



CITY OF LA FERIA, TEXAS

FINANCIAL STATEMENTS

September 30, 2025



City of La Feria, Texas
Table of Contents
September 30, 2025

	<u>Page No.</u>
FINANCIAL SECTION	
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	7
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	23
Statement of Activities	24
Fund Financial Statements	
<i>Governmental Fund Financial Statements</i>	
Balance Sheet – Governmental Funds	26
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position	27
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	28
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	30
<i>Proprietary Funds Financial Statements</i>	
Statement of Net Position – Proprietary Funds	30
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	32
Statement of Cash Flows – Proprietary Funds	33
<i>Discretely Presented Component Units Financial Statements</i>	
Combining Statement of Net Position	35
Combining Statement of Activities	38
Notes to Financial Statements	41



City of La Feria, Texas
Table of Contents
September 30, 2025

	<u>Page No.</u>
REQUIRED SUPPLEMENTARY INFORMATION	
General Fund	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	93
Notes to Required Supplementary Information	94
Schedule of Changes in Net Pension Liability and Related Ratios for Agent Multiple Employer Pension Plan – Texas Municipal Retirement System	95
Schedule of Contributions for Agent Multiple Employer Pension Plan – Texas Municipal Retirement System	96
Notes to Schedule of Contributions for Agent Multiple Employer Pension Plan – Texas Municipal Retirement System	97
Schedule of Changes in Total OPEB Liability and Related Ratios	98
OTHER SUPPLEMENTARY INFORMATION	
<i>Nonmajor Governmental Funds</i>	
Combining Balance Sheet	100
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	101
COMPLIANCE SECTION	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	103
Schedule of Findings and Responses	107
Corrective Action Plan	109
Summary Schedule of Prior Year Audit Findings	110
Exit Conference	111



FINANCIAL SECTION





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INDEPENDENT AUDITOR’S REPORT

The Honorable Mayor and
Members of the City Commission
City of La Feria, Texas

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Emphasis of Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2025 the City adopted a new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

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Correction of an Error

As described in Note 2 to the financial statements, the City recorded error corrections affecting prior periods. Our opinion is not modified with respect to this matter.

Change in Reporting Entity

As described in Note 2 to the financial statements, the Waterworks and Sewer System was changed from a discretely presented component unit to a blended component unit. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an

opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, pension system supplementary information, and other post-employment benefit supplementary information on pages 7-20 and 93-98 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of La Feria, Texas' basic financial statements. The nonmajor governmental funds combining balance sheet and combining statement of revenues, expenditures, and changes in fund balance as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The nonmajor governmental funds combining balance sheet and combining statement of revenues, expenditures, and changes in fund balance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 nonmajor governmental funds combining balance sheet and combining statement of revenues, expenditures, and changes in fund balance are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

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

Carr, Riggs & Ingram, L.L.C.

Harlingen, Texas
March 24, 2026

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City of La Feria, Texas Management's Discussion and Analysis

As management of the City of La Feria, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of La Feria for the fiscal year ended September 30, 2025.

Financial Highlights

- The assets and deferred outflows of the City's primary government exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$56,277,084 (net position). Of this amount, \$1,492,002 is unrestricted net position.
- The assets and deferred outflows of the City's discretely presented component units exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$3,840,201 (net position). Of this amount, \$3,799,245 is unrestricted net position.
- At the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$5,987,374, an increase of \$696,135 from the prior year.
- At the end of the current fiscal year, the fund balance for the general fund had a balance of \$2,426,319, an increase of \$257,624, primarily due to an increase in significant fund transfers in.
- The City's total long-term debt (excluding component unit debt) increased by \$3,274,915 (24.12%) during the current fiscal year as a result of the Waterworks and Sewer Fund being reclassified as a blended component unit/business-type activity.

Overview of the Financial Statements

The Annual Financial Report is composed of primarily the Financial Section. The Financial Section of this Annual Financial Report consists of four parts: (1) *management's discussion and analysis (this section)*, (2) *the basic financial statements*, (3) *required supplementary information*, and (4) *other supplementary information*, which is an optional section that presents additional information such as *combining non-major fund 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.

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

City of La Feria, Texas **Management's Discussion and Analysis**

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the 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 and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities of the City include the Waste Disposal Fund and Economic Development Corporation.

The government-wide financial statements include not only the City itself (known as the primary government), but also legally separate component units for which the City is financially accountable: Industrial Development Corporation and the Waterworks and Sewer System.

The government-wide financial statements begin on page 23 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and discretely presented component units.

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the 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.

City of La Feria, Texas Management's Discussion and Analysis

The City maintains two major and six non-major governmental funds. Information for the General Fund and Debt Service Fund, all of which are considered to be major funds is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

Data from the non-major governmental funds are combined into a single, aggregated presentation.

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

The City's governmental fund financial statements begin on page 26 of this report.

Proprietary Funds

The City maintains three proprietary funds, the Waste Disposal Fund, Economic Development Corporation, and Waterworks and Sewer System ("Waterworks"), which are enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City's Waste Disposal fund accounts for its collection of waste and the pick-up of brush and the Economic Development Corporation accounts for economic development activities of the corporation. There are no internal service funds being used by the City at this time.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Waste Disposal Fund, Economic Development Corporation, and Waterworks and Sewer System. The EDC and Waterworks are considered blended component units and presented as propriety funds within the City.

