

RESOLUTION NO. 26-24-03-1

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF DILLEY, TEXAS,
ACCEPTING AND ADOPTING THE ANNUAL FINANCIAL REPORT FOR THE
FISCAL YEAR ENDED SEPTEMBER 30, 2025; AND PROVIDING FOR AN
EFFECTIVE DATE**

WHEREAS, the City of Dilley, Texas, is required to conduct an annual independent audit;
and

WHEREAS, the City engaged Garza Gonzalez & Associates to perform the audit for the fiscal
year ended September 30, 2025; and

WHEREAS, the audit has been completed and presented to the City Council; and

WHEREAS, the auditor issued an Opinion; and

WHEREAS, the City Council finds it in the best interest of the City to adopt the report;

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DILLEY,
TEXAS:**

SECTION 1. The City Council accepts and adopts the FY 2025 Annual Financial Report.

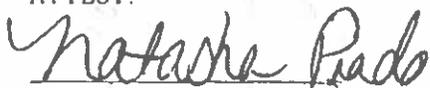
SECTION 2. Staff is directed to implement audit recommendations.

SECTION 3. This Resolution takes effect immediately.

PASSED AND APPROVED this 24th day of March, 2026.


Alexandria Inocencia, Mayor

ATTEST:


Natasha Prado, City Secretary



Honorable Mayor and City Council
City of Dilley
Dilley, Texas

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dilley (the City) for the year ended September 30, 2025. Professional standards require that we communicate to you the following information related to our audit.

Our Responsibilities Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 6, 2025, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the City's internal control over financial reporting. Such considerations are solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control over financial reporting.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions was not an objective of our audit.

We are responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance. All significant transactions have been recognized in the financial statements in the proper period.



Financial Statement Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements are depreciation expense, allowance for uncollectible taxes, court fines and utilities, the actuarially determined net pension (asset)/liability and net OPEB liabilities, and compensated absences. Following are the bases used by management for such estimates:

- Depreciation is based on estimated useful lives of the respective capital asset class;
- Allowance for uncollectible taxes, court fines and utilities are based on historical data and trends;
- Compensated absences are based on earned balances as of September 30, 2025;
- The net pension (asset)/liability and net OPEB liability is based on actuarially determined amount as of the valuation date, adjusted for activity after the valuation date through the financial statement date.

We evaluated the key factors and assumptions used to develop the above estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The adjusting entries are as follows:

- Record pension liabilities, deferred inflows and deferred outflows for pension and otherpost-employment benefits in the business-type funds.
- Recognize increase and make corrections to construction in progress and accounts payable of \$656,175 in the Prison funds and \$97,814 in the Utility fund.
- Record depreciation expense in the Utility and the Prison Fund of \$409,351 and \$72,426.41, respectively.
- Correct closing of the CoreCivic special revenue fund into the general fund.
- Adjustments to reconcile beginning net position in the utility and Prison fund.
- Various reclassification to properly reflect capital outlays and liabilities from noncurrent to current.

We also assisted the City with adjustments to convert the governmental fund financial statements to entity-wide financial statements in accordance with the requirements of GASB Statement No. 34, No. 68, and No. 75.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreement arose during our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 12, 2026.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Issues

Matters Discussed with Management Prior to Reappointment

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to appointment as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our reappointment.

Supplementary Information

With respect to the combining statements, budget schedules, and pension information, as listed in the City's Annual Financial Report's table of contents; we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America; the method of preparing it has not changed from the prior period; and, the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled such supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Other Information in Documents Containing Audited Financial Statements

We are not aware of any other documents that contain the audited financial statements and the auditor's report thereon. If we become aware that such documents were published, we would have a responsibility to read such information, in order to identify material inconsistencies, if any, with the audited financial statements.

Communication of Internal Control Matters

In planning and performing our audit of the financial statements of the City as of and for the year ended September 30, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, and therefore, significant deficiencies or material weaknesses may exist that have not been identified. 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 misstatements on a timely basis. A material weakness is a deficiency or 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 in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control over that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Internal Control Matters

Finance Department Policies and Procedures

We noted that the City does not currently have a complete comprehensive written accounting and procurement policies and procedures. The policies and procedures should include the roles and responsibilities of the various departments and individuals who are responsible for the application of the policies and procedures.

We recommend that the City develop a comprehensive written accounting and procurement policies and procedures to include departments and positions responsible for their implementation. Current practices and policies should be reviewed and modified as necessary to ensure that business of the City is conducted in accordance with applicable federal/state laws and the desires of the City Council.

Public Funds Investment Act Compliance

The City is in compliance with most of the Public Funds Investment Act except that the investment reports do not include a statement regarding the investment portfolio's compliance with the investment strategy expressed in the City's investment policy.

We recommend that the above noted item be addressed and corrected in future reports.

Expenditure Supporting Documentation

Our review of forty expenditure transactions noted the following:

- The City's policies require that purchases between \$1,001 to \$2,500 have three quotes. Five (5) instances were noted where the three quotes were not obtained.
- Sixteen (16) instances where an approved purchase order was not obtained.
- Ten (10) instances where an authorized representative of the City did not sign the invoices.
- One instance where the check was coded to an incorrect account.

We recommend that the City review its payment processing policies and practices and ensures that all purchases are properly documented, reviewed, approved, and in compliance with the City's policies.

Capital Assets

The City prepared the depreciation schedule after the end of the year. As such depreciation expense was not recorded in the Utility and Prison funds. We also noted that the accounts used to record capital asset additions are not standardized and in some cases are not categorized as needed to facilitate their identification.

We recommend that the City consider updating the depreciation schedules throughout the year. In addition, all capital asset additions in governmental funds should be budgeted for and accounted for separately as "capital Outlays." to facilitate the accounting of asset additions and depreciation throughout the year. Also, we recommend that capital assets to be purchased be identified in the City's budget. Lastly assets purchases should be recorded in standardized accounts corresponding to the various capital asset categories.

Sinking Fund Requirement

The Certificate of Obligations, Series 2007 and 2011 A in the Utility Fund requires a sinking fund of at least 2%. As of September 30, 2025, the City closed its reserve account. As such, the sinking fund requirement was not met as of September 30, 2025.

We recommend that the City deposits in separate Texpool account funds of at least 2% of the outstanding balances for the above noted bonds.

This letter does not affect our report dated March 12, 2026, on the financial statements of the City. Our comments and recommendations, all of which have been discussed with management, are intended to improve the internal control and ensure compliance with State requirements, and to improve operations.

This report is intended solely for the use of the City Council and management of the City and is not intended to be, and should not be used by anyone other than these specified parties.

We would like to take this opportunity to acknowledge the courtesy and assistance extended by the personnel of the City during our audit.

Garga Gonzalez
& Associates

March 12, 2026

CITY OF DILLEY, TEXAS

Dilley, Texas

ANNUAL FINANCIAL REPORT

For The Year Ended September 30, 2025



GARZA GONZALEZ & ASSOCIATES

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CITY OF DILLEY, TEXAS
Dilley, Texas

ANNUAL FINANCIAL REPORT

For The Year Ended September 30, 2025



GARZA GONZALEZ & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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CITY OF DILLEY, TEXAS
Dilley, Texas

ANNUAL FINANCIAL REPORT

For The Year Ended September 30, 2025

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CITY OF DILLEY, TEXAS
Dilley, Texas

ANNUAL FINANCIAL REPORT

For The Year Ended September 30, 2025

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CITY OF DILLEY, TEXAS
LIST OF PRINCIPAL OFFICIALS

Elected Officials as of September 30, 2025

Mayor	Alexandria Inocencio
Council Member, Place 1	Everardo Castillo, Jr.
Council Member, Place 2	Eric Aranda
Council Member, Place 3/ Mayor Pro-Tem	Alicia Machado
Council Member, Place 4	Ray Aranda
Council Member, Place 5	Noel Perez

City Officials as of September 30, 2025

City Administrator	Yolanda Moran
Director of Finance	Rudy Alvarez
City Attorney	Davidson Troilo Ream & Garza, P.C.
City Secretary	Natasha Prado

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the City Council
City of Dilley
Dilley, Texas

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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



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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

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Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining statements and schedules as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and other statements as listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Garga Gozalez
& Associates*

March 12, 2026

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CITY OF DILLEY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Dilley, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Dilley for the fiscal year ended September 30, 2025. We encourage readers to consider the information presented here which can be found in the introductory section of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City of Dilley exceeded its liabilities and deferred inflows of resources at September 30, 2025 by \$19.65 million (net position).
- The City's total net position increased by \$234,272 mainly due to lower expenses incurred during fiscal year 2025.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1.93 million, an increase of \$27,984 in comparison with the prior year.
- At the end of the fiscal year, the total of the General Fund unassigned fund balances was \$1,177 thousand.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The statement of net position is a presentation of the City's assets and liabilities, including capital and infrastructure assets, and long-term liabilities. This statement reports the difference between assets and liabilities as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information regarding increases and decreases to the government's net position for the fiscal year. Changes in net position are recorded when the underlying event giving rise to the change occurs regardless of the timing of cash flows.

CITY OF DILLEY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Therefore, revenues and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused personal leave). Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities). Governmental activities include administration, public safety, public transportation, and parks and recreation. The business-type activities of the City are utility and prison.

Fund Financial Statements – The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements are used to present financial information detailing resources that have been identified for specific activities. The focus of the fund financial statements is on the City's major funds, although non-major funds are also presented in aggregate and further detailed in the supplementary statements. The City uses fund accounting to ensure and demonstrate compliance with requirements placed on resources. Funds are divided into three types: governmental, proprietary, and fiduciary. However, the City does not have any fiduciary funds.

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

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

Proprietary Funds – The City maintains two types of proprietary funds. Enterprise funds are used to report the functions presented in business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for the provision of water and sewer services to residents and activity related to the prison.

Proprietary fund financial statements provide separate and more detailed information for the water and sewer fund and the prison fund. The utility fund and prison fund are considered major funds of the City.

