

CITY OF RIESEL
104 N. Hwy 6
Riesel, TX 76682

March 24, 2026

Paul J. Christensen & Associates, LLC
2110 Austin Ave.
Waco, TX 76701

This representation letter is provided in connection with your audit of the financial statements of the City of Riesel, Texas (the "City"), which comprise 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 for the year then ended, and the disclosures (collectively, the "financial statements"), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of March 24, 2026, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated October 29, 2025, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the accounts.
- 9) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims and assessments.
- 10) Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

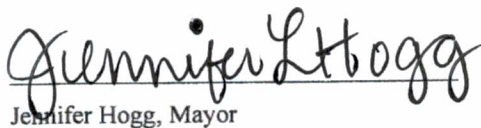
- 11) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the City Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the City and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the City's financial statements communicated by employees, former employees, regulators, or others.
- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
- 17) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financing statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 18) We have disclosed to you the names of the City's related parties and all the related party relationships and transactions, including any side agreements.

Government-specific

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 21) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
- 22) The City has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 23) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 24) We have appropriately identified, recorded, and disclosed all leases in accordance with GASBS No. 87.
- 25) We have appropriately identified, recorded, and disclosed subscription-based information technology arrangements in accordance with GASBS No. 96.
- 26) We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.
- 27) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any

related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

- 28) As part of your audit, you assisted with preparation of the financial statements and related disclosures. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures.
- 29) The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 30) The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 31) The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 32) The financial statements properly classify all funds and activities in accordance with GASBS No. 34 as amended.
- 33) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 34) Components of net position (net investment in capital assets; restricted and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 35) Investments, derivative instrument transactions, and land and other real estate held by endowments are properly valued.
- 36) Provisions for uncollectible receivables have been properly identified and recorded.
- 37) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 38) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 39) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 40) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 41) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
- 42) We have appropriately disclosed the City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 43) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 44) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.



Jennifer Hogg, Mayor



CITY OF RIESEL, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Paul J. Christensen & Associates, LLC
Certified Public Accountants
Waco, Texas

**CITY OF RIESEL, TEXAS
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Riesel, 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 Riesel, Texas, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Riesel, Texas' 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 of the City of Riesel, Texas, as of September 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Riesel, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

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 of Riesel, Texas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Riesel, Texas' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-11, the budgetary comparison information on pages 42-43, and the pension and OPEB schedules on pages 44-49, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2026, on our consideration of the City of Riesel, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Riesel, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Riesel, Texas' internal control over financial reporting and compliance.

Paul J. Utter + Co., LLC

March 24, 2026
Waco, Texas

CITY OF RIESEL, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

As management of the City of Riesel, Texas (“City”), we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities of the City of Riesel, Texas for the fiscal year ended September 30, 2025. We encourage readers to read the information presented here in conjunction with the City’s financial statements, which follow this narrative.

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 \$12,909,940 (*net position*). Of this amount, \$7,003,875 (*unrestricted net position*) may be used to meet the City’s ongoing obligations to its citizens and creditors.
- The City’s total net position increased by \$612,300. Of this amount, \$176,488 is attributable to governmental activities and \$435,812 is attributable to business-type activities.
- Ending net position for governmental activities at September 30, 2025 was \$6,007,117 which consists of the following components: net investment in capital assets - \$932,512, restricted - \$339,685 and unrestricted - \$4,734,920. Ending net position for business-type activities at September 30, 2025 was \$6,902,823 which consists of the following components: net investment in capital assets - \$4,396,491, restricted - \$237,377 and unrestricted - \$2,268,955.
- As of the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$5,230,072. The fund balance components are restricted - \$339,685, assigned - \$313,188 and unassigned - \$4,526,342. The City Council approves the amount reported as assigned.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City’s basic financial statements. The City’s basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Basic Financial Statements

The first two statements (pages 12 and 13) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City’s financial status.

The next statements (pages 14 through 21) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the proprietary funds statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **required supplemental information** is provided to show details about the City’s funding progress related to pension plans. Budgetary information required by state law can also be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City’s finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City’s financial status as a whole.

The Statement of Net Position presents information on all of the City’s assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City’s operations during the year. The two government-wide statements report the City’s net position and how they have changed. Net position is the difference between the total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City’s financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the City's basic services such as public safety, public works, and general administration. Taxes (property and sales), franchise fees and state and federal grant funds finance most of these activities. The business-type activities are those that the City provides at a charge to customers. These include the water, sewer, and sanitation services offered by the City.

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like all other governmental entities in Texas, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the City budget ordinance. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year.

Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view in determining if there are more or less financial resources available to finance the City's programs.

The relationship between government activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements. The City maintains one governmental fund, the General Fund.

Budgeting-Governmental Funds – The City adopts an annual budget for its General Fund, as required by state law. The budget is a legally adopted document that incorporates input from the citizens of the City, management of the City, and the decisions of the City Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance current period activities. The budgetary schedule presented for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted.

The budgetary comparison schedule (page 41) was prepared on the *modified cash basis* of accounting, which is the method of accounting used by the City in preparing the budget. The actual results have been adjusted to the *modified cash basis* of accounting in order to give a more relevant comparison of budget to actual results. The schedule shows four columns: 1) the original budget as adopted by the City Council; 2) the final budget as amended by the City Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Information regarding the reconciliation of actual results to the *modified cash basis* can be found in the *notes to required supplementary information* found on page 42.

Proprietary Funds – the City has two proprietary (enterprise) funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer funds. These funds are the same as those functions shown in the business-type activities in the Statement of Net position and the Statement of Activities.

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 to the financial statements can be found on pages 22 through 39 of this report.

Required Supplementary Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Additionally, budgetary comparison information is found in this section. Required supplementary information can be found on pages 41 through 48 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial condition. The City’s combined net position was \$12,909,940 as of September 30, 2025. This analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the City’s governmental and business-type activities.

**Table 1
Net Position**

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Current assets	\$ 5,230,072	\$ 5,202,728	\$ 10,138,975	\$ 9,609,021	\$ 15,369,047	\$ 14,811,749
Capital assets (net)	932,512	749,894	5,566,939	5,496,155	6,499,451	6,246,049
Total assets	<u>6,162,584</u>	<u>5,952,622</u>	<u>15,705,914</u>	<u>15,105,176</u>	<u>21,868,498</u>	<u>21,057,798</u>
Deferred outflows of resources	55,224	58,133	8,688	8,918	63,912	67,051
Short-term liabilities	57,438	31,151	3,381,249	2,979,233	3,438,687	3,010,384
Long-term liabilities	106,196	105,177	5,423,128	5,661,132	5,529,324	5,766,309
Total liabilities	<u>163,634</u>	<u>136,328</u>	<u>8,804,377</u>	<u>8,640,365</u>	<u>8,968,011</u>	<u>8,776,693</u>
Deferred inflows of resources	47,057	43,798	7,402	6,718	54,459	50,516
Net position:						
Net investment in capital assets	932,512	749,894	4,396,491	4,458,224	5,329,003	5,208,118
Restricted	339,685	317,039	237,377	212,922	577,062	529,961
Unrestricted	4,734,920	4,763,696	2,268,955	1,795,865	7,003,875	6,559,561
Total net position	<u>\$ 6,007,117</u>	<u>\$ 5,830,629</u>	<u>\$ 6,902,823</u>	<u>\$ 6,467,011</u>	<u>\$ 12,909,940</u>	<u>\$ 12,297,640</u>

The portion of the City’s net position (\$5,329,003 or 41%) reflects its net investment in capital assets (e.g., land, buildings, equipment, and improvements) less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of the related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

An additional portion of the City’s net position (\$577,062, or 5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$7,003,875, or 54%) may be used to meet the government’s ongoing obligations to citizens and creditors.