The basic proprietary fund financial statements begin on page 30 of this report.

Discretely Presented Component Units

Discretely presented component units are legally separate from the City. The component units are intended to operate on a self-supporting basis through user charges or the collection of sales tax. The units are discretely presented because the City has a voting majority, imposition of will, financial benefit and financial accountability over the units, and a board that is composed primarily of members other than City commissioners. The units also maintain a September 30 fiscal year end. The La Feria Industrial Development Corporation is presented as a discretely presented component unit. Due to the City performing oversight of the Waterworks, the Waterworks was changed to a blended component unit in 2025.

The discretely presented component unit's financial statements begin on page 35 of this report.

Notes to the Financial Statements

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

City of La Feria, Texas
Management's Discussion and Analysis

The notes to the financial statements begin on page 41 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligations to provide pension and other post employment benefits to its employees. The City also presents a schedule of revenues, expenditures, and changes in fund balances – Budget and Actual for the general fund.

Required supplementary information begins on page 93 of this report.

Other Information

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions.

Non-major governmental funds combining statements begin on page 100 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$56,277,084 at the close of the most recent fiscal year.

	Governmental Activities		Business-type Activities		Total		Component Unit Activities	
	9/30/2025	9/30/2024	9/30/2025	9/30/2024	9/30/2025	9/30/2024	9/30/2025	9/30/2024
Current and other assets	\$ 8,518,210	\$ 6,905,301	\$ 524,665	\$ 2,687,558	\$ 9,042,875	\$ 9,592,859	\$ 3,498,731	\$ 4,372,889
Non current assets	461,973	701,914	27,089	29,238	489,062	731,152	558,067	510,577
Capital assets	25,777,909	25,934,485	40,111,322	1,264,568	65,889,231	27,199,053	2,302,311	41,608,312
Total assets	34,758,092	33,541,700	40,663,076	3,981,364	75,421,168	37,523,064	6,359,109	46,491,778
Deferred outflows of resources	335,726	437,051	140,867	51,193	476,593	488,244	-	148,571
Long-term liabilities outstanding	10,583,430	11,390,496	6,271,248	2,189,267	16,854,678	13,579,763	2,261,355	6,468,022
Other liabilities	1,791,555	1,010,072	585,147	285,809	2,376,702	1,295,881	32,201	3,369,544
Total liabilities	12,374,985	12,400,568	6,856,395	2,475,076	19,231,380	14,875,644	2,293,556	9,837,566
Deferred inflows of resources	274,233	76,924	115,064	9,010	389,297	85,934	225,352	136,494
Net position								
Net investment in capital assets	16,103,419	16,118,176	35,097,306	190,830	51,200,725	16,309,006	40,956	32,790,007
Restricted	3,584,357	3,136,988	-	-	3,584,357	3,136,988	-	-
Unrestricted	2,756,824	2,246,095	(1,264,822)	1,357,641	1,492,002	3,603,736	3,799,245	3,876,282
Total net position	\$ 22,444,600	\$ 21,501,259	\$ 33,832,484	\$ 1,548,471	\$ 56,277,084	\$ 23,049,730	\$ 3,840,201	\$ 36,666,289

90.98% percent of the City's net position reflects its investment in capital assets (e.g., land buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investments 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.

City of La Feria, Texas Management's Discussion and Analysis

An additional portion of the City's net position, \$3,584,357 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$1,492,002, may be used to meet the government's ongoing obligations to citizens and creditors.

The unrestricted net position for governmental activities increased by \$510,729 during the current fiscal year due to an increase in tax collections as well as amounts pending reimbursement from the component units to the City. The discretely presented component units' net position decreased by \$32,826,088 during the current fiscal year which can be attributed to the Waterworks being reclassified as a blended component unit/business-type activity.

Governmental Activities

Governmental activities increased the City's net position by \$936,856. The key element of this increase is primarily attributed to an increase in property and sales taxes collected during the year due to an increase in property values and new developments during the year, as well as additional federal grants received during the year.

Net investment in capital assets decreased by \$14,757 due to ongoing depreciation of fixed assets; restricted net position increased \$447,369 primarily due to the property tax collections for debt service exceeding debt payments and unrestricted net position increased by \$510,729 is primarily due to an increase in tax collections as well as amounts pending reimbursement from the component units to the City.