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

CITY OF DILLEY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information on the City's general fund budget, which is adopted on an annual basis. A budgetary comparison statement has been provided for this fund in order to demonstrate budgetary compliance with this budget.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Below is a comparative summary of the governmental activities and business-type activities as required by GASB Statement No. 34:

**Table I
Net Position**

	Governmental Activities		Business-Type Activities		Total	
	Year Ended		Year Ended		Year Ended	
	9/30/2025	9/30/2024	9/30/2025	9/30/2024	9/30/2025	9/30/2024
Assets						
Current Assets	\$ 2,428,457	\$ 2,488,632	\$ 2,309,459	\$ 2,995,453	\$ 4,737,916	\$ 5,484,085
Capital and Other Assets	8,198,346	8,374,423	20,187,658	19,922,719	28,386,004	28,297,142
Total Assets	10,626,803	10,863,055	22,497,117	22,918,172	33,123,920	33,781,227
Deferred Outflows of Resources	185,859	245,478	99,515	155,220	285,374	400,698
Total Deferred Outflows of Resources	185,859	245,478	99,515	155,220	285,374	400,698
Liabilities						
Current Liabilities	918,142	1,038,515	4,714,446	4,411,612	5,632,588	5,450,127
Noncurrent Liabilities	1,804,972	2,584,654	6,042,368	6,470,017	7,847,340	9,054,671
Total Liabilities	2,723,114	3,623,169	10,756,814	10,881,629	13,479,928	14,504,798
Deferred Inflows of Resources	174,559	165,269	105,266	96,589	279,825	261,858
Total Deferred Inflows of Resources	174,559	165,269	105,266	96,589	279,825	261,858
Net Position:						
Net Investment in Capital Assets	5,763,620	5,313,468	10,267,639	13,313,649	16,031,259	18,627,117
Restricted	147,047	-	-	-	147,047	-
Unrestricted	2,004,322	2,006,627	1,466,913	(1,218,475)	3,471,235	788,152
Total Net Position	\$ 7,914,989	\$ 7,320,095	\$ 11,734,552	\$ 12,095,174	\$ 19,649,541	\$ 19,415,269

The largest portion of the City's net position, \$16.03 million, represents its investment in capital assets (e.g., land, construction in progress, buildings, machinery, and equipment, net of accumulated depreciation), less any related debt used to acquire those assets that are still outstanding. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Of the other net position, \$147,047 represents resources that are subject to external restrictions on how they may be used. The remaining \$3.5 million (unrestricted net position) may be used to meet the City's operational needs.

CITY OF DILLEY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental activities increased net position by \$595 thousand, which is attributable to fluctuations in program expenses. Key elements of this increase are as follows:

**Table II
Change in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	Year Ended		Year Ended		Year Ended	
	9/30/2025	9/30/2024	9/30/2025	9/30/2024	9/30/2025	9/30/2024
Revenues:						
Program Revenues:						
Charges for Services	\$ 703,936	\$ 271,772	\$ 3,810,457	\$ 3,474,846	\$ 4,514,393	\$ 3,746,618
Operating Grants and Contributions	2,825	-	-	-	2,825	-
Capital Grants and Contributions	-	-	273,407	659,431	273,407	659,431.00
General Revenues:						
Property Taxes	1,417,875	1,450,735	-	-	1,417,875	1,450,735
Sales Taxes	619,740	584,489	-	-	619,740	584,489
Franchise Taxes	296,047	347,999	-	-	296,047	347,999
Occupancy Taxes	-	-	-	-	-	-
Impact Fees	-	-	-	-	-	-
Grants and Contributions	130,189	187,175	-	-	130,189	187,175.00
Investment Earnings	25,716	34,559	360,412	401,180	386,128	435,739
(Loss) on Sale of Real and Personal Property	(34,522)	-	-	-	(34,522)	-
Miscellaneous	129,795	511,818	(83,014)	(18,214)	46,781	493,604
Total Revenues	3,291,601	3,388,547	4,361,262	4,517,243	7,652,863	7,905,790
Expenses						
Administration	\$ 773,840	\$ 805,814	\$ -	\$ -	\$ 773,840	\$ 805,814
Public Safety	1,435,929	1,586,104	-	-	1,435,929	1,586,104
Culture and Recreation	500,071	601,343	-	-	500,071	601,343
Public Works	239,029	356,364	-	-	239,029	356,364
Conservation and Development	1,403	1,465	-	-	1,403	1,465.00
Utility	-	-	3,152,768	3,066,628	3,152,768	3,066,628
Prison	-	-	1,244,116	974,177	1,244,116	974,177
Interest and Fiscal Agent Fees	71,435	117,965	-	-	71,435	117,965
Total Expenses	3,021,707	3,469,055	4,396,884	4,040,805	7,418,591	7,509,860
INCREASE IN NET POSITION BEFORE TRANSFERS	269,894	(80,508)	(35,622)	476,438	234,272	395,930
Transfers In (Out)	325,000	306,118	(325,000)	(306,118)	-	-
CHANGE IN NET POSITION	\$ 594,894	\$ 225,610	\$ (360,622)	\$ 170,320	\$ 234,272	\$ 395,930
BEGINNING NET POSITION, RESTATED	7,320,095	7,094,485	12,095,174	11,924,854	19,415,269	19,019,339
ENDING NET POSITION	\$ 7,914,989	\$ 7,320,095	\$ 11,734,552	\$ 12,095,174	\$ 19,649,541	\$ 19,415,269

Financial Analysis of the Government's Funds

As noted earlier, the City of Dilley uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

CITY OF DILLEY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Funds – Activities of the primary government's general fund, debt service funds are considered general government functions. The general fund is the City's general operating fund and nonmajor funds. Special revenue funds are used to account for proceeds of specific sources that are legally restricted as to expenditures. The debt service funds are used to account for financial activity related to the City's general bonded indebtedness, as well as long-term obligations.

As September 30, 2025, the City's governmental funds reported combined ending fund balances of \$1.93 million, an increase of \$27,984 in comparison with fiscal year 2024.

For the fiscal year ended September 30, 2025, the fund balance of the City's general fund increased by \$1.12 million. The decrease is \$1.42 million more than 2024's decrease. This was primarily due to larger transfers from the utility and Core Civic funds.

The debt service fund has a total fund balance of \$338 thousand. The net increase in the fund balance during the current year in the debt service fund was \$42 thousand.

Proprietary Funds – The City's proprietary funds provided the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the utility fund at the end of the year amounted to \$2.02 million. The total decrease in net position for the utility fund was \$441,875. Most of this decrease is due to increase in transfer out in the current year.

Net position of the prison fund at the end of the year amounted to \$1.8 million. The total increase in net position for the prison fund was \$81,253. Most of this increase is due to an overall increase in charges for services.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City revised its budget in order to allow for increased revenues and expenditures. The following are the main components of the increase:

- Increase in miscellaneous revenue and licenses and permits
- Increase in budgeted capital outlay and parks and recreation

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – The City's investment in capital assets for its governmental and business- type activities as of September 30, 2025 amounted to \$20.6 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, infrastructure, and intangibles. The City's investment in capital assets for the current fiscal year increased by \$25 thousand from fiscal year 2025.

CITY OF DILLEY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Table III
CAPITAL ASSETS
(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	Year Ended		Year Ended		Year Ended	
	9/30/2025	9/30/2024	9/30/2025	9/30/2024	9/30/2025	9/30/2024
Land	\$ 164,243	\$ 164,243	\$ 206,903	\$ 206,903	\$ 371,146	\$ 371,146
Buildings and Improvements	4,929,134	4,656,023	2,090,903	2,090,903	7,020,037	6,746,926
Machinery & Equipment	3,173,092	3,173,092	-	-	3,173,092	3,173,092
Infrastructure	5,469,758	5,469,758	20,335,726	20,093,711	25,805,484	25,563,469
Intangibles	73,688	73,688	-	-	73,688	73,688
Construction in Progress	-	161,157	718,517	277,843	718,517	439,000
Accumulated Depreciation	(5,611,569)	(5,323,538)	(10,916,102)	(10,434,324)	(16,527,671)	(15,757,862)
Totals	\$ 8,198,346	\$ 8,374,423	\$ 12,435,947	\$ 12,235,036	\$ 20,634,293	\$ 20,609,459

Additional information of the City of Dilley's capital assets can be found in Note 6 of this report.

Long-Term Debt – For the fiscal year ended September 30, 2025, the City had a total bonded debt outstanding of \$8.6 million.

**Table IV
LONG-TERM DEBT**

	Governmental Activities		Business-Type Activities		Total	
	Year Ended		Year Ended		Year Ended	
	9/30/2025	9/30/2024	9/30/2025	9/30/2024	9/30/2025	9/30/2024
Bonds Payable	\$ 2,162,500	\$ 2,786,250	\$ 6,142,680	\$ 6,450,930	\$ 8,305,180	\$ 9,237,180
Notes Payable	198,538	274,705	89,826	132,546	288,364	407,251
Totals	\$ 2,361,038	\$ 3,060,955	\$ 6,232,506	\$ 6,583,476	\$ 8,593,544	\$ 9,644,431

Additional information of the City of Dilley's long-term debt can be found in Note 7 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For fiscal year 2026, general fund revenues are slightly decreasing from \$3.0 million from the prior year to approximately \$2.9 million.

For fiscal year 2026, the City adopted a property tax rate of \$0.827540 per one hundred dollars of assessed valuation, which is an increase of \$0.0261 from the prior year rate. The tax components are as follows: \$0.394785 for Maintenance and Operations and \$0.432755 for the Interest and Sinking. Although the tax rate is higher than the prior year, the City anticipates approximately the same property tax collections in 2026 as in 2025.

CITY OF DILLEY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The recent modifications to the intergovernmental contract between the City of Dilley ad the Department of Homeland Security for detention services mark a significant development for our community. The reopening of the South Texas Family Residential Center under this agreement is expected to bring substantial economic benefits, including the creation of new jobs and increased revenue for local businesses. Additionally, the inclusion of onsite medical care in the updated contract highlights a commitment to enhanced services. This initiative not only strengthens our local economy but also reinforces Dilley's role in supporting national immigration operations.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Department, 116 East Miller; Dilley, Texas 78017.

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Basic Financial Statements

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Government-Wide Financial Statements

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CITY OF DILLEY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

	Primary Government		Total
	Governmental Activities	Business - Type Activities	
ASSETS			
Cash and Cash Equivalents	\$ 1,770,537	\$ 1,804,757	\$ 3,575,294
Taxes Receivable, Net	331,864	-	331,864
Accounts Receivable, Net	157,385	590,766	748,151
Due from Other Funds	125,998	(125,998)	-
Due from Others	23,603	-	23,603
Inventories	-	39,934	39,934
Prepaid Items	19,070	-	19,070
Restricted Cash and Cash Equivalents	-	7,751,711	7,751,711
Capital Assets:			
Land Purchase and Improvements	164,243	206,903	371,146
Infrastructure	5,469,758	20,335,726	25,805,484
Buildings	4,929,134	2,090,903	7,020,037
Intangibles	73,688	-	73,688
Furniture and Equipment	3,173,092	-	3,173,092
Accumulated Depreciation	(5,611,569)	(10,916,102)	(16,527,671)
Construction in Progress	-	718,517	718,517
Total Assets	<u>10,626,803</u>	<u>22,497,117</u>	<u>33,123,920</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow Related to Pension Plan	179,948	95,919	275,867
Deferred Outflow Related to OPEB	5,911	3,596	9,507
Total Deferred Outflows of Resources	<u>185,859</u>	<u>99,515</u>	<u>285,374</u>
LIABILITIES			
Accounts Payable	63,082	389,614	452,696
Wages and Salaries Payable	23,876	17,597	41,473
Compensated Absences Payable	31,041	12,904	43,945
Intergovernmental Payable	-	3,242	3,242
Due to Others	3,128	244,910	248,038
Accrued Interest Payable	18,002	22,938	40,940
Unearned Revenues	72,771	3,664,575	3,737,346
Noncurrent Liabilities:			
Due Within One Year	706,242	358,666	1,064,908
Due in More Than One Year:			
Debt Payable - Noncurrent	1,654,796	5,873,840	7,528,636
Net Pension Liability	105,736	125,131	230,867
Net OPEB Liability	44,440	43,397	87,837
Total Liabilities	<u>2,723,114</u>	<u>10,756,814</u>	<u>13,479,928</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow Related to Pension Plan	146,676	88,656	235,332
Deferred Inflow Related to OPEB	27,883	16,610	44,493
Total Deferred Inflows of Resources	<u>174,559</u>	<u>105,266</u>	<u>279,825</u>
NET POSITION			
Net Investment in Capital Assets and Lease Assets Restricted for Debt Service	5,763,620	10,267,639	16,031,259
Unrestricted	147,047	-	147,047
Total Net Position	<u>\$ 7,914,989</u>	<u>\$ 11,734,552</u>	<u>\$ 19,649,541</u>