Table 2
Changes in Net Position

	2025			2024		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 761,601	\$ 878,847	\$ 1,640,448	\$ 695,012	\$ 767,252	\$ 1,462,264
General revenues:						
Property taxes	267,210	-	267,210	252,128	-	252,128
Sales taxes	181,291	-	181,291	175,172	-	175,172
Franchise taxes	63,669	-	63,669	70,496	-	70,496
Payment in lieu of taxes	125,000	-	125,000	125,000	-	125,000
Contributions and grants	-	106,884	106,884	-	223,792	223,792
Other revenue	43,927	291,191	335,118	31,337	422,932	454,269
Total revenues	1,442,698	1,276,922	2,719,620	1,349,145	1,413,976	2,763,121
Expenses:						
Administration	418,397	-	418,397	397,994	-	397,994
Public safety	344,484	-	344,484	339,214	-	339,214
Municipal court	365,545	-	365,545	321,407	-	321,407
Public works	137,784	-	137,784	264,314	-	264,314
Interest	-	35,635	35,635	-	36,933	36,933
Water and sewer	-	805,475	805,475	-	980,793	980,793
Total expenses	1,266,210	841,110	2,107,320	1,322,929	1,017,726	2,340,655
Increase in net position	176,488	435,812	612,300	26,216	396,250	422,466
Net position, beginning of year	5,830,629	6,467,011	12,297,640	5,804,413	6,070,761	11,875,174
Net position, end of year	\$ 6,007,117	\$ 6,902,823	\$ 12,909,940	\$ 5,830,629	\$ 6,467,011	\$ 12,297,640

Governmental activities

Governmental activities increased the City's net position by \$176,488 accounting for a portion of the total growth in the government's net position. The key elements of this increase are discussed below.

The City's total revenues of its governmental activities increased from \$1,349,145 to \$1,442,698, an increase of \$93,553. Fine revenues increased by approximately \$65,000. Property taxes increased by approximately \$15,000 as well. Additionally, Sales and Use taxes increased approximately \$6,000.

Total expenses of the City's governmental activities decreased from \$1,322,929 to \$1,266,210, a decrease of \$56,719. Administration expenses increased by approximately \$20,000. Public works expenses decreased by approximately \$126,000. Municipal court expenses increased by approximately \$44,000. Additionally, Public safety expenses increased by approximately \$5,000.

Business-type activities

Business-type activities increased the City's net position by \$435,812 during fiscal year 2025 accounting for the majority of the total growth in the government's net position. The key elements of this increase are discussed below.

The City's total revenues of its business-type activities decreased from \$1,413,976 to \$1,276,922, a decrease of \$137,054. Charges for services were higher by approximately \$111,000. Other revenue decreased approximately \$132,000. Additionally, contributions and grants decreased approximately \$117,000.

Total expenses of the City's business-type activities decreased from \$1,017,726 to \$841,110, a decrease of \$176,616.

General Fund Budget Analysis

The City prepares its budget on the *modified cash basis* of accounting, which is a method of accounting other than that prescribed by generally accepted accounting principles (GAAP). In order to present a more accurate comparison of budget to actual results, the actual results from the operation of the general fund have been adjusted to the *modified cash basis* of accounting.

For the fiscal year ended September 30, 2025, the City's revenue and other financing sources exceeded expenditures and other financing uses by \$7,638; revenues and other financing sources were \$4,079 more than budget; expenditures and other financing uses were \$469,559 less than budget.

Significant budget variances are as follows:

<u>Revenues:</u>	
General Sales and Use Taxes	\$14,709 <i>negative variance</i>
Fines	\$21,231 <i>negative variance</i>
Investment	\$15,647 <i>positive variance</i>
 <u>Expenditures:</u>	
Administration	\$56,124 <i>positive variance</i>
Judicial	\$79,745 <i>negative variance</i>
Public Safety	\$7,751 <i>positive variance</i>
Capital Outlay	\$265,364 <i>positive variance</i>
Public Works	\$220,065 <i>positive variance</i>

Capital Assets

As of September 30, 2025, the City had \$6,449,451 invested in a broad range of capital assets including buildings, roads, bridges, park facilities, vehicles and water and sewer lines (Table 3). This amount represents a net increase of \$203,402 from the prior fiscal year. Additional information on the City's capital assets can be found in Note 3(D) of the Basic Financial Statements.

Table 3
Capital Assets

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Land	\$ 90,881	\$ 90,881	\$ 125,247	\$ 125,247	\$ 216,128	\$ 216,128
Construction in progress	29,096	-	355,395	165,648	384,491	165,648
Buildings and improvements	154,974	154,974	40,927	40,927	195,901	195,901
Machinery and equipment	435,767	337,902	699,166	622,946	1,134,933	960,848
Vehicles	269,093	219,758	-	-	269,093	219,758
Infrastructure	900,524	803,051	-	-	900,524	803,051
Water and sewer system	-	-	5,396,143	5,283,086	5,396,143	5,283,086
RMS water system	-	-	2,559,712	2,559,712	2,559,712	2,559,712
Total at historical cost	1,880,335	1,606,566	9,176,590	8,797,566	11,056,925	10,404,132
Accumulated depreciation	(947,823)	(856,672)	(3,609,651)	(3,301,411)	(4,557,474)	(4,158,083)
Net capital assets	\$ 932,512	\$ 749,894	\$ 5,566,939	\$ 5,496,155	\$ 6,499,451	\$ 6,246,049

Major capital asset transactions during the year include the following additions:

Governmental Activities

- Machinery and Equipment – \$97,865
- Infrastructure - \$97,473
- Vehicles - \$90,979

Business-type Activities

- Construction in Progress – \$189,747
- Water and Sewer System - \$113,057
- Machinery and Equipment - \$134,788

Debt

As of September 30, 2025, the City had total long-term liabilities outstanding of \$5,687,977, representing bonds and loans secured by system revenues (i.e. revenue bonds and loans). Long-term debt is as follows:

**Table 4
Outstanding Debt at Fiscal Year-end**

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Revenue Bonds	\$ -	\$ -	\$ 493,000	\$ 505,000	\$ 493,000	\$ 505,000
Certificates of obligation	-	-	5,172,000	5,370,000	5,172,000	5,370,000
Notes payable	22,977	-	-	-	22,977	-
	<u>\$ 22,977</u>	<u>\$ -</u>	<u>\$5,665,000</u>	<u>\$5,875,000</u>	<u>\$5,687,977</u>	<u>\$5,875,000</u>

Economic Factors

The City’s population, per the 2020 census, was 1,062, and its population does not vary significantly from year to year. Without including contributions and grant revenues, which are unrelated to the City population, the total revenues for fiscal year 2025 increased by 3% (approximately \$82,000). It is anticipated that this trend (modest annual decreases) will not continue for fiscal year 2026. If the city does not incur any unforeseen expenditures or reductions in revenue, the task of providing improved services with available resources will be accomplished.

Requests for Information

This report is designed to provide an overview of the City of Riesel, Texas’ finances for those with an interest therein. Questions concerning any of the information found in this report or requests for additional information should be directed to the City’s business office at: City of Riesel, 104 Hwy 6 North, Riesel, Texas 76682.

BASIC FINANCIAL STATEMENTS

CITY OF RIESEL, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 2,737,517	\$ 3,295,961	\$ 6,033,478
Investments	70,862	385,117	455,979
Accounts Receivable	32,260	142,835	175,095
Due from Other Funds	2,389,433	58,603	2,448,036
Restricted Cash: TWDB Escrowed Funds	-	6,256,459	6,256,459
Capital Assets, Net of Accumulated Depreciation	932,512	5,566,939	6,499,451
Total Assets	6,162,584	15,705,914	21,868,498
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to TMRS	53,633	8,438	62,071
Deferred Outflows Related to TMRS OPEB	1,591	250	1,841
Total Deferred Outflows of Resources	55,224	8,688	63,912
LIABILITIES			
Accounts Payable	20,397	160,947	181,344
Compensated Absences	30,320	-	30,320
Other Payroll Related Liabilities	140	-	140
Customer Deposits	-	104,082	104,082
Due to Other Funds	-	2,448,036	2,448,036
Unearned Revenue - TWDB Loan Forgiveness Grant	-	389,980	389,980
Interest Payable	-	22,204	22,204
Noncurrent Liabilities			
Bonds & Other Debt-Due Within One Year	6,581	256,000	262,581
Bonds and Other Debt-Due in More Than One Year	16,396	5,409,000	5,425,396
Net Pension Liability Related to TMRS	69,410	10,920	80,330
Net OPEB Liability Related to TMRS	20,390	3,208	23,598
Total Liabilities	163,634	8,804,377	8,968,011
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to TMRS	43,695	6,874	50,569
Deferred Inflows Related to TMRS OPEB	3,362	528	3,890
Total Deferred Inflows of Resources	47,057	7,402	54,459
NET POSITION			
Net Investment in Capital Assets	932,512	4,396,491	5,329,003
Restricted for:			
Debt Service	21,716	237,377	259,093
Public Safety	4,435	-	4,435
Judicial	313,534	-	313,534
Unrestricted Net Position	4,734,920	2,268,955	7,003,875
Total Net Position	\$ 6,007,117	\$ 6,902,823	\$12,909,940

The accompanying notes are an integral part of these financial statements.