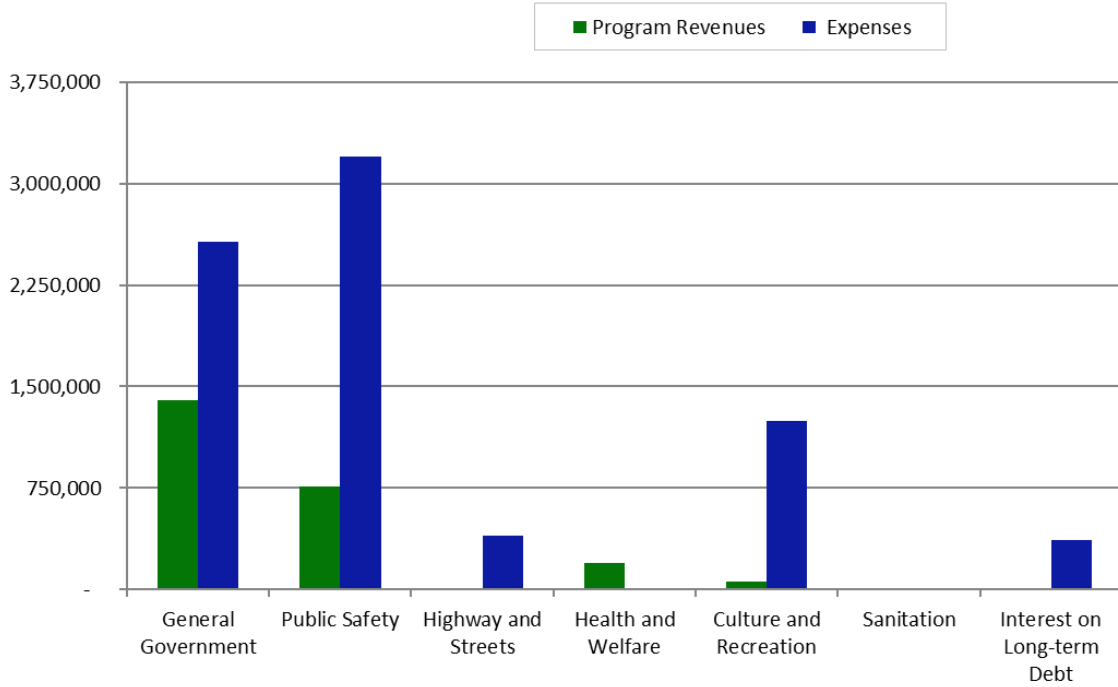
City of La Feria, Texas Management's Discussion and Analysis

	Governmental Activities		Business-type Activities		Total		Component Unit Activities	
	9/30/2025	9/30/2024	9/30/2025	9/30/2024	9/30/2025	9/30/2024	9/30/2025	9/30/2024
Revenues:								
Program revenues								
Charges for services	\$ 1,305,295	\$ 1,617,140	\$ 5,121,475	\$ 1,487,840	\$ 6,426,770	\$ 3,104,980	\$ 43,005	\$ 3,455,638
Operating grants and contributions	99,083	425,057	44,492	44,562	143,575	469,619	-	-
Capital grants and contributions	1,013,260	152,199	-	-	1,013,260	152,199	-	-
General revenues								
Property tax	3,475,694	2,935,065	-	-	3,475,694	2,935,065	-	-
Other taxes	1,580,577	1,563,831	561,111	568,340	2,141,688	2,132,171	561,111	568,335
Other	768,597	417,276	131,979	99,765	900,576	517,041	208,714	241,245
Total revenues	8,242,506	7,110,568	5,859,057	2,200,507	14,101,563	9,311,075	812,830	4,265,218
Expenses								
General government	2,565,582	2,078,958	-	-	2,565,582	2,078,958	-	-
Public safety	3,200,767	2,718,404	-	-	3,200,767	2,718,404	-	-
Highways/streets	401,471	370,744	-	-	401,471	370,744	-	-
Health and welfare	10,368	20,032	-	-	10,368	20,032	-	-
Culture and recreation	1,243,323	1,126,199	-	-	1,243,323	1,126,199	-	-
Interest on long-term debt	368,754	349,550	329,135	86,394	697,889	435,944	-	-
Sanitation	604	-	1,045,300	980,832	1,045,904	980,832	-	-
Economic development	-	-	249,573	244,365	249,573	244,365	-	-
Waterworks system	-	-	4,620,094	-	4,620,094	-	-	4,270,130
IDC	-	-	-	-	-	-	543,467	414,127
Total program expenses	7,790,869	6,663,887	6,244,102	1,311,591	14,034,971	7,975,478	543,467	4,684,257
Increase/(decrease) in net assets before transfers								
assets before transfers	451,637	446,681	(385,045)	888,916	66,592	1,335,597	269,363	(419,039)
Asset transfers	19,500	47,798	(19,500)	(47,798)	-	-	-	-
Transfers	465,719	581,804	(465,719)	(581,804)	-	-	-	-
Increase (decrease) in net position	936,856	1,076,283	(870,264)	259,314	66,592	1,335,597	269,363	(419,039)
Net position - beginning	21,501,259	20,424,976	1,548,471	1,289,157	23,049,730	21,714,133	36,666,289	37,085,328
Adjustments (See Note 2)	6,485	-	33,154,277	-	33,160,762	-	(33,095,451)	-
Net position - beginning, restated	21,507,744	20,424,976	34,702,748	1,289,157	56,210,492	21,714,133	3,570,838	37,085,328
Net position - ending	\$ 22,444,600	\$ 21,501,259	\$ 33,832,484	\$ 1,548,471	\$ 56,277,084	\$ 23,049,730	\$ 3,840,201	\$ 36,666,289