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

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

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 773,840	\$ 337,889	\$ -	\$ -
Public Safety	1,435,929	323,811	2,825	-
Public Works	239,029	-	-	-
Culture and Recreation	500,071	42,236	-	-
Conservation and Development	1,403	-	-	-
Interest on Debt	71,435	-	-	-
Total Governmental Activities	3,021,707	703,936	2,825	-
BUSINESS-TYPE ACTIVITIES:				
Utility Fund	3,152,768	2,853,627	-	92,750
Prison Fund	1,244,116	956,830	-	180,657
Total Business-Type Activities	4,396,884	3,810,457	-	273,407
TOTAL PRIMARY GOVERNMENT	\$ 7,418,591	\$ 4,514,393	\$ 2,825	\$ 273,407

General Revenues:

- Taxes:
 - Property Taxes, Levied for General Purposes
 - Property Taxes, Levied for Debt Service
 - General Sales and Use Taxes
 - Franchise Tax
 - Penalty and Interest on Taxes
- Grants and Contributions
- Miscellaneous Revenue
- Investment Earnings
- Loss on Sale of Real and Personal Property
- Transfers In (Out)
- Total General Revenues, Special Items, and Transfers
- Change in Net Position
- Net Position - Beginning
- Net Position - Ending

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

Net(Expense) Revenue and
Changes in Net Position

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (435,951)	\$ -	\$ (435,951)
(1,109,293)	-	(1,109,293)
(239,029)	-	(239,029)
(457,835)	-	(457,835)
(1,403)	-	(1,403)
(71,435)	-	(71,435)
(2,314,946)	-	(2,314,946)
-	(206,391)	(206,391)
-	(106,629)	(106,629)
-	(313,020)	(313,020)
(2,314,946)	(313,020)	(2,627,966)
653,601	-	653,601
727,684	-	727,684
619,740	-	619,740
296,047	-	296,047
36,590	-	36,590
130,189	-	130,189
129,795	(83,014)	46,781
25,716	360,412	386,128
(34,522)	-	(34,522)
325,000	(325,000)	-
2,909,840	(47,602)	2,862,238
594,894	(360,622)	234,272
7,320,095	12,095,174	19,415,269
<u>\$ 7,914,989</u>	<u>\$ 11,734,552</u>	<u>\$ 19,649,541</u>

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Governmental Funds Financial Statements

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CITY OF DILLEY
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

	General Fund	Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 1,026,619	\$ 337,620	\$ 406,298	\$ 1,770,537
Taxes Receivable	187,406	203,023	-	390,429
Allowance for Uncollectible Taxes (credit)	(28,111)	(30,454)	-	(58,565)
Accounts Receivable, Net	144,607	-	12,778	157,385
Due from Other Funds	125,998	-	-	125,998
Due from Others	23,603	-	-	23,603
Prepaid Items	19,070	-	-	19,070
Total Assets	\$ 1,499,192	\$ 510,189	\$ 419,076	\$ 2,428,457
LIABILITIES				
Accounts Payable	\$ 63,082	\$ -	\$ -	\$ 63,082
Wages and Salaries Payable	23,876	-	-	23,876
Due to Others	3,128	-	-	3,128
Unearned Revenues	72,771	-	-	72,771
Total Liabilities	162,857	-	-	162,857
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	159,295	172,570	-	331,865
Total Deferred Inflows of Resources	159,295	172,570	-	331,865
FUND BALANCES				
Restricted Fund Balance:				
Retirement of Long-Term Debt	-	337,619	-	337,619
Assigned Fund Balance:				
Other Assigned Fund Balance	-	-	419,076	419,076
Unassigned Fund Balance	1,177,040	-	-	1,177,040
Total Fund Balances	1,177,040	337,619	419,076	1,933,735
Total Liabilities, Deferred Inflows & Fund Balances	\$ 1,499,192	\$ 510,189	\$ 419,076	\$ 2,428,457

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

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

Total Fund Balances - Governmental Funds	\$	1,933,735
Capital assets used in governmental activities are not financial resources and are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$13,697,961 and the accumulated depreciation was (\$5,323,538). In addition, long-term liabilities, including bonds and notes payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. At the beginning of the year, bonds and notes payable, and other long-term liabilities were (\$3,060,955), interest payable was (\$30,569), compensated absences was (\$27,804), net pension liability was (\$169,944), deferred pension inflow was (\$141,514), deferred pension outflow was \$234,967, deferred OPEB outflow was \$10,511, deferred OPEB inflow was (\$23,755), and net OPEB liability was (\$54,064). The effect of including beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position. The net effect is to increase net position.		5,111,296
Transactions related to current year capital outlays and long-term debt principal payments, changes in compensated absences, and interest payable are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting as follows: acquisition of capital assets of \$175,415; disposition of capital assets of (\$54,522); change in compensated absences of (\$3,237); change in accrued interest payable of \$12,567; and principal payments on bonds and notes payable of \$699,917. The net effect is to increase net position.		830,140
Included in the items related to debt is the recognition of the City's proportionate share of net pension liability required by GASB Statement number 68. At the beginning of the year, the net position related to TMRS was a Deferred Resource Outflow of \$234,967, a Deferred Resource Inflow of (\$141,514), and a net pension liability of (\$169,944). The impact of this to net position is a decrease of (\$76,491). Changes in the current year resulted in a increase in net position of \$4,027.		4,027
Included in the items related to debt is the recognition of the City's proportionate share of the net OPEB liability required by GASB Statement number 75. At the beginning of the year, the net position related to TMRS was a Deferred Resource Outflow of \$10,511, a Deferred Resource Inflow of (\$23,755), and a net OPEB liability of (\$54,064). The impact of this to net position is a decrease of (\$67,308). Changes in the current year resulted in an increase in net position of \$896.		896
The 2025 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(296,970)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue related to the tax levy. The net effect of these reclassifications and recognitions is to increase net position.		331,865
Net Position of Governmental Activities	\$	7,914,989

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

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

	General Fund	Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
Taxes:				
Property Taxes	\$ 640,345	\$ 712,123	\$ -	\$ 1,352,468
General Sales and Use Taxes	619,740	-	-	619,740
Franchise Tax	201,144	-	94,903	296,047
Penalty and Interest on Taxes	16,814	19,776	-	36,590
Licenses and Permits	224,354	-	-	224,354
Intergovernmental Revenue and Grants	2,825	-	-	2,825
Charges for Services	479,582	-	-	479,582
Investment Earnings	17,064	7,600	1,052	25,716
Rents and Royalties	11,800	-	-	11,800
Contributions & Donations from Private Sources	124,982	-	5,207	130,189
Other Revenue	24,522	-	93,422	117,944
Total Revenues	2,363,172	739,499	194,584	3,297,255
EXPENDITURES:				
Current:				
General Government	685,347	-	83,937	769,284
Public Safety	1,284,122	-	12,813	1,296,935
Public Works	234,045	-	-	234,045
Culture and Recreation	353,321	-	-	353,321
Conservation and Development	1,403	-	-	1,403
Debt Service:				
Principal on Debt	13,723	623,750	62,444	699,917
Interest on Debt	427	73,597	9,978	84,002
Capital Outlay:				
Capital Outlay	21,435	-	153,980	175,415
Total Expenditures	2,593,823	697,347	323,152	3,614,322
Excess (Deficiency) of Revenues Over (Under) Expenditures	(230,651)	42,152	(128,568)	(317,067)
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	20,000	-	-	20,000
Transfers In	1,329,806	-	-	1,329,806
Other Resources	51	-	-	51
Transfers Out	-	-	(1,004,806)	(1,004,806)
Total Other Financing Sources (Uses)	1,349,857	-	(1,004,806)	345,051
Net Change in Fund Balances	1,119,206	42,152	(1,133,374)	27,984
Fund Balance - October 1 (Beginning)	57,834	295,467	1,552,450	1,905,751
Fund Balance - September 30 (Ending)	\$ 1,177,040	\$ 337,619	\$ 419,076	\$ 1,933,735

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

CITY OF DILLEY
 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	\$	27,984
Transactions related to current year capital outlays and long-term debt principal payments, changes in compensated absences, and interest payable are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting as follows:		830,140
• Acquisition of capital assets of \$175,415		
• Disposition of capital assets of (\$54,522)		
• Change in compensated absences of (\$3,237)		
• Change in accrued interest payable of \$12,567		
• Principal payments on bonds and notes payable of \$699,917		
The net effect is to increase the change in net position.		
Governmental funds report required contributions to employee pensions as expenditures. However, in the Statement of Activities the cost of the pension is recorded based on the actuarially determined cost of the plan. This is the amount that contributions exceeded actuarially determined pension expense.		4,027
Governmental funds report required contributions to OPEB as expenditures. However, in the Statement of Activities the cost of the expense is recorded based on the actuarially determined cost of the plan. This is the amount that contributions exceeded actuarially determined OPEB expense.		896
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.		(296,970)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue related to the tax levy. The net effect of these reclassifications and recognitions is to increase the change in net position.		28,817
Change in Net Position of Governmental Activities	\$	594,894

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

Proprietary Funds Financial Statements

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CITY OF DILLEY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2025

	Business-Type Activities - Enterprise Funds		
	Utility Fund	Prison Fund	Total Enterprise Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,804,757	\$ -	\$ 1,804,757
Restricted Assets - Current:			
Cash and Cash Equivalents	-	7,751,711	7,751,711
Interest Receivable - Investments	-	25,085	25,085
Accounts Receivable, Net	403,389	162,292	565,681
Due from Other Funds	325,000	-	325,000
Inventories	39,934	-	39,934
Total Current Assets	2,573,080	7,939,088	10,512,168
Noncurrent Assets:			
Capital Assets:			
Land Purchase and Improvements	206,903	-	206,903
Infrastructure	17,678,048	2,657,678	20,335,726
Buildings	1,803,500	287,403	2,090,903
Accumulated Depreciation - Capital Assets	(9,087,448)	(1,828,654)	(10,916,102)
Construction in Progress	-	718,517	718,517
Total Noncurrent Assets	10,601,003	1,834,944	12,435,947
Total Assets	13,174,083	9,774,032	22,948,115
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow Related to Pension Plan	65,727	30,192	95,919
Deferred Outflow Related to OPEB	2,376	1,220	3,596
Total Deferred Outflows of Resources	68,103	31,412	99,515

