with no allowance for future membership growth. However, for cities with a decrease in the number of contributing members from 2008 to 2022, the payroll growth is decreased by half the annual percentage decrease in the count capped at a 1.5% decrease per year and rounded down to the nearest 0.1%.
- D. Individual Salary Increases – Salary increases are assumed to occur once a year, on January 1. Therefore, the pay used for the period year following the valuation date is equal to the reported pay for the prior year, increased by the salary increase assumption. Salaries are assumed to increase by the following graduated service-based scale.

<u>Years of Service</u>	<u>Rate (%)</u>
1	11.85%
2	7.60%
3	7.10%
4	6.60%
5	6.35%
6	6.10%
7	5.85%
8	5.60%

CITY OF CARRIZO SPRINGS, TEXAS
Carrizo Springs, Texas

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION – PENSION AND OPEB

For The Year Ended September 30, 2025

D. Individual Salary Increases (Continued)

<u>Years of Service</u>	<u>Rate (%)</u>
9	5.35%
10	5.10%
11-12	4.85%
13-15	4.60%
16-20	4.35%
21-24	4.10%
25 +	3.60%

- E. Annuity Increase – The Consumer Price Index (CPI) is assumed to be 2.50% per year prospectively. For the City of Carrizo Springs, annual annuity increases of 1.86% are assumed when calculating the TPL.
- F. Load and Updated Service Credit – To reflect the asymmetric nature of the credits due to the USC provision, there is a load on the final average earnings used in the calculation of 0.1% per year into the future that the calculation is performed.

Demographic Assumptions

A. Termination Rates

1. The base table rates vary by service and length until retirement eligibility. For City of Carrizo Springs the base table is then multiplied by a factor of 111.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire – 63%, 2) Police – 82%, or 3) Other – 116%.
2. The probabilities for the member's first three years of service are 22.5%, 17.5%, and 14.5%. After 3 years of service, base termination rates vary by number of years remaining until first retirement eligibility.

CITY OF CARRIZO SPRINGS, TEXAS
Carrizo Springs, Texas

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION – PENSION AND OPEB

For The Year Ended September 30, 2025

- B. Forfeiture Rates (Withdrawal of Member Deposits from TMRS) for vested members vary by age and employer match, and they are expressed as a percentage of the termination rates (which vary from Age 25 – 37.9% to Age 55 – 21.1%) for cities with a 2-to-1 match. 4% is added to the rates for 1½-to-1 cities, and 8% is added for 1-to-1 cities. For the OPEB - 6% is added to the rates for 1-1½-to-1 cities, and 12% is added for 1-to-1 cities.

<u>Age</u>	<u>Percent of Terminating Employees Choosing to Take a Refund</u>
25	37.9%
30	35.1%
35	32.3%
40	29.5%
45	26.7%
50	23.9%
55	21.1%

Forfeiture rates end at first eligibility for retirement.

- C. Service Retirees and Beneficiary Mortality Rates

For calculating the actuarial and OPEB liability and the retirement and OPEB contribution rates, 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 are projected on a fully generational basis by Scale MP-2021 (with immediate convergence) to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 100.0%.

- D. Disabled Annuitant Mortality Rates

For calculating the OPEB liability and the OPEB contribution rates, the mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate 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 3.5% and 3% floor.

- E. Pre-Retirement Mortality

For calculating the actuarial liability and the retirement contribution rates, the PUB(10) mortality tables, with 110% of the Public Safety table used for males and 100% General Employee table used for females. The rates are projected on a fully generational basis by Scale MP-2021 (with immediate convergence) to account for future mortality improvements.

CITY OF CARRIZO SPRINGS, TEXAS
Carrizo Springs, Texas

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION – PENSION AND OPEB

For The Year Ended September 30, 2025

F. Annuity Purchase Rates

For determining the amount of the monthly benefit at the time of retirement for both healthy and disabled annuitants, the annuity purchase rates (APRs) until 2027 are based on a mortality study performed in 2013, with the factors phasing into being based on a unisex blend of the RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment for males and females with both male and female rates multiplied by 107.5% and projected on a fully generational basis with scale BB. The current table of APRs is explicitly valued through 2032 and then it is assumed the APRs and the valuation mortality assumptions will be consistent over time. For members, a unisex blend of 70% of the males table and 30% of the female table is used, while 30% of the male table and 70% of the female table is used for beneficiaries.