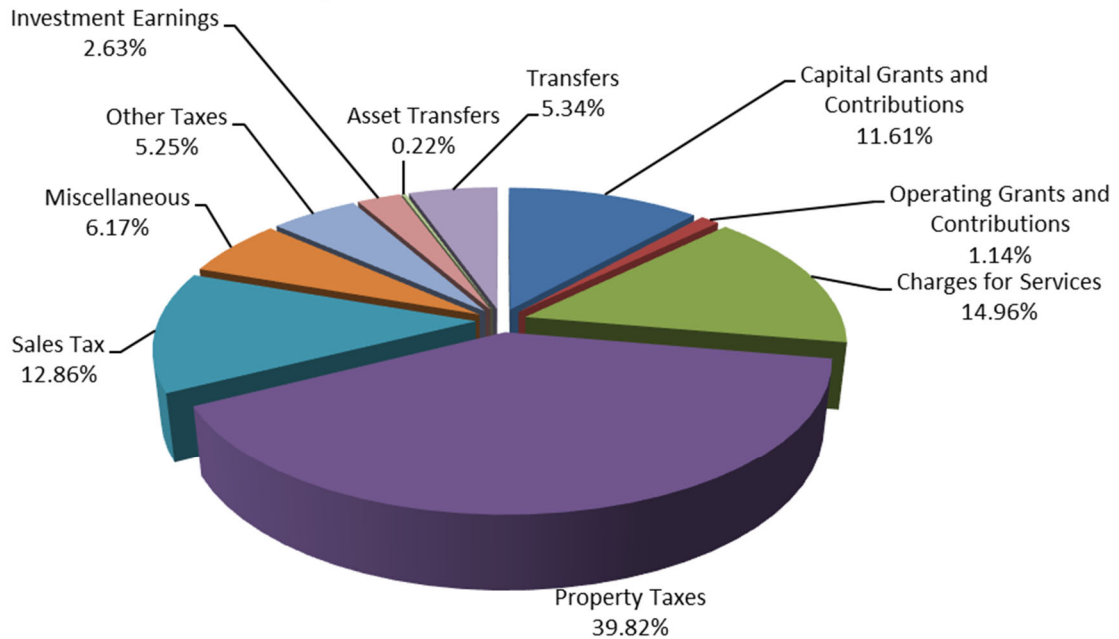
City of La Feria, Texas Management's Discussion and Analysis

An overview of the City's governmental expenses and revenue are presented in the charts below.

Expenses and Program Revenues - Governmental Activities



Revenue by Source - Governmental Activities



Business-Type Activities

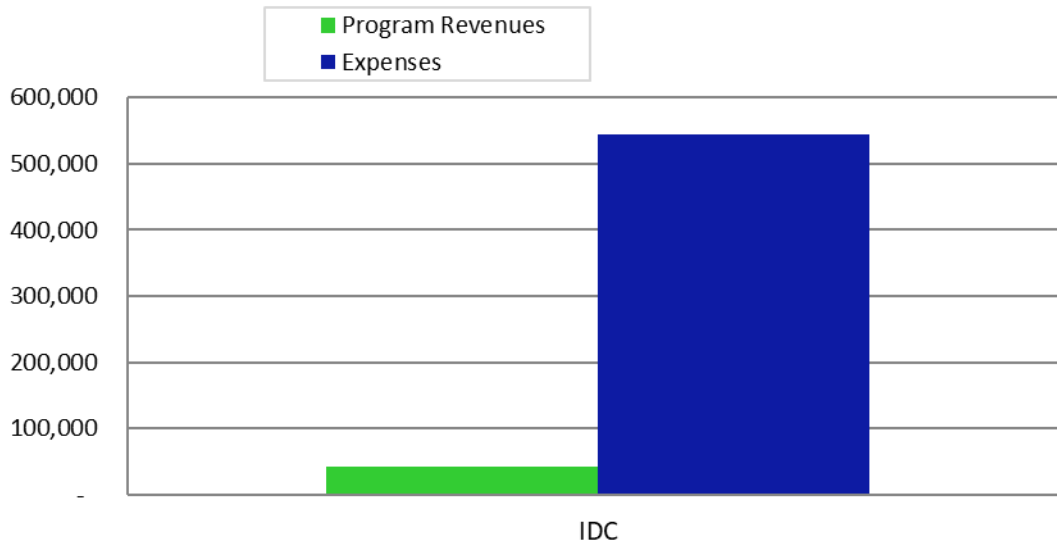
Business-type activities consist of operating expenses of \$6,244,102, transfers-out totaling \$465,719, asset transfers totaling \$19,500, and revenues of \$5,859,057 resulting in a decrease in net position of \$870,264.

Discretely Presented Component Units

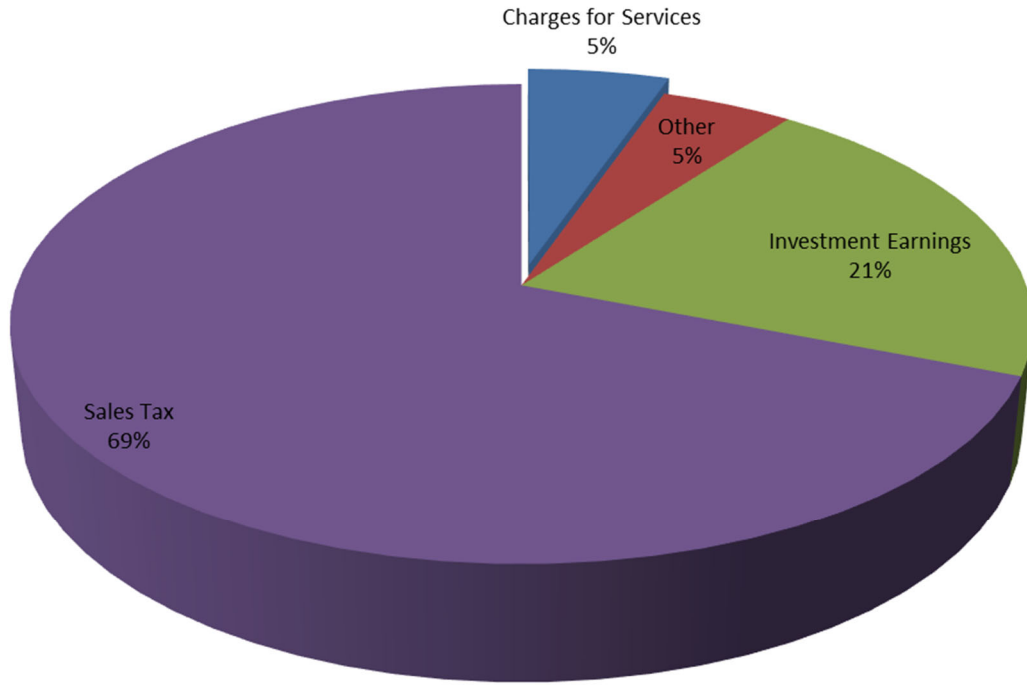
Component unit's activities increased their net position by \$269,363, accounting for approximately 7.54% increase in net position. The La Feria Industrial Development Corporation's net position increased by \$269,363 during the current fiscal year and is attributed to an increase in sales tax collections and investment income.