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

CITY OF DILLEY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2025

	Business-Type Activities - Enterprise Funds		
	Utility Fund	Prison Fund	Total Enterprise Funds
LIABILITIES			
Current Liabilities:			
Accounts Payable	171,273	218,341	389,614
Wages and Salaries Payable	13,419	4,178	17,597
Compensated Absences Payable	5,430	7,474	12,904
Intergovernmental Payable	3,242	-	3,242
Due to Other Funds	-	450,998	450,998
Due to Others	244,910	-	244,910
Accrued Interest Payable	16,491	6,447	22,938
Unearned Revenues	-	3,664,575	3,664,575
Notes Payable - Current	44,166	-	44,166
Bonds Payable - Current	211,500	103,000	314,500
Total Current Liabilities	710,431	4,455,013	5,165,444
Noncurrent Liabilities:			
Bonds Payable - Noncurrent	2,391,180	3,437,000	5,828,180
Loans Payable - Noncurrent	45,660	-	45,660
Net Pension Liability	69,884	55,247	125,131
Net OPEB Liability	30,172	13,225	43,397
Total Noncurrent Liabilities	2,536,896	3,505,472	6,042,368
Total Liabilities	3,247,327	7,960,485	11,207,812
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow Related to Pension Plan	70,386	18,270	88,656
Deferred Inflow Related to OPEB	12,831	3,779	16,610
Total Deferred Inflows of Resources	83,217	22,049	105,266
NET POSITION			
Net Investment in Capital Assets and Lease Assets	7,892,006	2,375,633	10,267,639
Unrestricted	2,019,636	(552,723)	1,466,913
Total Net Position	\$ 9,911,642	\$ 1,822,910	\$ 11,734,552

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

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

	Business-Type Activities - Enterprise Funds		
	Utility Fund	Prison Fund	Total Enterprise Funds
OPERATING REVENUES:			
Charges for Services	\$ 2,853,627	\$ 956,830	\$ 3,810,457
Total Operating Revenues	<u>2,853,627</u>	<u>956,830</u>	<u>3,810,457</u>
OPERATING EXPENSES:			
Proprietary Fund Function - Water			
Personnel Services - Salaries and Wages	380,142	-	380,142
Personnel Services - Employee Benefits	166,052	-	166,052
Purchased Professional & Technical Services	55,182	-	55,182
Purchased Property Services	249,567	-	249,567
Other Operating Costs	354,494	-	354,494
Supplies	28,053	-	28,053
Total Proprietary Fund Function - Water	<u>1,233,490</u>	<u>-</u>	<u>1,233,490</u>
Proprietary Fund Function - Gas			
Personnel Services - Salaries and Wages	78,242	-	78,242
Personnel Services - Employee Benefits	34,843	-	34,843
Purchased Professional & Technical Services	1,000	-	1,000
Purchased Property Services	1,544	-	1,544
Other Operating Costs	44,856	-	44,856
Supplies	75,570	-	75,570
Total Proprietary Fund Function - Gas	<u>236,055</u>	<u>-</u>	<u>236,055</u>
Proprietary Fund Function - Wastewater			
Personnel Services - Salaries and Wages	100,370	-	100,370
Personnel Services - Employee Benefits	35,482	-	35,482
Purchased Professional & Technical Services	4,160	-	4,160
Purchased Property Services	38,977	-	38,977
Other Operating Costs	136,950	-	136,950
Supplies	85,204	-	85,204
Total Proprietary Fund Function - Wastewater	<u>401,143</u>	<u>-</u>	<u>401,143</u>
Proprietary Fund Function - Solid Waste			
Personnel Services - Salaries and Wages	1	-	1
Personnel Services - Employee Benefits	1,323	-	1,323
Purchased Professional & Technical Services	770,994	-	770,994
Other Operating Costs	211	-	211
Total Proprietary Fund Function - Solid Waste	<u>772,529</u>	<u>-</u>	<u>772,529</u>
Proprietary Fund Function - Prison			
Personnel Services - Salaries and Wages	-	168,686	168,686
Personnel Services - Employee Benefits	-	54,384	54,384
Purchased Professional & Technical Services	-	233,552	233,552
Purchased Property Services	-	82,387	82,387
Other Operating Costs	-	530,046	530,046
Supplies	-	23,911	23,911
Total Proprietary Fund Function - Prison	<u>-</u>	<u>1,092,966</u>	<u>1,092,966</u>
Depreciation	409,351	72,426	481,777
Total Operating Expenses	<u>3,052,568</u>	<u>1,165,392</u>	<u>4,217,960</u>
Operating Income (Loss)	<u>(198,941)</u>	<u>(208,562)</u>	<u>(407,503)</u>
NONOPERATING REVENUES (EXPENSES):			
Intergovernmental Revenue and Grants	92,750	180,657	273,407
Investment Earnings	6,795	353,617	360,412

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

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

	Business-Type Activities - Enterprise Funds		
	Utility Fund	Prison Fund	Total Enterprise Funds
Other Nonoperating Revenues (Expenses)	(83,014)	-	(83,014)
Interest Expense - Nonoperating	(100,200)	(78,724)	(178,924)
Total Nonoperating Revenue (Expenses)	(83,669)	455,550	371,881
Income (Loss) Before Transfers	(282,610)	246,988	(35,622)
Nonoperating Transfers In	108,245	-	108,245
Transfers Out	(267,510)	(165,735)	(433,245)
Change in Net Position	(441,875)	81,253	(360,622)
Total Net Position - October 1 (Beginning)	10,353,517	1,741,657	12,095,174
Total Net Position - September 30 (Ending)	<u>\$ 9,911,642</u>	<u>\$ 1,822,910</u>	<u>\$ 11,734,552</u>

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

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

	Business-Type Activities		
	Utility Fund	Prison Fund	Total Enterprise Funds
Cash Flows from Operating Activities:			
Cash Received from User Charges	\$ 2,890,478	\$ 1,229,647	\$ 4,120,125
Cash Payments to Employees for Services	(812,285)	(224,722)	(1,037,007)
Cash Payments for Suppliers	(1,760,643)	(546,930)	(2,307,573)
Net Cash Provided by Operating Activities	<u>317,550</u>	<u>457,995</u>	<u>775,545</u>
Cash Flows from Non-Capital Financing Activities:			
Transfers from Other Funds	108,245	-	108,245
Transfers to Other Funds	(267,510)	(165,735)	(433,245)
Other Receipts	9,737	180,657	190,394
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(149,528)</u>	<u>14,922</u>	<u>(134,606)</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(121,663)	(561,026)	(682,689)
Principal Paid on Capital Debt	(248,970)	(102,000)	(350,970)
Interest Expense on Bonds	(100,200)	(78,724)	(178,924)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(470,833)</u>	<u>(741,750)</u>	<u>(1,212,583)</u>
Cash Flows from Investing Activities:			
Interest and Dividends on Investments	6,795	353,617	360,412
Net Increase (Decrease) in Cash and Cash Equivalents	(296,016)	84,784	(211,232)
Cash and Cash Equivalents at Beginning of Year	<u>2,100,773</u>	<u>7,666,927</u>	<u>9,767,700</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,804,757</u>	<u>\$ 7,751,711</u>	<u>\$ 9,556,468</u>

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

	Business-Type Activities		
	Utility Fund	Prison Fund	Total Enterprise Funds
Reconciliation of Operating Income (Loss) to Net Cash			
Provided by Operating Activities:			
Operating Income (Loss)	\$ (198,941)	\$ (208,562)	\$ (407,503)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	409,351	72,426	481,777
Effect of Increases and Decreases in Current Assets and Liabilities:			
Decrease (Increase) in Receivables	36,851	272,817	309,668
Decrease (Increase) in Interest Receivable	-	(25,085)	(25,085)
Decrease (Increase) in Due from Other Funds	(25,000)	-	(25,000)
Decrease (Increase) in Inventories	153	-	153
Decrease (Increase) in Deferred Pension Outflow	42,259	9,147	51,406
Decrease (Increase) in Deferred OPEB Outflow	3,534	765	4,299
Increase (Decrease) in Accounts Payable	113,270	197,161	310,431
Increase (Decrease) in Wages and Salaries Payable	(1,169)	(1,830)	(2,999)
Increase (Decrease) in Compensated Absences	(10,879)	997	(9,882)
Increase (Decrease) in Intergovernmental Payable	12	-	12
Increase (Decrease) in Customer Deposits	6,574	-	6,574
Increase (Decrease) in Unearned Revenue	(6,342)	-	(6,342)
Increase (Decrease) in Due to Other Funds	-	150,998	150,998
Increase (Decrease) in Accrued Interest Payable	(2,548)	(108)	(2,656)
Increase (Decrease) in Net Pension Liability	(49,316)	(10,675)	(59,991)
Increase (Decrease) in Net OPEB Liability	(7,392)	(1,600)	(8,992)
Increase (Decrease) in Deferred Pension Inflow	3,964	858	4,822
Increase (Decrease) in Deferred OPEB Inflow	3,169	686	3,855
Net Cash Provided by Operating Activities	\$ 317,550	\$ 457,995	\$ 775,545

CITY OF DILLEY
Dilley, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Dilley, Texas, was incorporated in 1921. The City operates under a general law form of government and provides the following services: general administration, public safety, parks and recreation, public transportation, water and sewer services, solid waste collection, and gas supply.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Proprietary type funds apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions, and ARB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below:

A. Reporting Entity

In evaluating how to define the government, for financial purposes, management has considered all potential component units and associated component units. The decision to include a potential component unit or associated component unit in the reporting entity was made by applying the criteria set forth in GASB Statement 14, *The Financial Reporting Entity* and GASB Statement 39 *Determining Whether Certain Organizations are Component Units*. The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. Based upon the application of these criteria, the City has no component units.

B. Government-Wide and Fund Financial Statements

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

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

CITY OF DILLEY
Dilley, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Separate fund financial statements are provided for governmental funds and proprietary funds. The general fund and the debt service fund meet the criteria as major governmental funds. The combined amounts for all nonmajor funds are reflected in a single column in the fund balance sheet and statement of revenues, expenditures, and changes in fund balances. Detailed statements for nonmajor funds are presented within combining and individual fund statements and schedules.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash revenue types, which have been accrued, revenue from the investments, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

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

Governmental fund level financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred inflow of resources. Property taxes which are levied prior to September 30, 2024, and became due October 1, 2024 have been assessed to finance the budget of the fiscal year beginning October 1, 2024 and, accordingly, have been reflected as deferred inflow of resources and taxes receivable in the fund financial statement at September 30, 2025.

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

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

CITY OF DILLEY
Dilley, Texas

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The government reports the following major governmental funds:

General Fund is the general operating fund of the City and is always classified as a major fund. The general fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for general administration, public safety, public service and capital acquisition.

Debt Service Fund accounts for financial resources to be used for the payment of long-term debt.