G. Methods and Assumptions

1. Valuation of Assets – The actuarial value of assets is based on the market value of assets with a ten-year phase-in of actual investment return in excess of (less than) expected investment income. Offsetting unrecognized gains and losses are immediately recognized, with the shortest remaining bases recognized first and the net remaining bases continue to be recognized on their original timeframe. The actuarial value of assets is further adjusted by 33% of any difference between the initial value and a 12% corridor around the market value of assets, if necessary. For purposes of calculating the Total OPEB Liability, the plan is considered to be unfunded; and, therefore, no assets are accumulated for OPEB.
2. Actuarial Cost Method: The actuarial cost method being used is known as the Entry Age Normal Actuarial Cost Method.
3. Supplemental Death Benefit – The contribution rate for the Supplemental Death Benefit (SDB) is equal to the expected benefit payments during the upcoming year divided by the annualized pay of current active members and is calculated separately for actives and retirees. 2025 SDB rate for retiree coverage is equal to 110% of the expected term cost.

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OTHER SUPPLEMENTARY INFORMATION

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Non Major Governmental Funds

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

	Scholarship Fund	Sanitation Refuse Closure Fund	ARPA Program Fund	Total Nonmajor Special Revenue Funds
ASSETS				
Cash and Cash Equivalents	\$ 902	\$ 14,383	\$ 332,431	\$ 347,716
Accounts Receivable, Net Due from Other Funds	-	-	1,500	1,500
Total Assets	<u>\$ 902</u>	<u>\$ 14,383</u>	<u>\$ 333,931</u>	<u>\$ 349,216</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ 235,429	\$ 235,429
Due to Other Funds	-	-	-	-
Unearned Revenues	-	-	98,502	98,502
Total Liabilities	<u>-</u>	<u>-</u>	<u>333,931</u>	<u>333,931</u>
FUNDBALANCES				
Restricted Fund Balance:				
Capital Acquisition and Contractual Obligation	-	-	-	-
Assigned Fund Balance:				
Other Assigned Fund Balance	902	14,383	-	15,285
Total Fund Balances	<u>902</u>	<u>14,383</u>	<u>-</u>	<u>15,285</u>
Total Liabilities and Fund Balances	<u>\$ 902</u>	<u>\$ 14,383</u>	<u>\$ 333,931</u>	<u>\$ 349,216</u>

Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 24,545	\$ 372,261
-	1,500
<u>148,858</u>	<u>148,858</u>
<u>\$ 173,403</u>	<u>\$ 522,619</u>
\$ -	\$ 235,429
7,397	7,397
-	98,502
<u>7,397</u>	<u>341,328</u>
166,006	166,006
-	15,285
<u>166,006</u>	<u>181,291</u>
<u>\$ 173,403</u>	<u>\$ 522,619</u>

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

	Scholarship Fund	Sanitation Refuse Closure Fund	ARPA Program Fund	Total Nonmajor Special Revenue Funds
REVENUES:				
Intergovernmental Revenue and Grants	\$ -	\$ -	\$ 567,125	\$ 567,125
Investment Earnings	-	50	1,723	1,773
Total Revenues	<u>-</u>	<u>50</u>	<u>568,848</u>	<u>568,898</u>
EXPENDITURES:				
Capital Outlay:				
Capital Outlay	-	-	502,017	502,017
Total Expenditures	<u>-</u>	<u>-</u>	<u>502,017</u>	<u>502,017</u>
Net Change in Fund Balance	-	50	66,831	66,881
Fund Balance - October 1 (Beginning)	902	14,333	(66,831)	(51,596)
Change from Major to Nonmajor Fund	-	-	-	-
Fund Balance - September 30 (Ending)	<u>\$ 902</u>	<u>\$ 14,383</u>	<u>\$ -</u>	<u>\$ 15,285</u>

Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ 567,125
<u>2,296</u>	<u>4,069</u>
<u>2,296</u>	<u>571,194</u>
-	<u>502,017</u>
-	<u>502,017</u>
2,296	69,177
-	(51,596)
<u>163,710</u>	<u>163,710</u>
<u>\$ 166,006</u>	<u>\$ 181,291</u>

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**Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – Debt Service Fund**

CITY OF CARRIZO SPRINGS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual	Variance With Final Budget Positive or (Negative)
	Original	Final	GAAP BASIS (See Note)	
REVENUES:				
Taxes:				
Property Taxes	\$ 712,098	\$ 712,098	\$ 875,328	\$ 163,230
Penalty and Interest on Taxes	-	-	35,598	35,598
Investment Earnings	800	800	1,757	957
Total Revenues	712,898	712,898	912,683	199,785
EXPENDITURES:				
Debt Service:				
Principal on Debt	755,000	755,000	950,000	(195,000)
Interest on Debt	106,259	106,259	129,548	(23,289)
Total Expenditures	861,259	861,259	1,079,548	(218,289)
Excess (Deficiency) of Revenues Over Expenditures	(148,361)	(148,361)	(166,865)	(18,504)
OTHER FINANCING SOURCES (USES):				
Transfers In	808,592	808,592	508,079	(300,513)
Transfers Out	(233,060)	(233,060)	(232,780)	280
Total Other Financing Sources (Uses)	575,532	575,532	275,299	(300,233)
Change in Fund Balance	427,171	427,171	108,434	(318,737)
Fund Balance - October 1 (Beginning)	11,562	11,562	11,562	-
Fund Balance - September 30 (Ending)	\$ 438,733	\$ 438,733	\$ 119,996	\$ (318,737)

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

**Statement of Revenues, Expenses, and Changes in Fund Net Position
by Department
Water & Sewer Fund**

CITY OF CARRIZO SPRINGS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION BY DEPARTMENT
WATER & SEWER FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Water Department	Sewer Department	Total
OPERATING REVENUES:			
Charges for Services	\$ 1,826,438	\$ 772,520	\$ 2,598,958
Investment Earnings	-	455	455
Other Revenue	44,315	-	44,315
Total Operating Revenues	1,870,753	772,975	2,643,728
OPERATING EXPENSES:			
Personnel Services - Salaries and Wages	408,939	158,291	567,230
Personnel Services - Employee Benefits	166,411	59,641	226,052
Purchased Professional & Technical Services	26,538	20,137	46,675
Purchased Property Services	647,869	261,406	909,275
Other Operating Costs	189,953	68,237	258,190
Supplies	57,974	14,381	72,355
Depreciation	139,415	361,100	500,515
Total Operating Expenses	1,637,099	943,193	2,580,292
Operating Income (Loss)	233,654	(170,218)	63,436
NONOPERATING REVENUES (EXPENSES):			
Investment Earnings	1,657	-	1,657
Interest Expense - Nonoperating	(1,183)	(106,780)	(107,963)
Total Nonoperating Revenue (Expenses)	474	(106,780)	(106,306)
Income (Loss) Before Transfers	234,128	(276,998)	(42,870)
Nonoperating Transfers In	-	232,780	232,780
Transfers Out	-	(100,000)	(100,000)
Change in Net Position	234,128	(144,218)	89,910
Total Net Position - Oct 1 (Restated)	1,249,783	393	1,250,176
Total Net Position - September 30 (Ending)	\$ 1,483,911	\$ (143,825)	\$ 1,340,086

GOVERNMENTAL AUDITING STANDARDS

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

To the Honorable Mayor and Members of the City Council
City of Carrizo Springs
Carrizo Springs, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the City of Carrizo Springs, Texas (the City), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 23, 2026.

Report on Internal Control over Financial Reporting

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

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

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

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Report on Compliance and Other Matters

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

We noted other matters that were reported to management in a separate report dated March 23, 2026.

Purpose of This Report

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

A handwritten signature in blue ink that reads "Yanga Gozalez" on the top line and "& Associates" on the bottom line.

March 23, 2026

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