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

	Expenses	Program Revenues		Changes in Net Position-		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:						
GOVERNMENTAL ACTIVITIES:						
Administration	\$ 418,397	\$ 31,055	\$ -	\$ (387,342)	\$ -	\$ (387,342)
Court	365,545	-	-	(365,545)	-	(365,545)
Public Safety	344,484	730,546	-	386,062	-	386,062
Public Works	137,784	-	-	(137,784)	-	(137,784)
Total Governmental Activities:	1,266,210	761,601	-	(504,609)	-	(504,609)
BUSINESS-TYPE ACTIVITIES:						
Sewer Fund	130,744	146,027	-	-	15,283	15,283
Water Fund	710,366	732,820	106,884	-	129,338	129,338
Total Business-Type Activities:	841,110	878,847	106,884	-	144,621	144,621
TOTAL PRIMARY GOVERNMENT:	\$ 2,107,320	\$ 1,640,448	\$ 106,884			
General Revenues:						
Property Taxes				267,210	-	267,210
Sales Taxes				181,291	-	181,291
Franchise and Other Taxes				63,669	-	63,669
Investment Earnings				30,647	291,191	321,838
Miscellaneous Revenue				7,780	-	7,780
Gain on Sale of Capital Asset				5,500	-	5,500
Payment in Lieu of Taxes				125,000	-	125,000
Total General Revenues and Transfers				681,097	291,191	972,288
Change in Net Position				176,488	435,812	612,300
Net Position-October 1 (Beginning)				5,830,629	6,467,011	12,297,640
Net Position-September 30 (Ending)				\$ 6,007,117	\$ 6,902,823	\$ 12,909,940

The accompanying notes are an integral part of these financial statements.

CITY OF RIESEL, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

	General Fund	Total Governmental Funds
ASSETS		
Cash and Cash Equivalents	\$ 2,737,517	\$ 2,737,517
Investments	70,862	70,862
Accounts Receivable	32,260	32,260
Due from Other Funds	2,389,433	2,389,433
Total Assets	<u>5,230,072</u>	<u>5,230,072</u>
LIABILITIES		
Accounts Payable	20,397	20,397
Compensated absences	30,320	30,320
Payroll Taxes and Other Withholdings	140	140
Total Liabilities	<u>50,857</u>	<u>50,857</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue-Property Taxes	-	-
Total Deferred Inflow of Resources	<u>-</u>	<u>-</u>
FUND BALANCES		
Restricted Fund Balances:		
Debt Service	21,716	21,716
Public Safety	4,435	4,435
Judicial	313,534	313,534
Assigned Fund Balance	313,188	313,188
Unassigned Fund Balance	4,526,342	4,526,342
Total Fund Balances	<u>5,179,215</u>	<u>5,179,215</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,230,072</u>	<u>\$ 5,230,072</u>

The accompanying notes are an integral part of these financial statements.

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

Total Fund Balances - Governmental Funds \$ 5,179,215

Capital assets used in governmental activities are not financial resources, therefore are not reported in the governmental funds balance sheet. These assets consist of:

Land	\$ 90,881	
Buildings and Improvements	154,974	
Construction in Progress	29,096	
Machinery and Equipment	435,767	
Vehicles	269,093	
Infrastructure	900,524	
Accumulated Depreciation	<u>(947,823)</u>	
Net Capital Assets		932,512

Long-term liabilities are not due and payable in the current period, therefore are not reported in the governmental balance sheet:

Due Within One Year	(6,581)	
Due in More Than One Year	<u>(16,396)</u>	(22,977)

Assets, deferred outflows, liabilities and deferred inflows related to pensions and other post-employment benefits are not reported in the governmental funds. These consist of:

Deferred Outflows of Resources Related to TMRS	53,633	
Deferred Outflows of Resources Related to TMRS OPEB	1,591	
Net Pension Liability Related to TMRS	(69,410)	
Net OPEB Liability Related to TMRS	(20,390)	
Deferred Inflows of Resources Related to TMRS	(43,695)	
Deferred Inflows of Resources Related to TMRS OPEB	<u>(3,362)</u>	(81,633)

Net Position of Governmental Activities \$ 6,007,117

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

	General Fund	Total Governmental Funds
REVENUES:		
Taxes:		
Property Taxes	\$ 267,210	\$ 267,210
General Sales and Use Taxes	181,291	181,291
Franchise and Other Tax	63,669	63,669
Payment in Lieu of Taxes	125,000	125,000
Charges for Services	31,055	31,055
Fines	728,769	728,769
Investment Earnings	30,647	30,647
Other Revenue	15,057	15,057
Total Revenues	1,442,698	1,442,698
EXPENDITURES:		
Current:		
General Government:		
Administration	288,043	288,043
Judicial	366,595	366,595
Public Safety	348,751	348,751
Public Works	139,235	139,235
Capital Outlay:		
Capital Outlay	292,436	292,436
Total Expenditures	1,435,060	1,435,060
Excess of Revenues Over Expenditures	7,638	7,638
Net Change in Fund Balances	7,638	7,638
Fund Balance - October 1 (Beginning)	5,171,577	5,171,577
Fund Balance - September 30 (Ending)	\$ 5,179,215	\$ 5,179,215

The accompanying notes are an integral part of these financial statements.

CITY OF RIESEL, TEXAS
 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	\$ 7,638
Amounts reported for governmental activities in the statement of activities differ as the result of the following:	
Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	292,436
Depreciation expense on capital assets is reported in the government-wide statement of activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(132,795)
GASB 68 required that certain pension plan expenditures be de-expended as recorded as deferred resource outflows. Similarly, GASB 75 required that certain other post-employment benefits be de-expended and recorded as deferred resource outflows. The net effect of for both GASB 68 and GASB 75 related pension and OPEB expenses is an increase (decrease) in the change in net position.	9,209
Change in Net Position of Governmental Activities	\$ 176,488

The accompanying notes are an integral part of these financial statements.

CITY OF RIESEL, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2025

	Sewer Fund	Water Fund	Total Enterprise Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 890,362	\$ 2,405,599	\$ 3,295,961
Restricted Cash and Cash Equivalents	95,762	289,355	385,117
Accounts Receivable	12,128	130,707	142,835
Due from Other Funds	58,603	-	58,603
Restricted Cash - TWDB Escrowed Funds	-	6,256,459	6,256,459
Total Current Assets	<u>1,056,855</u>	<u>9,082,120</u>	<u>10,138,975</u>
Noncurrent Assets:			
Restricted Assets-Noncurrent:			
Cash and Cash Equivalents	-	-	-
Capital Assets:			
Land	103,694	21,553	125,247
Buildings	27,115	13,812	40,927
Machinery and Equipment	299,973	399,193	699,166
Infrastructure	962,113	6,993,742	7,955,855
Construction-in-Progress	87,594	267,801	355,395
Accumulated Depreciation-Capital Assets	(858,011)	(2,751,640)	(3,609,651)
Total Noncurrent Assets	<u>622,478</u>	<u>4,944,461</u>	<u>5,566,939</u>
Total Assets	<u>1,679,333</u>	<u>14,026,581</u>	<u>15,705,914</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to TMRS	4,219	4,219	8,438
Deferred Outflows Related to TMRS OPEB	125	125	250
Total Deferred Outflows of Resources	<u>4,344</u>	<u>4,344</u>	<u>8,688</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	6,228	154,719	160,947
Customer Deposits	34,694	69,388	104,082
Due to Other Funds	1,226,727	1,221,309	2,448,036
Unearned Revenue - TWDB Loan Forgiveness Grant	-	389,980	389,980
Interest Payable	9,982	12,222	22,204
Bonds Payable-Current	35,500	220,500	256,000
Total Current Liabilities	<u>1,313,131</u>	<u>2,068,118</u>	<u>3,381,249</u>
Noncurrent Liabilities:			
Bonds Payable-Noncurrent	284,000	505,000	789,000
TWDB Loan	-	4,620,000	4,620,000
Net Pension Liability Related to TMRS	5,577	5,343	10,920
Net OPEB Liability Related to TMRS	1,615	1,593	3,208
Total Noncurrent Liabilities	<u>291,192</u>	<u>5,131,936</u>	<u>5,423,128</u>
Total Liabilities	<u>1,604,323</u>	<u>7,200,054</u>	<u>8,804,377</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to TMRS	3,437	3,437	6,874
Deferred Inflows Related to TMRS OPEB	264	264	528
Total Deferred Inflows of Resources	<u>3,701</u>	<u>3,701</u>	<u>7,402</u>
NET POSITION			
Net Investment in Capital Assets	302,978	4,093,513	4,396,491
Restricted for Debt Service	89,346	148,031	237,377
Unrestricted Net Position	(316,671)	2,585,626	2,268,955
Total Net Position	<u>\$ 75,653</u>	<u>\$ 6,827,170</u>	<u>\$ 6,902,823</u>

The accompanying notes are an integral part of these financial statements.