Nonmajor funds include special revenue funds.

Proprietary fund level financial statements are used to account for activities, which are similar to those found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows. The City's major proprietary funds are the utility fund (used to account for the provisions of water, sewer, and gas services to residents and the local prison facility) and prison fund (used to account for water and sewer operations of the local prison facility).

The proprietary fund is accounted for using the accrual basis of accounting as follows:

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

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

D. Cash and Cash Equivalents

The City considers cash in banks, cash on hand, and savings accounts to be cash equivalents. For purposes of the statement of cash flows, the enterprise funds (utility fund and prison fund) consider all highly liquid investments to be cash equivalents.

CITY OF DILLEY
Dilley, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Investments

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

Investments are stated at fair value (plus accrued interest) except for money market investments and participating interest-earning investment contracts (U.S. Treasuries) that have a remaining maturity at time of purchase of one year or less. Those investments are stated at amortized cost. Likewise, certificates of deposit are stated at amortized cost.

F. Receivables

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

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

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

G. Short-Term Inter-fund Receivables/Payables

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

CITY OF DILLEY
Dilley, Texas

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Inventories and Prepaid Items

The City accounts for inventories using the consumption method. Inventories consist primarily of supplies and are valued, at cost determined by the average cost method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid Items of governmental funds are recorded as expenditures when consumed rather than when purchased.

I. Budget

An operating budget is adopted each fiscal year for all City governmental funds. The budget is adopted on the GAAP basis of accounting.

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

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

A public hearing is conducted to obtain taxpayer comments.

Prior to October the budget is legally enacted through passage of an ordinance.

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

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

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

J. Restricted Assets

Certain enterprise fund revenues are collected for a specific purpose by state law and city ordinances such as impact fees for infrastructure improvements, construction projects, and the purchase utility meters. These funds are classified as restricted assets on the statement of net position and balance sheet because their use is limited by law.

Deposits of utility customers and performance bond deposits pending refund to the customer are considered restricted assets.

CITY OF DILLEY
Dilley, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Capital Assets

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

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

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

Asset	Useful Lives (Years)
Buildings	50
Infrastructure	50
Intangibles	7
Other Machinery & Equipment	5
Vehicles	5

L. Compensated Absences

Vested or accumulated vacation leave up to 240 hours that is expected to be liquidated with expendable available resources is reported as an expenditure and fund liability of the governmental fund that will pay for it. The City is responsible for payment of vested or accumulated vacation leave. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government wide statements. Vested or accumulated vacation of the enterprise fund is recorded as an expense and liability of that fund as the benefits accrue to employees. Accumulated vacation pay at September 30, 2025 of \$12,904 and \$31,041 has been recorded in accrued liabilities of the proprietary funds and government-activities statements, respectively. Compensated absences are reported in the governmental funds only if they have matured (i.e., unused reimbursable leave outstanding following an employee's resignation or retirement). The general fund is the governmental fund that has typically been used in prior years to liquidate the liability for compensated absences.

CITY OF DILLEY
Dilley, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Deferred Inflows/Outflows of Resources

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

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

N. Unearned Revenue

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Grant and reimbursement revenues received in advance of expenses/expenditures are reflected as unearned revenue. The American Recovery Plan Act Grant is recorded as unearned revenue on the Statement of Financial Position, as well as the Balance Sheet.

O. Pensions

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

P. OPEB Liability

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

CITY OF DILLEY
Dilley, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities or proprietary fund type statement of net position. On new bond issues, bond premium and discounts are deferred and amortized over the life of the term of the related debt.

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

R. Net Position

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

S. Fund Balance Classification Policies

The City adopted Governmental Accounting Standards Board Statement Number 54 (GASB 54) *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement provides guidance for fund balance categories and classifications and governmental fund type definitions. GASB 54 changed the way we look at fund balances, specifically reporting what fund balances, by major governmental fund type, are or are not available for public purposes. Five categories of fund balances were created and defined by GASB 54. These five categories are as follows:

- **Non-spendable** - These funds are not available for expenditures based on legal or contractual requirements. An example might be inventories and prepaid expenditures.
- **Restricted** - These funds are governed by externally enforceable restrictions. At September 30, 2025, restricted fund balance for retirement of long-term debt was \$337,619.
- **Committed** - Fund balances in this category are limited by the government's highest level of decision making (in this case the City Council). Any changes of this designation must be done in the same manner that it was implemented. For example, if funds are committed by resolution, the commitment could only be released with another resolution.

CITY OF DILLEY
Dilley, Texas

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Fund Balance Classification Policies (Continued)

- **Assigned** - For funds to be assigned, there must be an intended use which can be established by the City Council or an official delegated by the council, such as a City Administrator or Finance Director. Assigned fund balance is delegated by the City Council to the City Administrator.
- **Unassigned** - This classification is the default for all funds that do not fit into the other categories. The general fund is the only fund that reports a positive fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for a specific purpose, it may be necessary to report a negative unassigned fund balance in that particular fund.

Restricted amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. The City's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year.

T. Inter-fund Transactions

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

U. Operating Revenues and Expenses

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

V. Use of Estimates

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

CITY OF DILLEY
Dilley, Texas

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

X. Excess of Expenditures Over Appropriations

Expenditures exceeded the budget approved by City Council in the following funds and functions:

<u>Fund/Function</u>	<u>Excess</u>
General Fund	
Principal on Debt	\$ 13,723
Interest on Debt	427
Capital Outlay	21,435
Hotel/Motel Tax Fund	
Capital Outlay	153,980

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

A. Cash

The City's cash deposits at September 30, 2025, were covered by FDIC insurance, or by pledged collateral held by the City's agent bank in Dilley, Texas.

As of September 30, 2025, the cash and cash equivalents were as follows:

Cash on Hand	\$ 100
Deposits with Depository Bank	3,373,661
Certificates of Deposit	201,533
TWDB Short-term Cash Funds	7,751,711
Total	<u>\$ 11,327,005</u>

Restricted cash in the Prison fund for Texas Water Development Board (TWDB) funds in the amount of \$7,751,711 are restricted for future projects.

CITY OF DILLEY
Dilley, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments

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

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investments pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Fair Value Measurement is measured by the City using the fair value 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 the active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City's investments are as follows:

	Net Asset Value	Days to Maturity
Certificates of Deposit	\$ 55,652	355
Certificates of Deposit	145,881	110
Short Term Cash Fund	7,751,711	1
Total	\$ 7,953,244	

C. Analysis of Specific Deposit and Investment Risks

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

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. City investment policy follows state guidelines. The City policy allows investments in certificates of deposit with banks in Texas, investments in U.S. Treasuries and Agencies, and investment pools that invest in obligations of the United States or its agencies and instrumentalities to name a few. At year end, the City was not significantly exposed to credit risk.

CITY OF DILLEY
Dilley, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

C. Analysis of Specific Deposit and Investment Risks (Continued)

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

At year end and per City policy all funds were in the City's name and collateralized with securities that maintain a continuous rating of no lower than AAA or an equivalent rating by at least one nationally recognized rating service. The city was not exposed to custodial credit risk.

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

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

Foreign Currency Risk. This is the risk that exchange rates will adversely affect the fair value of an investment. The City's policy does not allow investment in foreign currency. At year end the city was not exposed to foreign currency risk

D. Investment Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts as amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts. The city was in compliance with the Texas Government Code Chapter 2256.

CITY OF DILLEY
Dilley, Texas

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE 3 – ACCOUNTS RECEIVABLES

Accounts receivables consist of the following as of September 30, 2025:

	Governmental Funds		Proprietary Funds	
	General	Hotel/Motel Tax	Utility	Prison
<i>Receivables:</i>				
Sales Taxes	\$ 101,384	\$ -	\$ -	-
Franchise Taxes	43,223	-	-	-
Occupancy Taxes	-	-	-	-
Hotel/Motel Taxes	-	12,778	-	-
Utilities & Charges for Services	-	-	794,728	162,292
Other – TDCJ Bond Payment Reimbursement	-	-	-	-
Gross Receivables	144,607	12,778	-	162,292
Less: Allowance for Uncollectibles	-	-	(391,339)	-
Net Total Receivables	<u>\$ 144,607</u>	<u>\$ 12,778</u>	<u>\$ 403,389</u>	<u>\$ 162,292</u>

NOTE 4 – PROPERTY TAX CALENDAR

The City's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the Frio County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A revaluation of all property is required to be completed every four (4) years. The total taxable value as of January 1, 2024, upon which the fiscal 2025 levy was based, was \$180.9 million (market value less exemptions and adjustments).

The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. Pursuant to a decision of the Attorney General of the State of Texas, up to \$1.50 per \$100 of assessed valuation may be used for the payment of long-term debt. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended September 30, 2025 was \$0.801435 per \$100 of assessed value. The tax rate for maintenance and support of the general government is \$0.372707 on each \$100 valuation of property, while the tax rate for the interest and sinking fund is \$0.428728 on each \$100 valuation of property.

Property taxes are recorded as receivables and deferred inflows of resources at the time the taxes are assessed. In governmental funds, revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in the time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with generally accepted accounting principles have been recognized as revenue. In the government wide financial statements, the entire levy is recognized as revenue, net of estimated uncollectible amounts (if any), at the levy date.

CITY OF DILLEY
Dilley, Texas

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE 5 – INTERFUND TRANSACTIONS

Transfers consist of the following:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
Utility	General Fund	\$ 175,000	Supplemental Operations
Prison	General Fund	150,000	Supplemental Operations
CoreCivic Fund	General Fund	949,806	Supplemental Operations
Hotel/Motel Tax Fund	General Fund	55,000	Supplemental Operations
Prison	Utility	15,735	Supplemental Operations
Utility	Utility	92,510	
		<u>\$ 1,438,051</u>	

Interfund Payables and Receivables consist of the following:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Purpose</u>
Prison	General Fund	\$ 125,998	Supplemental Operations
Prison	Utility	325,000	Supplemental Operations
		<u>\$ 450,998</u>	