The overall total revenues and expenses for the component unit are relatively consistent with prior years. An overview of the component unit's expenses and program revenues and revenues by source are presented in the following charts:

Expenses and Program Revenues - Discretely Presented Component Unit Activities



Revenue by Source - Component Unit Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

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

The following schedule presents a summary of general fund, special revenue funds, debt service fund, and capital projects fund revenues for the years ended September 30, 2025 and 2024.

City of La Feria, Texas
Management's Discussion and Analysis

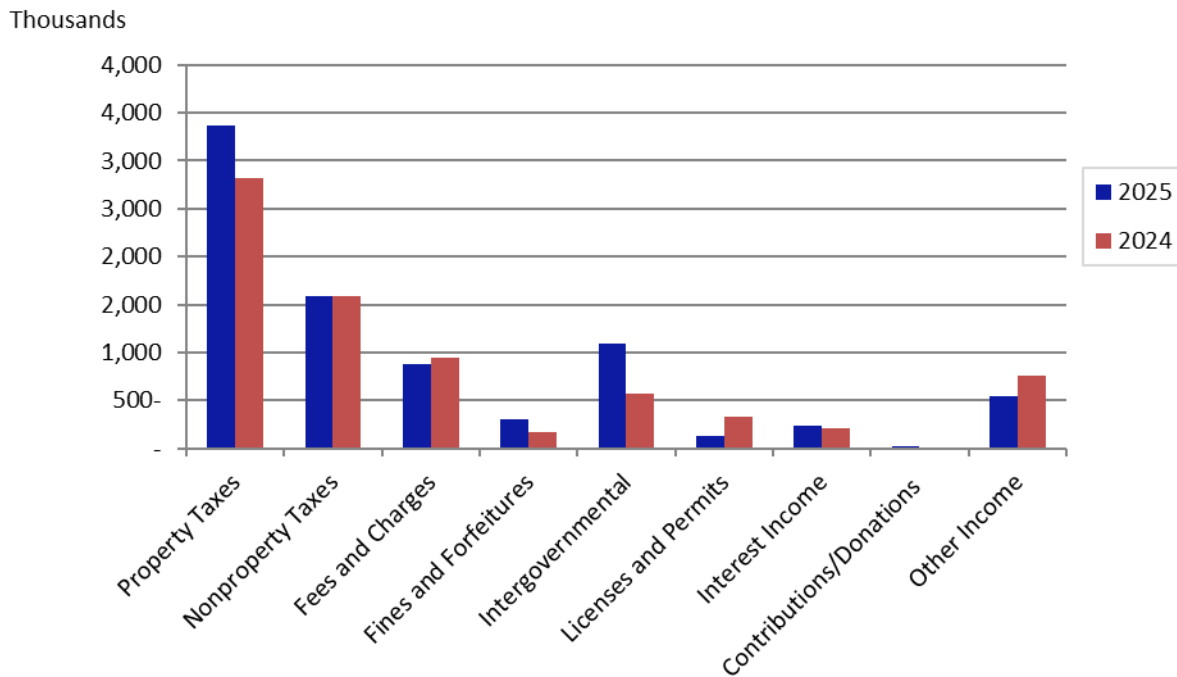
**Revenues: General, Special Revenue,
Debt Service and Capital Projects Funds**

	2025 Amount	Percent of 2025 Total	2024 Amount	Percent of 2024 Total	Increase (Decrease) Over 2024	Percent of Increase (Decrease)
Revenues						
Property taxes	\$ 3,364,240	41.38%	\$ 2,816,367	38.08%	\$ 547,873	19.45%
Non-property taxes	1,580,577	19.44%	1,580,947	21.37%	(370)	-0.02%
Fees and charges	881,066	10.84%	938,682	12.69%	(57,616)	-6.14%
Fines and forfeitures	298,084	3.67%	171,272	2.32%	126,812	74.04%
Intergovernmental	1,090,924	13.42%	568,016	7.68%	522,908	92.06%
Licenses and permits	126,145	1.55%	334,079	4.52%	(207,934)	-62.24%
Interest income	229,845	2.83%	214,391	2.90%	15,454	7.21%
Contributions and donations	21,419	0.26%	9,240	0.12%	12,179	131.81%
Miscellaneous income	538,202	6.62%	763,884	10.33%	(225,682)	-29.54%
	\$ 8,130,502	100.01%	\$ 7,396,878	100.01%	\$ 733,624	9.92%

Revenues from governmental funds increased by \$733,624 or 9.92% compared to the prior year. Key elements of this change shown above are as follows:

- Intergovernmental revenues increased by \$522,908 or 92.06% when compared to last year due to the City having received new additional Texas General Land Office grants for flood relief/drainage improvements.
- Property taxes increased by \$547,873 or 19.45% due to an increase in property values and developments during the year.