CITY OF RIESEL, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Sewer Fund	Water Fund	Total Enterprise Funds
OPERATING REVENUES:			
Charges for Water Services	\$ -	\$ 451,039	\$ 451,039
Charges for Sewerage Services	139,277	-	139,277
Charges for Sanitation Services	-	158,418	158,418
Charges for Other Services	-	24,000	24,000
Contributions and Grants	-	106,884	106,884
Other Revenue	6,750	99,363	106,113
Total Revenues	<u>146,027</u>	<u>839,704</u>	<u>985,731</u>
OPERATING EXPENSES:			
Personnel Services-Salaries, Wages and Taxes	35,520	35,522	71,042
Personnel Services-Employee Benefits	1,216	11,125	12,341
Purchased Professional and Technical Services	-	35,755	35,755
Sanitation Expense	-	155,600	155,600
Water Purchased	-	7,454	7,454
Insurance	2,090	10,772	12,862
Utilities	15,653	73,655	89,308
Other Operating Expenses	-	14,889	14,889
Repairs and Maintenance	17,473	21,854	39,327
Supplies	26	46,258	46,284
Loss on Damaged Equipment	-	10,909	10,909
Depreciation	44,982	264,722	309,704
Total Operating Expenses	<u>116,960</u>	<u>688,515</u>	<u>805,475</u>
Operating Income (Loss)	<u>29,067</u>	<u>151,189</u>	<u>180,256</u>
NON-OPERATING REVENUES AND (EXPENSES):			
Investment Earnings	10,088	281,103	291,191
Interest Expense	(13,784)	(21,851)	(35,635)
Total Non-Operating Revenue (Expenses)	<u>(3,696)</u>	<u>259,252</u>	<u>255,556</u>
Income Before Contributions and Transfers	25,371	410,441	435,812
Change in Net Position	<u>25,371</u>	<u>410,441</u>	<u>435,812</u>
NET POSITION			
Net Position - October 1 (Beginning)	50,282	6,416,729	6,467,011
Net Position - September 30 (Ending)	<u>\$ 75,653</u>	<u>\$ 6,827,170</u>	<u>\$ 6,902,823</u>

The accompanying notes are an integral part of these financial statements.

CITY OF RIESEL, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Business-type Activities		
	Sewer Fund	Water Fund	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from User Charges	\$ 145,667	\$ 801,371	\$ 947,038
Cash Received from Investments	10,088	281,103	291,191
Cash Payments to Employees for Services	(37,282)	(47,191)	(84,473)
Cash Payments for Suppliers	(34,815)	(235,630)	(270,445)
Cash paid for interest on bonds and notes payable	(8,186)	(11,833)	(20,019)
Net Cash Provided by Operating Activities	75,472	787,820	863,292
<u>Cash Flows from Non-Capital Financing Activities:</u>			
Increase in due to other funds	61,019	128,138	189,157
Net Cash Provided by Non-Capital Financing Activities	61,019	128,138	189,157
<u>Cash Flows from Capital & Related Financing Activities:</u>			
Acquisition of Capital Assets	(25,670)	(354,818)	(380,488)
Net Cash Used by Capital & Related Financing Activities	(25,670)	(354,818)	(380,488)
<u>Cash Flows from Investing Activities:</u>			
Principal payments/retirements of Long-term Debt	(13,000)	(197,000)	(210,000)
Net Cash Used by Investing Activities	(13,000)	(197,000)	(210,000)
Net Increase in Cash and Cash Equivalents	97,821	364,140	461,961
Cash and Cash Equivalents at Beginning of the Year	888,303	8,587,273	9,475,576
Cash and Cash Equivalents at End of the Year	\$ 986,124	\$ 8,951,413	\$ 9,937,537
<u>Reconciliation of Total Cash and Cash Equivalents to the Statement of Net Position:</u>			
Unrestricted Cash and Cash Equivalents	\$ 890,362	\$ 2,405,599	\$ 3,295,961
Restricted Cash and Cash Equivalents	95,762	6,545,814	6,641,576
Total Cash and Cash Equivalents	\$ 986,124	\$ 8,951,413	\$ 9,937,537

The accompanying notes are an integral part of these financial statements.

CITY OF RIESEL, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Business-type Activities		
	Sewer Fund	Water Fund	Total Enterprise Funds
<u>Reconciliation of Change in Net Position to Net Cash Provided by Operating Activities:</u>			
Change in Net Position	\$ 25,371	\$ 410,441	\$ 435,812
<u>Adjustments to Reconcile Change in Net Position to Net Cash Provided by Operating Activities:</u>			
Depreciation	44,982	264,722	309,704
<u>Changes in Assets and Liabilities:</u>			
Increase (Decrease) in Assets:			
Accounts Receivable	(360)	(38,333)	(38,693)
Deferred Outflows	115	115	230
Increase (Decrease) in Liabilities:			
Accounts Payable	118	140,897	141,015
Customer Deposits	309	619	928
Interest Payable	5,598	10,018	15,616
Net Pension Liability	(1,055)	(1,054)	(2,109)
Net OPEB Liability	52	53	105
Deferred Inflows	342	342	684
Total Changes in Assets and Liabilities	5,119	112,657	117,776
Net Cash Provided by Operating Activities	<u>\$ 75,472</u>	<u>\$ 787,820</u>	<u>\$ 863,292</u>

The accompanying notes are an integral part of these financial statements.

CITY OF RIESEL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Riesel, Texas (the “City”) have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) applicable to state and local governments. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the City are described below.

A. Reporting Entity

The City is a general law city in McLennan County, Texas which operates under an elected mayor and a five-member council and provides services such as public safety, street maintenance, water and sanitation, public improvements, planning and zoning, judicial, general administrative and other services as are authorized by its code of ordinances and its citizens. The City was incorporated in November 1973. The Council consists of five members and the Mayor, each of which are elected for two-year terms.

As required by GAAP, these financial statements present the City and any component units, entities for which the City is considered to be financially accountable, as set forth in GASB Statement No. 61. A component unit is included in the City’s reporting entity if it is both fiscally dependent on the City (the primary government) and there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on the primary government. The primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Based on these criteria, the financial information of the following entities has been blended within the financial statements: Riesel Education Facilities Corporation (REFC), Riesel Cultural Facilities Corporation (RCFC), and Riesel Health Facilities Development Corporation (RHFCC).

Blended Component Units

REFC is a Texas non-profit corporation created to provide financing to organizations constructing educational related projects. The bonds issued do not constitute a debt or a pledge of faith or credit by REFC or the City but are payable by the user pursuant terms in the loan agreement. The City Council must approve any potential debt. There was no activity to report for the year ended September 30, 2025.

RCFC is a Texas non-profit corporation created to provide financing to organizations developing cultural facilities. The bonds issued do not constitute a debt or a pledge of faith or credit by RCFC or the City but are payable by the user pursuant terms in the loan agreement. The City Council must approve any potential debt. There was no activity to report for the year ended September 30, 2025.

RHFDC is a Texas non-profit corporation created to provide financing to organizations developing health facilities. The bonds issued do not constitute a debt or a pledge of faith or credit by RHFDC or the City but are payable by the user pursuant terms in the loan agreement. The City Council must approve any potential debt. There was no activity to report for the year ended September 30, 2025.

B. Basis of Presentation

While separate government-wide financial statements (based on the City as a whole) and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business type activities incorporate data from the City’s enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

The fund financial statements provide information about the City’s funds. The emphasis of fund financial statements is on major governmental and enterprise funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF RIESEL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

The City reports the following major governmental funds:

The general fund is the primary operating fund of the City. It accounts for all financial resources of the City except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The water fund is used to account for the water distribution system and solid waste collections, and the sewer fund accounts for the service operations of the sewage treatment plant, sewage stations and collection systems. The intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided the periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column. Exceptions to this general rule are payments, where the amounts are reasonably equivalent in value to the inter-fund services provided and other charges between the City's water and sewer functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus refers to the type of resources being measured such as current financial resources or economic resources. The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

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 the time 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.

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. Available means collectible within the current period or soon enough thereafter to be used 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 end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. Debt service expenditures and expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is reported as an "*other financing source*".

Property, franchise, and sales taxes, and investment income (including unrealized gains and losses) are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received.