CITY OF DILLEY
Dilley, Texas

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE 6 – CAPITAL ASSETS

	Beginning Balance	Additions	Transfers/ Deletions	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 164,243	\$ -	\$ -	\$ 164,243
Construction in Progress	161,157	47,087	(208,244)	-
Total Capital Assets Not Being Depreciated	325,400	47,087	(208,244)	164,243
Capital Asset Being Depreciated				
Buildings	4,656,023	336,572	(63,461)	4,929,134
Machinery, Equipment & Vehicles	3,173,092	-	-	3,173,092
Infrastructure	5,469,758	-	-	5,469,758
Intangibles	73,688	-	-	73,688
Total Capital Assets Being Depreciated	13,372,651	336,572	(63,461)	13,645,672
Accumulated Depreciation				
Buildings	(927,601)	(112,406)	8,939	(1,031,068)
Machinery, Equipment & Vehicles	(2,994,843)	(75,169)	-	(3,070,012)
Infrastructure	(1,327,406)	(109,395)	-	(1,436,801)
Intangibles	(73,688)	-	-	(73,688)
Total Accumulated Depreciation	(5,323,538)	(269,970)	8,939	(5,611,569)
Total Capital Assets Being Depreciated, Net	8,049,022	39,602	(54,522)	8,034,103
Governmental Activities Capital Assets, Net	\$ 8,374,423	\$ (86,689)	\$ (262,766)	\$ 8,198,346
Business-Type Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 206,903	\$ -	\$ -	\$ 206,903
Construction in Progress	277,842	458,175	(17,500)	718,517
Total Capital Assets Not Being Depreciated	484,745	458,175	(17,500)	925,420
Capital Assets Being Depreciated				
Buildings & Improvements	333,279	-	-	333,279
Equipment & Vehicles	17,539,011	6,750	-	17,545,761
Water & Sewer	1,470,094	132,414	-	1,602,508
Prison Water & Sewer System	2,554,827	102,851	-	2,657,678
Prison Building & Equipment	287,403	-	-	287,403
Total Capital Assets Being Depreciated	22,184,614	242,015	-	\$22,426,629
Accumulated Depreciation				
Buildings & Improvements	(333,279)	-	-	(333,279)
Equipment & Vehicles	(8,207,901)	(349,870)	-	(8,557,771)
Water & Sewer	(136,917)	(59,481)	-	(196,398)
Prison Water & Sewer System	(1,468,824)	(72,426)	-	(1,541,251)
Prison Building & Equipment	(287,403)	-	-	(287,403)
Total Accumulated Depreciation	(10,434,325)	(481,777)	-	(10,916,102)
Total Capital Assets Being Depreciated, Net	11,750,289	(239,762)	-	11,510,527
Business-Type Activities Capital Assets, Net	\$ 12,235,034	\$ 218,413	\$ (17,500)	\$ 12,435,947

CITY OF DILLEY
Dilley, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE 6 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to the governmental functions as follows:

Governmental Activities	
General Administration	\$ 3,883
Public Safety	141,004
Public Works	5,174
Culture & Recreation	146,909
Total Depreciation Expense – Governmental Activities	\$ 296,970
Business-Type Activities	
Water & Sewer System	\$ 409,351
Prison	72,426
Total Depreciation Expense – Business-Type Activities	\$ 481,777

NOTE 7 – LONG-TERM LIABILITIES

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

	Balance 10/1/24	Additions	Reductions	Balance 9/30/25	Due Within One Year
Governmental Activities					
Notes Payable	\$ 274,705	\$ -	\$ (76,167)	\$ 198,538	\$ 64,742
<i>Certificates of Obligation:</i>					
Series 2011	253,000	-	(124,000)	129,000	129,000
Series 2013	1,082,250	-	(263,250)	819,000	266,500
Series 2014	380,000	-	(70,000)	310,000	75,000
Series 2015	1,071,000	-	(166,500)	904,500	171,000
Total Bonds	2,786,250	-	(623,750)	2,162,500	641,500
Total Bonds & Notes Payable	3,060,955	-	(699,917)	2,361,038	706,242
Compensated Absences	27,804	3,237	-	31,041	-
	\$ 3,088,759	\$ 3,237	\$ (699,917)	\$ 2,392,079	\$ 706,242
Business-Type Activities:					
Notes Payable	\$ 132,546	\$ -	\$ (42,720)	\$ 89,826	\$ 44,166
<i>Certificates of Obligation:</i>					
With Direct Borrowing & Placement					
Series 2007	666,000	-	(17,000)	649,000	18,000
Series 2011A	1,441,180	-	(29,000)	1,412,180	31,000
Series 2023A	1,723,000	-	(33,000)	1,690,000	34,000
Series 2023B	1,919,000	-	(69,000)	1,850,000	69,000
Total With Direct Borrowing & Placement	5,749,180	-	(148,000)	5,601,180	152,000
With No Direct Borrowing & Placement					
Series 2013	582,750	-	(141,750)	441,000	143,500
Series 2015	119,000	-	(18,500)	100,500	19,000
Total With No Direct Borrowing & Placement	701,750	-	(160,250)	541,500	162,500
Total Bonds	6,450,930	-	(308,250)	6,142,680	314,500
Compensated Absences	22,786	996	(10,878)	12,904	-
	\$ 6,606,262	\$ 996	\$ (361,848)	\$ 6,245,410	\$ 358,666

CITY OF DILLEY
Dilley, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE 7 – LONG-TERM DEBT (Continued)

In January 2023, the City obtained bonds in the amount of \$3.8 million of Tax and Revenue Certificate of Obligation, Series 2023 A & B, through Texas Water Development Board for sewer projects at the prison.

The Series 2007 and 2011A in the Business-Type Activity Funds require a sinking fund of at least 2%. As of September 30, 2025, the City did not comply with this requirement. Additionally, all of the debt is considered direct borrowings and placements.

Requirements to amortize all notes payable as of September 30, 2025:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2026	\$ 64,742	\$ 7,674	\$ 72,416
2027	42,885	5,285	48,170
2028	44,579	3,591	48,170
2029	46,332	1,830	48,162
Total	\$ 198,538	\$ 18,380	\$ 216,925

Year Ending September 30,	Business-Type Activities		
	Principal	Interest	Total
2026	\$ 44,166	\$ 3,040	\$ 47,206
2027	45,660	1,545	47,205
Total	\$ 89,826	\$ 4,585	\$ 94,411

The annual requirements to amortize all long-term private placement debt and obligations outstanding, excluding compensated absences, as of September 30, 2025, including interest payments, are as follows:

Year Ending September 30,	Direct Borrowings and Placements		
	Governmental Activities		
	Principal	Interest	Total
2026	\$ 641,500	\$ 57,083	\$ 698,583
2027	523,500	39,836	563,336
2028	539,500	26,666	566,166
2029	264,500	13,080	277,580
2030	193,500	5,515	199,015
Thereafter	-	-	-
Total	\$ 2,162,500	\$ 142,179	\$ 2,304,679

CITY OF DILLEY
Dilley, Texas

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE 7 – LONG-TERM DEBT (Continued)

Year Ending September 30,	With Direct Borrowings and Placements		
	Business-Type Activities		
	Principal	Interest	Total
2026	\$ 152,000	\$ 158,910	\$ 310,910
2027	155,000	155,592	310,592
2028	159,000	152,314	311,314
2029	163,000	148,586	311,586
2030	166,000	144,846	310,846
2031-2035	897,000	661,391	1,558,391
2036-2040	1,030,000	534,352	1,564,352
2041-2045	1,195,000	373,642	1,568,642
2046-2050	1,267,000	180,721	1,447,721
2051-2052	417,180	18,289	435,469
Total	\$ 5,601,180	\$ 2,528,643	\$ 8,129,823

Year Ending September 30,	With No Direct Borrowings and Placements		
	Business-Type Activities		
	Principal	Interest	Total
2026	\$ 162,500	\$ 12,566	\$ 175,066
2027	166,500	8,868	175,368
2028	170,500	5,078	175,578
2029	20,500	1,197	21,697
2030	21,500	613	22,113
Thereafter	-	-	22,113
Total	\$ 541,500	\$ 28,322	\$ 569,822

NOTE 8 – PENSION PLAN

Texas Municipal Retirement System

A. Plan Description

The City participates in one of 892 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' defined pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmrs.com.

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

CITY OF DILLEY
Dilley, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE 8 – PENSION PLAN (Continued)

Texas Municipal Retirement System (Continued)

B. Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

At the December 31, 2024 and 2023 valuation and measurement date, the following employees were covered by the benefit terms:

	2024	2023
Inactive Employees of Beneficiaries Currently Receiving Benefits	25	27
Inactive Employees Entitled to but Not Yet Receiving Benefits	57	61
Active Employees	36	37
	<u>118</u>	<u>125</u>

C. 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 were required to contribute 6.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 8.00% and 8.39% for calendar years 2024 and 2025 respectively. The City's contributions to TMRS for the year ended September 30, 2025 were \$159,730, and were equal to the required contributions.

D. Net Pension Liability

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

CITY OF DILLEY
Dilley, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE 8 – PENSION PLAN (Continued)

Texas Municipal Retirement System (Continued)

E. Actuarial Assumptions

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

Inflation	2.50% per year
Overall Payroll Growth	2.75% per year
Investment Rate of Return *	6.75%

* Presented net of pension plan investment expense, including inflation.

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

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

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

CITY OF DILLEY
Dilley, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE 8 – PENSION PLAN (Continued)

Texas Municipal Retirement System (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class in fiscal year 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.10%
Core Fixed Income	6.0%	5.00%
Non-Core Fixed Income	6.0%	6.80%
Hedge Funds	5.0%	6.40%
Private Equity	13.0%	8.50%
Private Debt	13.0%	8.20%
Real Estate	12%	6.70%
Infrastructure	6.0%	6.0%
Other Private Markets	4.0%	7.30%
Total	100.0%	

F. Discount Rate

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

CITY OF DILLEY
Dilley, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE 8 – PENSION PLAN (Continued)

Texas Municipal Retirement System (Continued)

G. Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/ (Asset) (a)-(b)
Balance at 12/31/2023	\$ 3,583,738	\$ 3,228,672	\$ 355,066
Changes for the year:			
Service Cost	280,542	-	280,542
Interest	224,052	-	244,052
Change in Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(10,798)	-	(10,798)
Changes of Assumptions	-	-	-
Contributions – Employer	-	174,928	(174,928)
Contributions – Employee	-	131,197	(131,197)
Net Investment Income	-	334,071	(334,071)
Benefit Payments, Including Refunds of Employee Contributions	(216,860)	(216,860)	-
Administrative Expense	-	(2,152)	2,152
Other Changes	-	(50)	50
Net Changes	296,936	421,135	(124,199)
Balance at 12/31/2024	\$ 3,860,674	\$ 3,649,806	\$ 230,867

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

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

	Discount Rate (5.75%)	Discount Rate (6.75%)	Discount Rate (7.75%)
City’s Net Pension Liability/(Asset)	\$ 760,480	\$ 230,867	\$ (202,952)

CITY OF DILLEY
Dilley, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE 8 – PENSION PLAN (Continued)

Texas Municipal Retirement System (Continued)

I. Pension Plan Fiduciary Net Position

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

J. 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 \$159,730.

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	\$ -	\$ 18,164
Changes in Actuarial Assumptions	-	8,701
Difference between Projected and Actual Investment Earnings	170,185	208,497
Contributions Subsequent to the Measurement Date	105,682	-
Total	\$ 275,867	\$ 235,332

The City reported \$105,682 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (December 31, 2024) will be recognized as a reduction of the net pension liability for the year fiscal ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	
2025	\$ (24,670)
2026	33,451
2027	(50,704)
2028	(23,224)
Total	\$ (65,147)

CITY OF DILLEY
Dilley, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE 9 – OTHER POST EMPLOYMENT BENEFIT (OPEB)

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other post-employment benefit," or OPEB. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Membership in the plan at December 31, 2024, the valuation and measurement date, consisted of:

	2024	2023
Inactive Employees of Beneficiaries Currently Receiving Benefits	19	22
Inactive Employees Entitled to but Not Yet Receiving Benefits	2	3
Active Employees	36	37
	57	62

The SDBF required contribution rates, based on these assumptions, are as follows:

For the Calendar Year Ended December 31.	Total SDBF Contribution Rate	Retiree Portion to SDBF Contribution Rate
2024	0.33%	0.16%
2025	0.33%	0.18%

These contribution rates are based on actuarial assumptions developed primarily from the actuarial investigation of the experience of TMRS as of December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. For calculating the OPEB liability and OPEB contribution rates, the Gender-distinct 2019 Municipal Retirees of Texas mortality tables were used. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 100.0%. These assumptions are summarized below:

CITY OF DILLEY
Dilley, Texas

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE 9 – OTHER POST EMPLOYMENT BENEFIT (OPEB) (Continued)

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

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

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

	Total OPEB Liability
Balance at 12/31/2023	\$ 106,453
Changes for the year:	
Service Cost	7,216
Interest	4,083
Change of Benefit Terms	-
Differences Between Expected and Actual Experience	(21,614)
Changes in Assumptions or Other Inputs	(4,802)
Benefit Payments**	(3,499)
Net Changes	(18,616)
Balance at December 31, 2024	\$ 87,837

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

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

CITY OF DILLEY
Dilley, Texas

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE 9 – OTHER POST EMPLOYMENT BENEFIT (OPEB) (Continued)

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

	Discount Rate 3.08%	Discount Rate 4.08%	Discount Rate 5.08%
City’s Total OPEB Liability	\$ 104,850	\$ 87,837	\$ 74,424

For the year ended September 30, 2025, the City recognized OPEB expense of \$6,133. Also as of September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Experience	\$ 663	\$ 22,655
Changes in Actuarial Assumptions	4,687	21,838
Contributions Subsequent to the Measurement Date	4,157	
Total	\$ 9,507	\$ 44,493

Deferred outflows of resources in the amount of \$4,157 is related to OPEB benefits resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the plan year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Plan Year Ended December 31,	
2025	\$ (15,800)
2026	(15,363)
2027	(5,999)
2028	(1,981)
2029	-
Total	\$ (39,143)

NOTE 10 – UNEARNED REVENUE

The City has unearned revenue in the amount of \$3,737,346 as of September 30, 2025. This balance is comprised of grant funds from the Coronavirus State and Local Fiscal Recovery Funds, which is authorized by the American Rescue Plan, in the amount of \$20,927. Unearned revenue also consists of \$51,844 for 8-Liner permits and \$3,664,575 in unspent grant funds for improvements to the City’s prison sewer system.

CITY OF DILLEY
Dilley, Texas

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Litigation

The City is the subject of various claims and litigation that have arisen in the course of its operations. Management is of the opinion that the City's liability in these cases, if decided adversely to the City, will not have a material effect on the City's financial position.

Grants

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

NOTE 12 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are set annually by TML. Liability by the City is generally limited to the contributed amounts. Annual contributions for the year ended September 30, 2025 were \$161,923.

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REQUIRED SUPPLEMENTARY INFORMATION

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

EXHIBIT G-1

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 632,353	\$ 638,853	\$ 640,345	\$ 1,492
General Sales and Use Taxes	750,000	600,000	619,740	19,740
Franchise Tax	205,000	205,000	201,144	(3,856)
Penalty and Interest on Taxes	15,000	15,000	16,814	1,814
Licenses and Permits	101,500	229,500	224,354	(5,146)
Intergovernmental Revenue and Grants	1,100	1,100	2,825	1,725
Charges for Services	39,625	548,190	479,582	(68,608)
Investment Earnings	7,000	14,000	17,064	3,064
Rents and Royalties	10,100	12,050	11,800	(250)
Contributions & Donations from Private Sources	121,800	136,200	124,982	(11,218)
Other Revenue	7,150	7,150	24,522	17,372
Total Revenues	<u>1,890,628</u>	<u>2,407,043</u>	<u>2,363,172</u>	<u>(43,871)</u>
EXPENDITURES:				
Current:				
General Government	721,340	786,290	685,347	100,943
Public Safety	1,578,980	1,462,380	1,284,122	178,258
Public Works	235,141	258,741	234,045	24,696
Culture and Recreation	502,636	502,636	353,321	149,315
Conservation and Development	3,700	3,700	1,403	2,297
Debt Service:				
Principal on Debt	-	-	13,723	(13,723)
Interest on Debt	-	-	427	(427)
Capital Outlay:				
Capital Outlay	-	-	21,435	(21,435)
Total Expenditures	<u>3,041,797</u>	<u>3,013,747</u>	<u>2,593,823</u>	<u>419,924</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,151,169)</u>	<u>(606,704)</u>	<u>(230,651)</u>	<u>376,053</u>
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	1,000	20,000	20,000	-
Transfers In	380,000	380,000	1,329,806	949,806
Other Resources	3,000	3,000	51	(2,949)
Total Other Financing Sources (Uses)	<u>384,000</u>	<u>403,000</u>	<u>1,349,857</u>	<u>946,857</u>
Net Change	<u>(767,169)</u>	<u>(203,704)</u>	<u>1,119,206</u>	<u>1,322,910</u>
Fund Balance - October 1 (Beginning)	<u>57,834</u>	<u>57,834</u>	<u>57,834</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ (709,335)</u>	<u>\$ (145,870)</u>	<u>\$ 1,177,040</u>	<u>\$ 1,322,910</u>

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

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

	FY 2025 Plan Year 2024	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022
A. Total Pension Liability			
Service Cost	\$ 280,542	\$ 220,614	\$ 207,778
Interest (on the Total Pension Liability)	244,052	230,705	215,398
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	(10,798)	(42,665)	6,265
Changes of Assumptions	-	(30,187)	-
Benefit Payments, Including Refunds of Employee Contributions	(216,860)	(204,556)	(213,619)
Net Change in Total Pension Liability	\$ 296,936	\$ 173,911	\$ 215,822
Total Pension Liability - Beginning	3,583,738	3,409,827	3,194,005
Total Pension Liability - Ending	\$ 3,880,674	\$ 3,583,738	\$ 3,409,827
B. Total Fiduciary Net Position			
Contributions - Employer	\$ 174,928	\$ 140,882	\$ 157,298
Contributions - Employee	131,197	108,232	103,372
Net Investment Income	334,071	330,164	(220,968)
Benefit Payments, Including Refunds of Employee Contributions	(216,860)	(204,556)	(213,619)
Administrative Expense	(2,152)	(2,103)	(1,914)
Other	(49)	(14)	2,284
Net Change in Plan Fiduciary Net Position	\$ 421,135	\$ 372,605	\$ (173,547)
Plan Fiduciary Net Position - Beginning	3,228,672	2,856,067	3,029,614
Plan Fiduciary Net Position - Ending	\$ 3,649,807	\$ 3,228,672	\$ 2,856,067
C. Net Pension Liability	\$ 230,867	\$ 355,066	\$ 553,760
D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability	94.05%	90.09%	83.76%
E. Covered Payroll	\$ 2,186,612	\$ 1,803,872	\$ 1,722,870
F. Net Pension Liability as a Percentage of Covered Payroll	10.56%	19.68%	32.14%

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

FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015
\$ 205,346	\$ 197,847	\$ 192,548	\$ 178,069	\$ 138,801	\$ 148,812	\$ 147,986
212,755	198,427	186,402	176,062	150,736	142,211	129,538
-	-	-	233,421	-	-	-
(173,257)	(31,506)	(105,976)	(55,188)	(37,784)	(47,389)	25,776
-	-	26,817	-	-	-	54,623
(200,170)	(112,342)	(136,236)	(169,758)	(89,462)	(135,210)	(68,896)
\$ 44,674	\$ 252,426	\$ 163,555	\$ 362,606	\$ 162,291	\$ 108,424	\$ 289,027
3,149,331	2,896,905	2,733,350	2,370,744	2,208,453	2,100,029	1,811,002
\$ 3,194,005	\$ 3,149,331	\$ 2,896,905	\$ 2,733,350	\$ 2,370,744	\$ 2,208,453	\$ 2,100,029
\$ 153,602	\$ 158,573	\$ 152,876	\$ 113,033	\$ 101,185	\$ 102,246	\$ 101,804
97,939	93,841	89,488	69,019	62,863	68,704	71,011
343,604	176,075	296,886	(58,973)	230,606	103,203	2,098
(200,170)	(112,342)	(136,236)	(169,758)	(89,462)	(135,210)	(68,896)
(1,590)	(1,140)	(1,677)	(1,139)	(1,195)	(1,165)	(1,278)
11	(44)	(50)	(60)	(61)	(63)	(63)
\$ 393,396	\$ 314,963	\$ 401,287	\$ (47,878)	\$ 303,936	\$ 137,715	\$ 104,676
2,636,218	2,321,255	1,919,968	1,967,846	1,663,910	1,526,195	1,421,519
\$ 3,029,614	\$ 2,636,218	\$ 2,321,255	\$ 1,919,968	\$ 1,967,846	\$ 1,663,910	\$ 1,526,195
\$ 164,391	\$ 513,113	\$ 575,650	\$ 813,382	\$ 402,898	\$ 544,543	\$ 573,834
94.85%	83.71%	80.13%	70.24%	83.01%	75.34%	72.67%
\$ 1,632,325	\$ 1,564,010	\$ 1,491,466	\$ 1,380,376	\$ 1,257,251	\$ 1,374,076	\$ 1,420,215
10.07%	32.81%	38.60%	58.92%	32.05%	39.63%	40.40%

CITY OF DILLEY, TEXAS
Dilley, Texas

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

For The Year Ended September 30, 2025

Economic Assumptions

- A. General Inflation – General Inflation is assumed to be 2.50% per year.
- B. Discount/Crediting Rates
1. System-wide Investment Return Assumption: 6.75% per year, compounded annually, composed of an assumed 2.50% inflation rate and a 4.25% net real rate of return. This rate represents the assumed return, net of all investment and administrative expenses. This is the discount rate used to value the liabilities of the individual employers.
 2. Because the Supplemental Death Benefits Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability is based on the Bond Buyer “20-Bond GO Index” rate closest to, but not later than the measurement date.
 3. Assumed discount/crediting rate for Supplemental Disability Benefits Fund and individual employee accounts: an annual rate of 5.00% for (1) accumulating prior service credit and updated service credit after the valuation date, (2) accumulating the employee current service balances, (3) determining the amount of the monthly benefit at future dates of retirement or disability, and (4) calculating the actuarial liability of the system-wide Supplemental Disability Benefits Fund.
- C. Overall Payroll Growth – 2.75% per year, which is used to calculate the contribution rates for the retirement plan of each participating city as a level percentage of payroll. This represents the expected increase in total payroll. This increase rate is solely due to the effect of wage inflation on salaries, with no allowance for future membership growth. However, for cities with a decrease in the number of contributing members from 2008 to 2022, the payroll growth is decreased by half the annual percentage decrease in the count capped at a 1.5% decrease per year and rounded down to the nearest 0.1%.
- D. Individual Salary Increases – Salary increases are assumed to occur once a year, on January 1. Therefore, the pay used for the calendar year following the valuation date is equal to the reported pay for the prior year, increased by the salary increase assumption. Salaries are assumed to increase by the following graduated service-based scale.