Governmental Revenues



City of La Feria, Texas Management's Discussion and Analysis

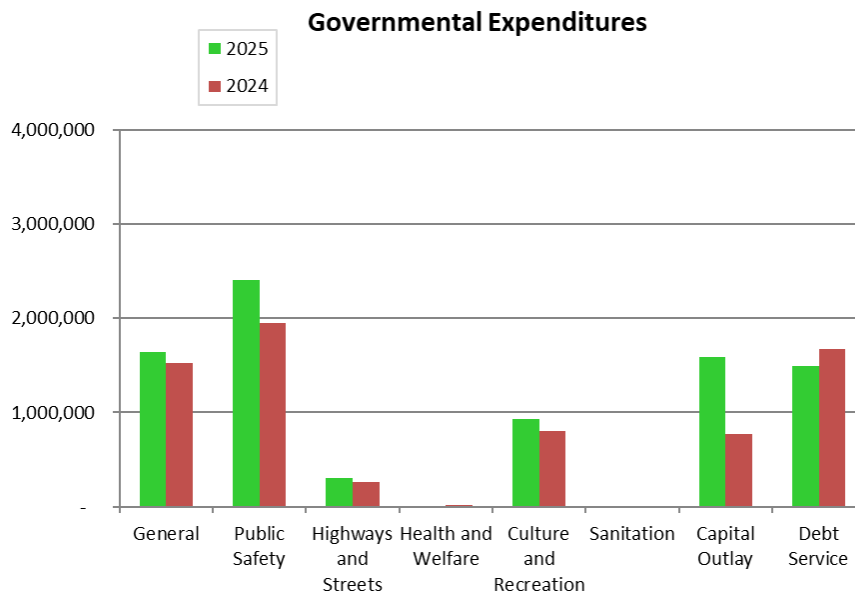
The following schedule presents a summary of general fund, special revenue funds, debt service fund, and capital projects fund expenditures for the years ended September 30, 2025 and 2024.

Expenses: General, Special Revenue, Debt Service and Capital Projects Funds

	2025 Amount	Percent of 2025 Total	2024 Amount	Percent of 2024 Total	Increase (Decrease) Over 2024	Percent of Increase (Decrease)
Expenditures						
General	\$ 1,646,170	19.68%	\$ 1,522,344	21.87%	\$ 123,826	8.13%
Public safety	2,399,870	28.69%	1,946,990	27.96%	452,880	23.26%
Highways and streets	301,015	3.60%	261,751	3.76%	39,264	15.00%
Health and welfare	7,774	0.09%	14,260	0.20%	(6,486)	-45.48%
Culture and recreation	932,218	11.14%	801,692	11.52%	130,526	16.28%
Sanitation	604	0.01%	-	0.00%	604	100.00%
Capital outlay	1,585,010	18.95%	773,817	11.12%	811,193	104.83%
Debt service	1,492,898	17.85%	1,640,553	23.57%	(147,655)	-9.00%
	\$ 8,365,559	100.01%	\$ 6,961,407	100.00%	\$ 1,404,152	20.17%

Governmental funds incurred expenditures of \$8,365,559, approximately 20.17% higher expenditures for the City of La Feria, Texas compared to last year. Key elements of this change are as follows:

- Capital outlay expenditures increased by \$811,193 or 104.83 % due to the City having received additional federal funding for drainage improvements.
- Public safety expenditures increased by \$452,880 or 23.26% due to salary increases as well as ongoing equipment maintenance and repairs.
- Culture and recreation expenditures increased by \$130,526 or 16.28% due to the City having their July 4th Festival, Fiesta De La Feria, and Christmas Festivals during the year.



Governmental Fund Balances

The General Fund's fund balance increased by \$257,624 in fiscal year 2025 largely due to an increase in property values in the current year, as well as an increase in federal grant funding received.

The Debt Service Fund's fund balance increased by \$186,292 in fiscal year 2025 due primarily to an increase in property values in the current year.

Enterprise Funds – Business-Type Activities, Enterprise.

The City's business-type activities include the collection of waste (garbage and brush), economic development activities via the City's Economic Development Corporation (EDC), and services offered by the Waterworks and Sewer System.

Operating revenue from these activities was consistent with the prior year with an increase of \$83,380 in the waste disposal fund, a decrease of \$13,019 in the EDC, and an increase of \$123,037 in the Waterworks during 2025.

Operating expenses in the business-type activities increased by \$64,468 or 6.57% for the waste disposal fund, increased by \$5,208 or 2.13% for the EDC, and increased by \$349,964 or 8.20% for the Waterworks. This was primarily due to additional expenditures needed to keep up with the expansion of the City.