CITY OF RIESEL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus and Basis of Accounting (continued)

Deposits and Investments

Cash and cash equivalents for purposes of reporting cash flows of proprietary funds are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in Obligations of Governmental Entities, Certificates of Deposit, Repurchase Agreements, Commercial Paper, Mutual Funds, and Investment Pools.

The City has elected to limit investments to Certificates of Deposit.

Accounts Receivables

In the general and proprietary funds, the City records certain revenues billed to other governmental agencies, residents, and others on a monthly basis. Receivables in the governmental funds include property tax, sales tax, franchise fees and fines. Receivables in the proprietary fund include amounts from customers for water, sewer, and sanitation services. All receivables are current and due within one year. Activities between funds that are outstanding at the end of the fiscal year are referred to as “due to/from other funds”.

Capital Assets

Capital Assets, which include land, building and improvements, machinery and equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and water and sewer facilities are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets (those dedicated to the City) are recorded at acquisition value or the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest cost on governmental activities construction projects are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10 - 20
Machinery and equipment	5 - 30
Water and sewer system	15 - 30
Infrastructure	15 - 30

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows/inflows of resources. These separate financial statement elements, deferred outflows/inflows of resources, represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow/inflow of resources until then.

The City’s deferred outflows/inflows of resources at September 30, 2025 are related to recognition of pension and other post-employment benefits (OPEB) assets/liabilities as required by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

CITY OF RIESEL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus and Basis of Accounting (continued)

Long-Term Obligations

In the government-wide financial statements and in the fund financial statements for the proprietary fund types, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount and deferred amounts on refunding. Bond issuance costs, with the exception of bond insurance, are expensed in the period incurred. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions

For purposes of measuring the net pension asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits

For purposes of measuring the net OPEB asset/liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position Flow Assumptions

In the government-wide and proprietary fund financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed by creditors, grantors, laws or regulations of other governments. Sometimes the City will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to be reported as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

CITY OF RIESEL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus and Basis of Accounting (continued)

Fund Balance Policies and Flow Assumptions

Governmental fund's fund balances classified as restricted are balances constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance or resolution, which are considered equally restrictive for the purpose of committing fund balance. The City Council must take the same level of action to remove or change the constraint. Assigned fund balances are constrained by intent to use for a specific purpose but are neither restricted nor committed. Assignments are made by City management based on Council direction. Unassigned fund balance represents the residual amount for the general fund that is not contained in other classifications.

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). When fund balance resources are available for a specific purpose in more than one classification, it is the City's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

Use of Estimates

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

Property Taxes

The City is limited to a maximum tax rate for all purposes of \$1.50 per \$100 assessed valuation. This maximum tax rate is imposed by the Constitution of the State of Texas. Within this \$1.50 maximum, there is no legal limit upon the amount of taxes which can be levied for debt service. All taxes due the City on real or personal property are collected by the McLennan County Tax Assessor-Collector and may be paid at any time after the tax rolls have been completed and approved, which is not later than October 1.

The City's property taxes are levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. Assessed values are established at 100% of estimated market value. Property taxes attach as an enforceable lien on property as of January 31. Taxes are due by January 31 following the October 1 levy date and are considered delinquent after January 31 of each year. Delinquent property taxes estimated to be collected within the next fiscal year are recognized as revenues in the government wide financial statements. At the fund level, delinquent property taxes estimated to be collected in time to be a resource and therefore subject to accrual, have been recognized as revenue with the remaining balance recorded as deferred inflows of resources.

Proprietary Funds Operating and Non-operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from non-operating 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 water and sewer fund are charges to customers for sales and services. Operating expenses for water and sewer 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 non-operating revenues and expenses.

CITY OF RIESEL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted by the City Council prior to the beginning of the year on a modified cash basis (which differs from generally accepted accounting principles) for the general fund and proprietary funds. The budget is proposed to the City Council and includes expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data from the preceding year. Public hearings are held for taxpayer comments. The City Council votes to legally adopt the budget but can authorize supplemental changes during the year.

Adjustments necessary to convert the results of operations (which are on the GAAP basis) to the modified cash basis are made for purposes of budgetary comparison.

The appropriated budget is used in this report. Appropriations lapse at the end of the year unless carried forward by Council action. No encumbrances are recognized or recorded. The operating budget includes proposed expenditures for the General Fund.

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

As of September 30, 2025, the City had the following investments which are included in cash and cash equivalents:

Investment Type	Fair Value	Input Level
Certificates of Deposit	\$ 324,478	1
	<u>\$ 324,478</u>	

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the City’s agent bank in an amount sufficient to protect City funds.

The City categorizes its fair value measurements within the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are observable inputs; and Level 3 inputs are unobservable inputs.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair value by structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operation, investing operating funds primarily in shorter-term securities, money market mutual funds or government investment pools, and diversifying maturities over time. It is the City’s policy not to invest in securities maturing more than three years from the date of purchase. Money market mutual funds must have a dollar weighted average stated maturity of 180 days or less. Finally, the composite portfolio must maintain a weighted average maturity of 365 days.

Credit Risk

For an investment, credit risk is the risk that an investment issuer or other counterparty to an investment will not fulfill obligations. Texas Government Code Chapter 2256, Public Funds Investment Act, restricts the types of investments in which the City may invest. The City’s investment policy addresses credit quality by further restricting authorized investments to the following:

- Limit investments to the safest types of securities;
- Limit Certificates of Deposit that are insured by the Federal Deposit Insurance Corporation (FDIC);
- Limit investments to obligations issued, guaranteed, insured by or backed by the full faith and credit of the United States or its agencies and instrumentalities;
- Pre-qualify the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business;
- Diversify the investment portfolio so that potential losses on individual securities were minimized.

CITY OF RIESEL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

A. DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of a government’s investments in the securities of a single issuer. The City’s investment policy includes an investment objective of seeking diversification to avoid unreasonable risk.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. City policy requires all deposits to be fully secured in accordance with the Texas Government Code, Chapter 2257, by either surety bonds, letters of credit of the United States or its agencies and instrumentalities, or by eligible securities held by an independent third-party custodian.

For an investment, custodial credit risk is the risk that in the event of the failure of the counter-party, the City would not be able to recover the value of its investment or collateralized securities that are in the possession of an outside third party. The City’s investment policy requires that investments be held by a third-party custodian bank. All investments were held by the City’s third-party custodian bank in the City’s name.

Escrow Accounts

The City has an agreement with the Texas Water Development Board (TWDB) to provide financial assistance to the City through the Drinking Water State Revolving Fund for the purpose of making improvements to the City’s water system. In 2021 the City received proceeds from the certificates of obligation along with funds as part of a loan forgiveness program to be held in escrow accounts pending approval by the TWDB for final disbursement. The TWDB has agreed to purchase the 2021 Series certificates as well as loan forgiveness totaling \$5,860,000. A summary of the escrow balances at September 31, 2025 were:

Unspent proceeds 2021 certificates of obligation	\$ 5,810,421
Unspent proceeds 2021 TWDB loan forgiveness	<u>446,038</u>
Total	<u><u>\$ 6,256,459</u></u>

B. RECEIVABLES

Receivables at September 30, 2025 were:

	General	Water	Sewer	Total Receivables
Property taxes	\$ 10,592	\$ -	\$ -	\$ 10,592
Sales taxes	12,668	-	-	12,668
Accounts Receivable	9,000	130,707	12,128	151,835
	<u>\$ 32,260</u>	<u>\$ 130,707</u>	<u>\$ 12,128</u>	<u>\$ 175,095</u>

C. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances are utilized to account for payments made by one fund on behalf of another fund or deposits received by one fund on behalf of another fund. At September 30, 2025, the balances were as follows.

Funds	Due To	Due From
General	\$2,389,433	\$ -
Sewer	58,603	1,226,727
Water	-	1,221,309
Total	<u>\$2,448,036</u>	<u>\$2,448,036</u>

CITY OF RIESEL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

C. INTERFUND RECEIVABLES AND PAYABLES (continued)

Interfund balances consist of lending/borrowing arrangements that result from expenditures that are paid by one fund and then charged back to the appropriate fund. Some lending/borrowing may occur between two or more funds.