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

CITY OF DILLEY, TEXAS
Dilley, Texas

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

For The Year Ended September 30, 2025

D. Individual Salary Increases (Continued)

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

- E. Annuity Increase – The Consumer Price Index (CPI) is assumed to be 2.50% per year prospectively. For the City of Dilley, annual annuity increases of 0.00% are assumed when calculating the TPL.
- F. Load and Updated Service Credit – To reflect the asymmetric nature of the credits due to the USC provision, there is a load on the final average earnings used in the calculation of 0.1% per year into the future that the calculation is performed.

Demographic Assumptions

A. Termination Rates

1. The base table rates vary by service and length until retirement eligibility. For City of Dilley the base table is then multiplied by a factor of 120.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire – 63%, 2) Police – 82%, or 3) Other – 116%.

- B. Forfeiture Rates (Withdrawal of Member Deposits from TMRS) for vested members vary by age and employer match, and they are expressed as a percentage of the termination rates shown in (A). The withdrawal rates for cities with a 2-to-1 match are shown below. 6% is added to the rates for 1½-to-1 cities, and 12% is added for 1-to-1 cities.

C. Service Retirees and Beneficiary Mortality Rates

For calculating the actuarial liability and the retirement contribution rates, the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 100.0%.

CITY OF DILLEY
Dilley, Texas

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended September 30, 2024

D. Disabled Annuitant Mortality Rates

For calculating the actuarial liability and the retirement contribution rates, the mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully general basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the 3.5% and 3% floor.

E. Pre-Retirement Mortality

For calculating the actuarial liability and the retirement contribution rates, the PUB(10) mortality tables, with 110% of the Public Safety table used for males and 100% 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) to account for future mortality improvements.

F. Methods and Assumptions

1. Valuation of Assets – For purposes of calculating the Total OPEB Liability, the plan is considered to be unfunded; and, therefore, no assets are accumulated for OPEB.
2. Actuarial Cost Method: The actuarial cost method being used is known as the Entry Age Normal Actuarial Cost Method.
3. Supplemental Death Benefit – The contribution rate for the Supplemental Death Benefit (SDB) is equal to the expected benefit payments during the upcoming year divided by the annualized pay of current active members and is calculated separately for actives and retirees. The 2026 SDB rate for retiree coverage is equal to 110% of the expected term cost. The SDB rate for active coverage is equal to 150% of the expected term cost.

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

	2025	2024	2023
Actuarially Determined Contribution	\$ 159,730	\$ 169,050	\$ 150,299
Contributions in Relation to the Actuarially Determined Contributions	159,730	169,050	150,299
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Payroll	\$ 1,858,558	\$ 2,040,284	\$ 1,837,667
Contributions as a Percentage of Covered Payroll	8.59%	8.28%	8.18%

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

	2022	2021	2020	2019	2018	2017	2016
\$	159,169	\$ 161,333	\$ 153,419	\$ 147,448	\$ 109,143	\$ 101,991	\$ 103,864
	159,169	161,333	153,419	147,448	109,143	101,991	103,864
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$	1,687,704	\$ 1,645,935	\$ 1,509,155	\$ 1,519,669	\$ 1,257,251	\$ 1,374,076	\$ 1,420,215
	9.43%	9.80%	10.17%	9.70%	8.68%	7.42%	7.31%

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

	FY 2025 Plan Year 2024	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022
Total OPEB Liability			
Service Cost	\$ 7,216	\$ 5,051	\$ 7,925
Interest on the Total OPEB Liability	4,083	3,847	2,626
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	(21,614)	989	(10,124)
Changes of Assumptions	(4,802)	5,727	(43,778)
Benefit Payments*	(3,499)	(3,247)	(2,584)
Net Change in Total OPEB Liability	(18,616)	12,367	(45,935)
Total OPEB Liability - Beginning	106,453	94,086	140,021
Total OPEB Liability - Ending	\$ 87,837	\$ 106,453	\$ 94,086
Covered Payroll	\$ 2,186,612	\$ 1,803,872	\$ 1,722,870
Total OPEB Liability as a Percentage of Covered Payroll	4.02%	5.90%	5.46%

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

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

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

<u>FY 2022</u> <u>Plan Year 2021</u>	<u>FY 2021</u> <u>Plan Year 2020</u>	<u>FY 2020</u> <u>Plan Year 2019</u>	<u>FY 2019</u> <u>Plan Year 2018</u>	<u>FY 2018</u> <u>Plan Year 2017</u>
\$ 7,835	\$ 6,412	\$ 5,220	\$ 6,074	\$ 4,903
2,765	2,961	3,236	2,831	2,695
-	-	-	-	-
(8,021)	4,137	(3,931)	(211)	-
4,189	17,787	16,063	(6,044)	6,443
(2,123)	(782)	(597)	(553)	(251)
4,645	30,515	19,991	2,097	13,790
135,376	104,861	84,870	82,773	68,983
<u>\$ 140,021</u>	<u>\$ 135,376</u>	<u>\$ 104,861</u>	<u>\$ 84,870</u>	<u>\$ 82,773</u>
\$ 1,632,325	\$ 1,564,010	\$ 1,491,466	\$ 1,380,376	\$ 1,257,251
8.58%	8.66%	7.03%	6.15%	6.58%

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OTHER SUPPLEMENTARY INFORMATION

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Non Major Governmental Funds

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

	Chapter 59 Seizure	Police Community Event	CoreCivic Service	Hotel / Motel Tax
ASSETS				
Cash and Cash Equivalents	\$ 15,008	\$ 3,092	\$ -	\$ 342,897
Accounts Receivable, Net	-	-	-	12,778
Total Assets	\$ 15,008	\$ 3,092	\$ -	\$ 355,675
FUNDBALANCES				
Assigned Fund Balance:				
Other Assigned Fund Balance	15,008	3,092	-	355,675
Total Fund Balances	15,008	3,092	-	355,675
Total Liabilities and Fund Balances	\$ 15,008	\$ 3,092	\$ -	\$ 355,675

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

Rural Fire	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
\$ 45,301	\$ 406,298	\$ 406,298
-	12,778	12,778
<u>\$ 45,301</u>	<u>\$ 419,076</u>	<u>\$ 419,076</u>
45,301	419,076	419,076
<u>45,301</u>	<u>419,076</u>	<u>419,076</u>
<u>\$ 45,301</u>	<u>\$ 419,076</u>	<u>\$ 419,076</u>

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

	Chapter 59 Seizure	Police Community Event	CoreCivic Service	Hotel / Motel Tax
REVENUES:				
Taxes:				
Franchise Tax	\$ -	\$ -	\$ -	\$ 94,903
Investment Earnings	123	4	-	710
Contributions & Donations from Private Sources	-	5,207	-	-
Other Revenue	-	-	-	-
Total Revenues	<u>123</u>	<u>5,211</u>	<u>-</u>	<u>95,613</u>
EXPENDITURES:				
Current:				
General Government	-	-	-	83,937
Public Safety	1,650	11,163	-	-
Debt Service:				
Principal on Debt	-	-	-	-
Interest on Debt	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	-	153,980
Total Expenditures	<u>1,650</u>	<u>11,163</u>	<u>-</u>	<u>237,917</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,527)</u>	<u>(5,952)</u>	<u>-</u>	<u>(142,304)</u>
OTHER FINANCING SOURCES (USES):				
Transfers Out	-	-	(949,806)	(55,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(949,806)</u>	<u>(55,000)</u>
Net Change in Fund Balance	(1,527)	(5,952)	(949,806)	(197,304)
Fund Balance - October 1 (Beginning)	<u>16,535</u>	<u>9,044</u>	<u>949,806</u>	<u>552,979</u>
Fund Balance - September 30 (Ending)	<u>\$ 15,008</u>	<u>\$ 3,092</u>	<u>\$ -</u>	<u>\$ 355,675</u>

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

Rural Fire	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ 94,903	\$ 94,903
215	1,052	1,052
-	5,207	5,207
93,422	93,422	93,422
<u>93,637</u>	<u>194,584</u>	<u>194,584</u>
-	83,937	83,937
-	12,813	12,813
62,444	62,444	62,444
9,978	9,978	9,978
-	153,980	153,980
72,422	323,152	323,152
21,215	(128,568)	(128,568)
-	(1,004,806)	(1,004,806)
-	(1,004,806)	(1,004,806)
21,215	(1,133,374)	(1,133,374)
24,086	1,552,450	1,552,450
<u>\$ 45,301</u>	<u>\$ 419,076</u>	<u>\$ 419,076</u>

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

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

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
REVENUES:				
Taxes:				
Property Taxes	\$ 723,367	\$ 723,367	\$ 712,123	\$ (11,244)
Penalty and Interest on Taxes	20,000	20,000	19,776	(224)
Investment Earnings	2,000	2,000	7,600	5,600
Total Revenues	<u>745,367</u>	<u>745,367</u>	<u>739,499</u>	<u>(5,868)</u>
EXPENDITURES:				
Debt Service:				
Principal on Debt	623,750	623,750	623,750	-
Interest on Debt	73,818	73,818	73,597	221
Total Expenditures	<u>697,568</u>	<u>697,568</u>	<u>697,347</u>	<u>221</u>
Change in Fund Balance	47,799	47,799	42,152	(5,647)
Fund Balance - October 1 (Beginning)	<u>295,467</u>	<u>295,467</u>	<u>295,467</u>	<u>-</u>
 Fund Balance - September 30 (Ending)	 <u>\$ 343,266</u>	 <u>\$ 343,266</u>	 <u>\$ 337,619</u>	 <u>\$ (5,647)</u>

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

CITY OF DILLEY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - HOTEL/MOTEL TAX
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
REVENUES:				
Franchise Tax	\$ 120,000	\$ 120,000	\$ 94,903	\$ (25,097)
Investment Earnings	500	500	710	210
Total Revenues	120,500	120,500	95,613	(24,887)
EXPENDITURES:				
Current:				
General Government	30,000	178,144	83,937	94,207
Capital Outlay:				
Capital Outlay	-	-	153,980	(153,980)
Total Expenditures	30,000	178,144	237,917	(59,773)
Excess (Deficiency) of Revenues Over (Under) Expenditures	90,500	(57,644)	(142,304)	(84,660)
OTHER FINANCING SOURCES (USES):				
Transfers Out	55,000	55,000	(55,000)	(110,000)
Total Other Financing Sources (Uses)	55,000	55,000	(55,000)	(110,000)
Change in Fund Balance	145,500	(2,644)	(197,304)	(194,660)
Fund Balance - October 1 (Beginning)	552,979	552,979	552,979	-
Fund Balance - September 30 (Ending)	\$ 698,479	\$ 550,335	\$ 355,675	\$ (194,660)

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

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