Component Units Funds –Industrial Development Corp.

The City's Component Units' activities' revenues and transfers in increased by \$28,815 compared to the prior year, a 3.68% increase. This is primarily due to an increase in charges for services and a higher gain on sale of assets compared to the prior year.

Component Units' activities' expenses and transfers out increased by a net amount of \$129,340, or 31.23%. This is primarily due to an increase in operating costs compared to the prior year.

General Fund Budgetary Highlights

The original adopted budget had projected net change in fund balance of \$139,046. The final actual change in fund balance was an increase in fund balance of \$257,624. This is largely due to capital outlay expenditures being significant under the City's original budgeted amounts.

Revenues

- Revenues were \$200,217 lower than budgeted. The primary driver for this were property taxes and grants which, while exceeded prior year actual amounts, were less than budgeted.

City of La Feria, Texas Management's Discussion and Analysis

Expenditures

- Public safety was \$57,866 higher than budgeted due to additional expenditures related to volunteer firefighters.
- Highways and streets were \$8,502 higher than budgeted due to higher than anticipated repairs made during the year.
- Culture and Recreation were \$87,633 higher than budgeted due to higher than anticipated repairs made during the year.
- Sanitation was \$604 higher than budgeted due to higher than anticipated repairs made during the year.
- Debt service was \$75,752 higher than budgeted due to additional principal and interest paid on the City's equipment note financing during the year.
- Capital outlay was \$30,010 higher than budgeted due to additional expenditures related to the GLO 2018 and 2019 Drainage Improvement projects.
- Overall, expenditures exceeded by \$1,678 which was attributed to higher than anticipated capital outlay and debt service expenditures.

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, amounts to \$65,889,231 (net of accumulated depreciation and amortization). This investment in capital assets includes land, right-to-use lease assets, subscription assets, buildings and systems, improvements, and machinery and equipment as well as construction in progress. The total increase in the City's investments in capital assets for the current fiscal year was \$38,690,178 or approximately 142.25%.

Major capital asset events during the fiscal year included the following:

- Purchase of police vehicles and equipment
- Renovations at Veterans Park and Scott Sloan Park
- Renovations at the Public Works Warehouse
- Ongoing street improvements

City of La Feria, Texas
Management's Discussion and Analysis

City of La Feria's Capital Assets
(Net of depreciation and amortization)

	Governmental Activities		Business-type Activities		Total	
	9/30/2025	9/30/2024	9/30/2025	9/30/2024	9/30/2025	9/30/2024
Land	\$ 1,364,363	\$ 1,364,363	\$ 403,079	\$ 46,000	\$ 1,767,442	\$ 1,410,363
Easements	-	-	117,758	-	117,758	-
Certificate of convenience and necessity	-	-	115,978	-	115,978	-
Building and systems	9,425,628	10,446,096	346,344	371,486	9,771,972	10,817,582
Improvements and other than buildings	3,532,737	3,736,460	-	-	3,532,737	3,736,460
Machinery and equipment	9,949,829	9,924,224	1,655,377	708,082	11,605,206	10,632,306
Infrastructure	-	-	35,407,918	-	35,407,918	-
Right-to-use lease asset	101,874	141,047	134,479	-	236,353	141,047
Subscription asset	22,824	32,232	-	-	22,824	32,232
Construction in progress	1,380,654	290,063	1,930,389	139,000	3,311,043	429,063
	\$ 25,777,909	\$ 25,934,485	\$ 40,111,322	\$ 1,264,568	\$ 65,889,231	\$ 27,199,053

The governmental activities construction in progress pertain to the City's ongoing Clarifier project whereas the business-type construction in progress pertain to ongoing drainage improvements.

Additional information on the City's capital assets can be found in Note 3 beginning on page 64 of this report.

Long-Term Debt

At year end, the City had a number of debt issues outstanding. These issues include \$8,258,000 of (limited) revenue certificates of obligation bonds, and \$920,000 of water and wastewater revenue bonds. The City's total long-term debt, including component unit debt, had a net decrease of \$931,752 during this fiscal year. Additional information on the City's long-term debt begins in Note 3 on page 67 of this report.

Economic Factors and Next Year's Budgets and Rates

- The occupancy rate of the government's central business district is estimated to have an increase to 95%.
- Sales tax increased by 10.2% compared to prior year's increase of 2.9%. The sales tax revenue is expected to increase by 2.5% for the next fiscal year.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2024-2025 fiscal year.

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 City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 115 E. Commercial Avenue, La Feria, Texas 78559.



FINANCIAL STATEMENTS



MAJOR FUNDS

The General Fund: The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund: The Debt Service Fund accounts for the accumulation of resources for the payment of general long-term debt principal, interest, and related costs. An ad valorem tax rate and levy is required to be computed and levied, which will be sufficient to produce the money required to pay principal and interest as it becomes due and provide the interest and sinking fund reserve.

BUSINESS-TYPE FUNDS

Proprietary Fund: The Waste Disposal Fund was established to account for the activities of the City owned residential and commercial garbage collection system.

Proprietary Fund: The Economic Development Corporation (EDC) is a nonprofit 4B corporation and was established to promote, assist, and enhance economic activities in the City of La Feria, Texas. The Corporation is a blended component unit due to its governance structure and is presented as a proprietary fund.

DISCRETELY PRESENTED COMPONENT UNITS

Component Unit: The Waterworks and Sewer System Fund was established to account for the City's water and sewer system respectively.