D. CAPITAL ASSETS

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

	Balance October 1, 2024	Additions	Retirements/ Reclassifications	Balance September 30, 2025
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 90,881	\$ -	\$ -	\$ 90,881
Total capital assets, not being depreciated:	90,881	-	-	90,881
Capital assets, being depreciated:				
Construction in Progress	-	29,096	-	29,096
Buildings and Improvements	154,974	-	-	154,974
Machinery and Equipment	337,902	97,865	-	435,767
Vehicles	219,758	90,979	(41,644)	269,093
Infrastructure	803,051	97,473	-	900,524
Total capital assets, being depreciated:	1,515,685	315,413	(41,644)	1,789,454
Less accumulated depreciation	(856,672)	(132,795)	41,644	(947,823)
Total capital assets being depreciated, net	659,013	182,618	-	841,631
Governmental Activities capital assets, net	\$ 749,894	\$ 182,618	\$ -	\$ 932,512
	Balance October 1, 2024	Additions	Retirements/ Reclassifications	Balance September 30, 2025
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 125,247	\$ -	\$ -	\$ 125,247
Construction in Progress	165,648	189,747	-	355,395
Total capital assets, not being depreciated:	290,895	189,747	-	480,642
Capital assets, being depreciated:				
Buildings and Improvements	40,927	-	-	40,927
Water and Sewer System	5,283,086	113,057	-	5,396,143
RMS Water System	2,559,712	-	-	2,559,712
Machinery and Equipment	622,946	134,788	(58,568)	699,166
Total capital assets, being depreciated:	8,506,671	247,845	(58,568)	8,695,948
Less accumulated depreciation	(3,301,411)	(309,704)	1,464	(3,609,651)
Total capital assets being depreciated, net	5,205,260	(61,859)	(57,104)	5,086,297
Business-type Activities capital assets, net	\$ 5,496,155	\$ 127,888	\$ (57,104)	\$ 5,566,939

CITY OF RIESEL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions/programs for the fiscal year 2025 as follows:

Department/Function	Amount
Governmental Activities:	
Administration	\$ 47,968
Public safety	38,511
Public works	46,316
Total Governmental Activities	<u>\$ 132,795</u>
Business-type Activities:	
Sewer Fund	\$ 44,982
Water Fund	264,722
Total Business-type Activities	<u>\$ 309,704</u>

E. LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended September 30, 2025 was as follows:

	Amounts Outstanding			Amounts Outstanding		Due Within One Year
	10/1/24	Additions	Retirements	9/30/25		
Governmental Activities						
Axon Enterprise, Inc.	\$ -	\$ 31,111	\$ 8,134	\$ 22,977	\$ 6,581	
Net Pension Liability	84,948	-	15,538	69,410	-	
OPEB Liability	20,229	161	-	20,390	-	
Total Governmental Activities	<u>105,177</u>	<u>31,272</u>	<u>23,672</u>	<u>112,777</u>	<u>6,581</u>	
Business-type Activities						
Revenue Bond Series 2009	505,000	-	12,000	493,000	13,000	
Certificates of Obligation - Series 1999	285,000	-	13,000	272,000	13,000	
Certificates of Obligation - Series 2013	95,000	-	-	95,000	45,000	
Certificates of Obligation - Series 2021	4,990,000	-	185,000	4,805,000	185,000	
Net Pension Liability	13,029	-	2,109	10,920	-	
OPEB Liability	3,103	105	-	3,208	-	
Total Business-type Activities	<u>5,891,132</u>	<u>105</u>	<u>212,109</u>	<u>5,679,128</u>	<u>256,000</u>	
Total Primary Government	<u>\$ 5,996,309</u>	<u>\$ 31,377</u>	<u>\$ 235,781</u>	<u>\$ 5,791,905</u>	<u>\$ 262,581</u>	

CITY OF RIESEL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

E. LONG-TERM LIABILITIES (continued)

Bonds Payable

Bond indebtedness of the City is reflected in the following schedule.

A summary of changes in bonds payable for the year September 30, 2025, is as follows:

	Interest Rate Payable	Amounts Original Issue	Amounts			Amounts Outstanding 9/30/25
			Outstanding 10/1/24	Additions	Retirements	
<i>Business-type Activities</i>						
Revenue Bond Series 2009	4.125%	637,000	\$ 505,000	\$ -	\$ 12,000	\$ 493,000
Certificates of Obligation - Series 1999	4.75%	478,000	285,000	-	13,000	272,000
Certificates of Obligation - Series 2013	2.99%	300,000	95,000	-	-	95,000
Certificates of Obligation - Series 2021	0.00%	5,360,000	4,990,000	-	185,000	4,805,000
			<u>\$ 5,875,000</u>	<u>\$ -</u>	<u>\$ 210,000</u>	<u>\$ 5,665,000</u>

Debt service requirements for bonds payable are as follows:

Year Ended September 30,	Bonds Payable		
	Principal	Interest	Total Requirements
2026	\$ 256,000	\$ 35,499	\$ 291,499
2027	238,000	33,591	271,591
2028	238,000	31,595	269,595
2029	215,000	29,599	244,599
2030	217,000	28,261	245,261
2031-2035	1,105,000	118,721	1,223,721
2036-2040	1,123,000	74,775	1,197,775
2041-2045	1,050,000	40,219	1,090,219
2046-2051	1,223,000	12,375	1,235,375
	<u>\$ 5,665,000</u>	<u>\$ 404,635</u>	<u>\$ 6,069,635</u>

The City’s bond indentures contain restrictions concerning accounting records, interest and sinking funds, and reserve funds. The City had \$84,924 at September 30, 2025, in interest and sinking accounts. Additionally, the City makes deposits, as required to such accounts, in order to have adequate funds available as debt matures.

The various debt instruments contain certain limitations and restrictions, with which the City was compliant.

The 2009 Revenue Bond Series was for the original amount of \$637,000 for a water system. The payments are due in annual installments of \$7,000 to \$31,000 through 2049 with an annual interest rate of 4.125%.

The Certificate of Obligation Bonds, Series 1999 was for the original amount of \$478,000 sewer system. The payments are due in annual installments of \$2,000 to \$66,000 through 2039 with an annual interest rate of 4.75%.

The \$300,000 Certificate of Obligation Bonds, Series 2013 was for the water and sewer system. The payments are due in annual installments of \$15,000 to \$28,000 through 2028 with an annual interest rate of 2.990%.

The Certificate of Obligation Bonds, Series 2021 in the amount of \$5,360,000 was for the construction of improvements to the City’s water system. The payments are due in annual installments of \$185,000 through 2051 with an interest rate of 0.00%. The sale of the bonds was made by private placement with Texas Water Development board (TWDB). The payments are secured by ad valorem taxes and a lien on surplus utility revenues and are recorded in the water fund.

CITY OF RIESEL, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2025

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

F. 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; injuries to employees; and natural disasters. The City's risk management program encompasses obtaining property and liability insurance through Texas Municipal League (TML), an Intergovernmental Risk-Pool. The City has not had any significant reduction in insurance coverage and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years. The participation of the City in TML is limited to quarterly payment of premiums. The agreement for formation of the Pool provides that the Pool will be self-sustaining through member contributions and will reinsure through commercial companies for claims in excess of specific limits.

The City also provides workers compensation insurance on its employees through TML. Workers compensation is subject to change when audited by TML. At year end September 30, 2025, the City believed the amounts paid on workers compensation would not change significantly from the amounts recorded.

G. RESTRICTED ASSETS

Restrictions on cash and cash equivalents and certificates of deposits at September 30, 2025 are as follows:

	Governmental Activities	Business-type Activities	Total
TWBD Escrow	\$ -	\$ 6,256,459	\$ 6,256,459
Debt Service	21,716	237,377	259,093
Municipal Court	313,534	-	313,534
Public Safety	4,435	-	4,435
	<u>\$ 339,685</u>	<u>\$ 6,493,836</u>	<u>\$ 6,833,521</u>

H. CONTINGENT LIABILITIES AND COMMITMENTS

Water Purchase Commitment

In December 2008, the City purchased land to procure a site for a water well. The City is required to pay a royalty to the seller for the water produced at a rate of \$0.15 per thousand gallons. This royalty payment is due monthly as long as the City produces water from the property. During the year ended September 30, 2025, the City paid \$1,454 in royalties.

Tax Abatement

The City enters into ad valorem tax abatement agreements with businesses pursuant to its tax abatement policy and Texas Tax Code Chapter 311, Texas Tax Code Chapter 312, Texas Local Government Code Chapter 380 and Section 52-a of the State Constitution of Texas. Under its policy, the city may grant ad valorem tax abatements for the purpose of promotion of high quality commercial and industrial development in all parts of the city, and an ongoing improvement of the quality of life of its citizens.

For the fiscal year ended September 30, 2025, the City did not have any abated ad valorem taxes.

Affiliated Corporations

The City and its affiliated corporations (Riesel Cultural Facilities Corporations, Riesel Education Facilities Corporation and Riesel Health Facilities Development corporation) participate in securing financing mechanisms for various organizations. The City and its affiliated corporations assist these various organizations in securing financing for their respective construction projects. The City and its affiliates are not obligated in any manner for the repayment of the notes payable secured by these organizations. Therefore, the City has not reported any liability in the financial statements for these loans. The City does receive a fee for participating in the conduit financing. The Corporations do not have any prepared financial statements and any conduit revenues received are reported in the General Fund as miscellaneous revenues. For the year ended September 30, 2025, there was no activity and no fees received. Additional information regarding these matters can be obtained from the City Secretary.

CITY OF RIESEL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

I. DEFINED BENEFIT PENSION PLANS

Plan Description

The City of Riesel, Texas participates as one of 938 plans in the defined benefit cash-balance pension plan administered by the Texas Municipal Retirement System (“TMRS”). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member, Governor-appointed 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 comprehensive annual financial report (CAFR) that can be obtained at www.tMrs.com.

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

Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee’s contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven monthly 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 contributions and interest.

The plan provisions are adopted by the City Council, within the options available in the state statutes governing TMRS. Members can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. The plan also provides death benefits, and disability benefits. Effective January 1, 2002, members are vested after 5 years.

A summary of plan provisions adopted by the City are as follows:

<i>City of Riesel, Texas Plan Provisions</i>	
Employee Deposit Rate	5%
Municipal Current Matching Ratio	1 to 1
Vested Requirement	5 years
Service Retirement Eligibility	Vested and age 60 or 20 years and any age
Updated Service Credit:	
Rate(%)	0.0%
Supplemental Death Benefits:	
Employees	Yes
Retirees	Yes
City Number	1072

Employees covered by benefit terms.

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

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	7
Active employees	8
Total	19

CITY OF RIESEL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

I. DEFINED BENEFIT PENSION PLANS (continued)

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 Riesel were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Riesel were 5.66% and 4.95% in calendar years 2024 and 2025, respectively. The city's contributions to TMRS for the year ended September 30, 2025 were \$24,567 and were equal to the required contributions.

Net Pension Liability

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

Actuarial assumptions

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

Inflation 2.50% per year

Overall payroll growth 2.75% per year, adjusted down for population declines, if any

Investment Rate of Return 6.75%, net of pension plan investment expense, including inflation

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

Rate of Return

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation and the production of income in order to satisfy the short-term and long-term funding needs of TMRS. The long-term expected rate of return on pension plan investments is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

CITY OF RIESEL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

I. DEFINED BENEFIT PENSION PLANS (continued)

Asset Class	Target %
Global Equity	35.00%
Core Fixed Income	6.00%
Non-Core Fixed Income	6.00%
Hedge Funds	5.00%
Private Equity	13.00%
Private Debt	13.00%
Real Estate	12.00%
Infrastructure	6.00%
Other Private Markets	4.00%
Total	100.00%

Discount Rate

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

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at 12/31/2023	\$ 720,442	\$ 622,465	\$ 97,977
Changes for the year:			
Service cost	29,956	-	29,956
Interest (on the Total Pension Liability)	48,569	-	48,569
Difference between expected and actual experience	17,212	-	17,212
Change in assumptions	-	-	-
Contributions - employer	-	25,926	(25,926)
Contributions - employee	-	22,902	(22,902)
Net investment income	-	64,980	(64,980)
Benefit payments, including refunds of employee contributions	(31,768)	(31,768)	-
Administrative expense	-	(415)	415
Other changes	-	(9)	9
Net changes	63,969	81,616	(17,647)
Balance at 12/31/2024	\$ 784,411	\$ 704,081	\$ 80,330

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:

CITY OF RIESEL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

I. DEFINED BENEFIT PENSION PLANS (continued)

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 192,491	\$ 80,330	\$ (12,507)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2025, the city recognized pension expense of \$13,193.

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	\$ 13,882	\$ 8,499
Changes in actuarial assumptions	-	1,883
Difference between projected and actual investment earnings	30,794	40,187
Contributions subsequent to the measurement date	17,395	-
Total	\$ 62,071	\$ 50,569

The \$17,395 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 deferred inflows of resources, by year, to be recognized in future pension expense is as follows:

Year ended December 31,	Net Deferred Outflows / (Inflows) of Resources
2025	\$ (333)
2026	5,588
2027	(9,287)
2028	(2,423)
2029	562
Thereafter	-
	\$ (5,893)

J. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The City also voluntarily participates in the single-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance.

CITY OF RIESEL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

J. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

Benefits Provided

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); retired employees are insured for \$7,500; this coverage is an “other postemployment benefit,” or OPEB. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan.

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	3
Active employees	8
Total	14

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.34% for 2024 and 0.25% for 2025, of which 0.13% and 0.15% represented the retiree-only portion for each year, respectively, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees’ entire careers. The City’s contributions to the SDBF for the years ended September 30, 2024 and 2025 were \$1,601 and \$1,309, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

Net OPEB Liability

The City’s net OPEB liability of \$23,598 was measured as of December 31, 2024 and was determined by an actuarial valuation as of that date.

Actuarial assumptions

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

Actuarial Cost Method	Entry Age Normal
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Discount rate*	4.08%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates-service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates-disables 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 to account for future mortality improvements subject to the floor.

CITY OF RIESEL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

J. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2024.

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

Discount Rate

The discount rate used to measure the net OPEB liability was 4.08%. The changes in the total OPEB Liability for the year ended December 31, 2024 were as follows:

	<u>Increase (Decrease)</u>
	<u>Total OPEB</u>
	<u>Liability</u>
Balance at 12/31/2023	\$ 23,332
Changes for the year:	
Service cost	733
Interest (on the Total OPEB Liability)	882
Differences between expected and actual experience	497
Changes in assumptions or other inputs	(1,251)
Benefit payments, including refunds of employee contributions	(595)
Net changes	266
Balance at 12/31/2024	\$ 23,598

Sensitivity of the net 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%
Total OPEB liability	\$ 28,056	\$ 23,598	\$ 20,132

CITY OF RIESEL, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2025

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

J. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

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

For the year ended September 30, 2025, the city recognized OPEB expense of \$1,423.

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 experience	\$ 962	\$ -
Changes in actuarial assumptions	-	3,891
Contributions subsequent to the measurement date	879	-
Total	\$ 1,841	\$ 3,891

Deferred outflows and deferred inflows of resources, by year, to be recognized in future OPEB expense is as follows:

Year ended December 31,	Net Deferred Outflows/(Inflows) of Resources
2025	\$ (341)
2026	(564)
2027	(650)
2028	(870)
2029	(658)
Thereafter	154
	\$ (2,929)

K. SUBSEQUENT EVENTS

Subsequent events were evaluated for possible adjustment to the financial statements or disclosure through March 24, 2026, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Original Budget	Final Budget	Actual Results	Variance with Final Budget Positive/(Negative)
REVENUES:				
Property Taxes	\$ 265,619	\$ 265,619	\$ 267,210	\$ 1,591
General Sales and Use Taxes	196,000	196,000	181,291	(14,709)
Franchise and Other Taxes	64,000	64,000	63,669	(331)
Charges for Services	23,000	23,000	31,055	8,055
Fines	750,000	750,000	728,769	(21,231)
Investment Earnings	15,000	15,000	30,647	15,647
Miscellaneous Revenue	-	-	15,057	15,057
Payment in Lieu of Taxes	125,000	125,000	125,000	-
Total Revenues	1,438,619	1,438,619	1,442,698	4,079
EXPENDITURES:				
Administration	344,167	344,167	288,043	56,124
Judicial	286,850	286,850	366,595	(79,745)
Public Safety	356,502	356,502	348,751	7,751
Public Works	359,300	359,300	139,235	220,065
Capital Outlay	557,800	557,800	292,436	265,364
Total Expenditures	1,904,619	1,904,619	1,435,060	469,559
OTHER FINANCING SOURCES (USES):				
Grants and Donations	1,000	1,000	-	(1,000)
Fund Appropriations	465,000	465,000	-	(465,000)
Total Other Financing Sources (Uses):	466,000	466,000	-	(466,000)
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES				
	\$ -	\$ -	\$ 7,638	\$ 7,638

CITY OF RIESEL, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE 1 - BUDGETARY INFORMATION

The governmental fund financial statements of the City are reported using the current financial resources measurement and the modified accrual basis of accounting. Revenues are recognized as soon as they are 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. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and capital outlays are recorded when payment is made.

NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2025, the following expenditures exceed appropriations in the General Fund:

Judicial	\$	79,745
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CITY OF RIESEL, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - TEXAS MUNICIPAL
RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Plan Year	2015	2016	2017
A. Total pension liability			
Service Cost	\$ 18,991	\$ 21,662	\$ 21,173
Interest (on the Total Pension Liability)	22,521	25,187	27,986
Changes of benefit terms	-	-	-
Difference between expected and actual experience	548	3,658	2,433
Change of assumptions	17,535	-	-
Benefit payments, including refunds of employee contributions	(13,291)	(5,743)	(11,828)
Net Change in Total Pension Liability	46,304	44,764	39,764
Total Pension Liability - Beginning	318,873	365,177	409,941
Total Pension Liability - Ending (a)	\$ 365,177	\$ 409,941	\$ 449,705
B. Plan Fiduciary Net Position			
Contributions - Employer	\$ 15,850	\$ 17,848	\$ 22,204
Contributions - Employee	14,953	16,022	17,020
Net Investment Income	265	13,357	33,138
Benefit payments, including refunds of employee contributions	(13,291)	(5,743)	(11,828)
Administrative Expense	(162)	(151)	(171)
Other	(7)	(8)	(9)
Net Change in Plan Fiduciary Net Position	17,608	41,325	60,354
Plan Fiduciary Net Position - Beginning	179,693	197,301	238,626
Plan Fiduciary Net Position - Ending (b)	\$ 197,301	\$ 238,626	\$ 298,980
C. Net Pension Liability - Ending (c) (a - b)	\$ 167,876	\$ 171,315	\$ 150,725
D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability (b/a)			
	54.03%	58.21%	66.48%
E. Covered Employee Payroll (e)			
	\$ 299,065	\$ 320,439	\$ 340,409
F. Net Pension Liability as a Percentage of Covered Employee Payroll (c/e)			
	56.13%	53.46%	44.28%

Notes to Schedule:

GASB 68 requires 10 fiscal years of data to be provided in this schedule.

	2018	2019	2020	2021	2022	2023	2024
\$	21,473	\$ 21,947	\$ 20,815	\$ 21,740	\$ 24,114	\$ 29,123	\$ 29,956
	30,860	33,667	37,128	40,221	43,427	46,711	48,569
	-	-	-	-	-	-	-
	(4,458)	5,745	(40)	(3,122)	(62)	(11,778)	17,212
	-	(3,013)	-	-	-	(2,983)	-
	(6,518)	(6,518)	(6,518)	(18,546)	(6,518)	(36,160)	(31,768)
	41,357	51,828	51,385	40,293	60,961	24,913	63,969
	449,705	491,062	542,890	594,275	634,568	695,529	720,442
\$	491,062	\$ 542,890	\$ 594,275	\$ 634,568	\$ 695,529	\$ 720,442	\$ 784,411
\$	21,433	\$ 21,550	\$ 20,119	\$ 20,442	\$ 23,241	\$ 28,302	\$ 25,926
	17,289	18,019	17,259	18,027	19,830	24,148	22,902
	(8,973)	49,932	30,820	60,994	(40,077)	63,204	64,980
	(6,518)	(6,518)	(6,518)	(18,546)	(6,518)	(36,160)	(31,768)
	(173)	(281)	(199)	(281)	(345)	(400)	(415)
	(10)	(9)	(8)	2	411	(3)	(9)
	23,048	82,693	61,473	80,638	(3,458)	79,091	81,616
	298,980	322,028	404,721	466,194	546,832	543,374	622,465
\$	322,028	\$ 404,721	\$ 466,194	\$ 546,832	\$ 543,374	\$ 622,465	\$ 704,081
\$	169,034	\$ 138,169	\$ 128,081	\$ 87,736	\$ 152,155	\$ 97,977	\$ 80,330
	65.58%	74.55%	78.45%	86.17%	78.12%	86.40%	89.76%
\$	345,773	\$ 360,375	\$ 345,185	\$ 360,539	\$ 396,606	\$ 482,970	\$ 458,049
	48.89%	38.34%	37.11%	24.33%	38.36%	20.29%	17.54%

CITY OF RIESEL, TEXAS
SCHEDULE OF PENSION CONTRIBUTIONS - TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Fiscal Year Ended September 30,	2016	2017	2018
Actuarially Determined Contributions	\$ 17,991	\$ 21,358	\$ 21,985
Contributions in relation to the actuarially determined contributions	17,991	21,358	21,985
Contribution deficiency (excess)	-	-	-
Covered employee payroll	\$ 327,034	\$ 337,541	\$ 350,117
Contributions as a percentage of covered employee payroll	5.50%	6.33%	6.28%

NOTES TO THE SCHEDULE OF PENSION CONTRIBUTIONS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	12 Years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information:

Notes There were no benefit changes during the year. GASB 68 requires ten years of data to be presented in this schedule.

	2019		2020		2021		2022		2023		2024		2025
\$	21,365	\$	19,534	\$	20,678	\$	22,131	\$	26,879	\$	26,483	\$	24,567
	21,365		19,534		20,678		21,964		26,879		26,483		24,567
	-		-		-		167		-		-		-
\$	354,510	\$	332,970	\$	362,062	\$	380,642	\$	458,694	\$	463,228	\$	478,133
	6.03%		5.87%		5.71%		5.77%		5.86%		5.72%		5.14%

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

	Plan Year Ended December 31,							
	2017	2018	2019	2020	2021	2022	2023	2024
Changes in the Total OPEB Liability								
Changes for the year:								
Service Costs	\$ 511	\$ 622	\$ 468	\$ 656	\$ 1,190	\$ 1,229	\$ 531	\$ 733
Interest on Total OPEB Liability	613	631	697	637	540	533	819	882
Changes of benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	225	(571)	(1,051)	(214)	525	1,114	497
Changes in assumptions or other inputs	1,729	(1,584)	3,807	3,630	841	(10,063)	1,309	(1,251)
Benefit payments*	(68)	(69)	(108)	(138)	(397)	(476)	(773)	(595)
Net changes	2,785	(175)	4,293	3,734	1,960	(8,252)	3,000	266
Total OPEB Liability - beginning of year	15,987	18,772	18,597	22,890	26,624	28,584	20,332	23,332
Total OPEB Liability - end of year	\$ 18,772	\$ 18,597	\$ 22,890	\$ 26,624	\$ 28,584	\$ 20,332	\$ 23,332	\$ 23,598
Covered Employee Payroll	\$ 340,409	\$ 345,773	\$ 360,375	\$ 345,185	\$ 360,539	\$ 396,606	\$ 482,970	\$ 458,049
Total OPEB Liability as a percentage of Covered Employee Payroll	5.51%	5.38%	6.35%	7.71%	7.93%	5.13%	4.83%	5.15%

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

Notes to Schedule:

GASB 75 requires 10 fiscal years of data to be provided in this schedule, but information prior to 2017 is not available. The City will be required to build this schedule over the next 10-year period.

CITY OF RIESEL, TEXAS
 SCHEDULE OF OPEB CONTRIBUTIONS - TEXAS MUNICIPAL RETIREMENT SYSTEM
 SEPTEMBER 30, 2025

Plan Year	2018	2019	2020	2021	2022	2023	2024	2025
Actuarially Determined Contributions	\$ 625	\$ 524	\$ 575	\$ 679	\$ 694	\$ 1,458	\$ 1,601	\$ 1,309
Contributions in relation to the actuarially determined contributions	625	524	575	679	694	1,458	1,601	1,309
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
Covered employee payroll	\$ 350,117	\$ 350,117	\$ 332,970	\$ 362,062	\$ 380,642	\$ 458,694	\$ 463,228	\$ 478,133
Contributions as a percentage of covered employee payroll	0.18%	0.15%	0.17%	0.19%	0.18%	0.32%	0.35%	0.27%

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Discount rate	3.77%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expense 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-disables 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.

Other Information:

Notes: There were no benefit changes during the year. GASB 75 requires 10 fiscal years of data to be provided in the schedule. The City will be required to build this schedule over the next 10 years.

COMPLIANCE / INTERNAL CONTROL

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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 Riesel, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Riesel, Texas, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Riesel, Texas basic financial statements, and have issued our report thereon dated March 24, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Riesel, Texas' 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 of Riesel, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Riesel, Texas' 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.

Report on Compliance and Other Matters

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

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.



Waco, Texas
March 24, 2026

CITY OF RIESEL, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal Control over Financial Reporting:	
Material weakness(es) identified?	___ Yes <u>X</u> No
Significant deficiencies(s) identified that are not considered to be material weaknesses?	___ Yes <u>X</u> No
Noncompliance material to financial statements noted?	___ Yes <u>X</u> No

II. FINANCIAL STATEMENT FINDINGS

None