Component Unit: The Industrial Development Corporation (IDC) is a nonprofit 4A corporation and was established to promote, assist, and enhance economic activities in the City of La Feria, Texas.

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City of La Feria, Texas Statement of Net Position

September 30, 2025

	Primary Government			Component Units
	Governmental Activities	Business - type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 1,618,893	\$ 66,328	\$ 1,685,221	\$ 29,211
Investments	2,265,197	2,577,177	4,842,374	3,111,523
Receivables (net of allowance for uncollectible)	1,563,850	606,775	2,170,625	44,603
Internal balances	2,757,302	(2,757,302)	-	-
Due from component units	24,363	-	24,363	-
Inventories	24,672	29,591	54,263	-
Prepaid assets	22,645	-	22,645	-
Restricted assets:				
Cash and cash equivalents	1,288	-	1,288	-
Investments	-	-	-	231,455
Notes receivable, current	240,000	2,096	242,096	54,974
Lease receivable, current	-	-	-	26,965
Notes receivable, noncurrent	461,973	27,089	489,062	341,584
Lease receivable, noncurrent	-	-	-	216,483
Capital assets not being depreciated:				
Land	1,364,363	403,079	1,767,442	1,426,902
Easements	-	117,758	117,758	-
Certificate of convenience and necessity	-	115,978	115,978	-
Construction in progress	1,380,654	1,930,389	3,311,043	-
Capital, right-to-use, and subscription assets being depreciated (net of accumulated depreciation and amortization)				
Buildings and systems	9,425,628	346,344	9,771,972	865,496
Improvements other than buildings	3,532,737	-	3,532,737	-
Machinery and equipment	9,949,829	1,655,377	11,605,206	9,913
Infrastructure	-	35,407,918	35,407,918	-
Right-to-use lease asset	101,874	134,479	236,353	-
Subscription asset	22,824	-	22,824	-
Total assets	34,758,092	40,663,076	75,421,168	6,359,109
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to net pension liability	320,551	134,499	455,050	-
Deferred outflows related to total OPEB liability	15,175	6,368	21,543	-
Total deferred outflows of resources	335,726	140,867	476,593	-
LIABILITIES				
Accounts payable and other current liabilities	1,011,370	585,147	1,596,517	7,838
Due to primary government	-	-	-	24,363
Unearned revenue	780,185	-	780,185	-
Noncurrent liabilities:				
Net pension liability	1,441,840	604,981	2,046,821	-
Total OPEB liability	131,627	55,229	186,856	-
Due within one year	1,259,643	801,246	2,060,889	74,092
Due in more than one year, net	7,750,320	4,809,792	12,560,112	2,187,263
Total liabilities	12,374,985	6,856,395	19,231,380	2,293,556
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to leases	-	-	-	225,352
Deferred inflows related to net pension liability	242,923	101,927	344,850	-
Deferred inflows related to total OPEB liability	31,310	13,137	44,447	-
Total deferred inflows of resources	274,233	115,064	389,297	225,352
NET POSITION				
Net investment in capital assets	16,103,419	35,097,306	51,200,725	40,956
Restricted for:				
Debt service	2,712,463	-	2,712,463	-
Capital projects funds	1,288	-	1,288	-
Tax increment reinvestment zone	870,606	-	870,606	-
Unrestricted	2,756,824	(1,264,822)	1,492,002	3,799,245
Total net position	\$ 22,444,600	\$ 33,832,484	\$ 56,277,084	\$ 3,840,201

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

City of La Feria, Texas Statement of Activities

For the year ended September 30, 2025

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 2,565,582	\$ 371,137	\$ 17,581	\$ 1,013,260
Public safety	3,200,767	685,706	77,723	-
Highways and streets	401,471	-	-	-
Health and welfare	10,368	192,283	-	-
Culture and recreation	1,243,323	56,169	3,779	-
Sanitation	604	-	-	-
Interest on long term debt	368,754	-	-	-
Total governmental activities	7,790,869	1,305,295	99,083	1,013,260
Business - type activities:				
Sanitation services	1,045,300	1,528,270	-	-
Economic Development	249,573	37,230	44,492	-
Waterworks and Sewer Systems	4,620,094	3,555,975	-	-
Interest expense	329,135	-	-	-
Total business-type activities	6,244,102	5,121,475	44,492	-
Total primary government	14,034,971	6,426,770	143,575	1,013,260
Component Units:				
Waterworks and Sewer Systems (formerly discretely presented component unit)	-	-	-	-
Industrial Development Corporation	543,467	43,005	-	-
Total component units	\$ 543,467	\$ 43,005	\$ -	\$ -

General revenues and transfers:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales taxes

Franchise and other taxes

Unrestricted investment earnings

Gain on sale of asset

Miscellaneous

Asset transfers

Transfers to/(from)

Total general revenues and transfers

Change in net position

Net position--beginning

Adjustments (See Note 2)

Net position--beginning, restated

Net position--ending

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

City of La Feria, Texas
Statement of Activities-Continued

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Units
Governmental Activities	Business - type Activities	Total	Component Units
\$ (1,163,604)	\$ -	\$ (1,163,604)	\$ -
(2,437,338)	-	(2,437,338)	-
(401,471)	-	(401,471)	-
181,915	-	181,915	-
(1,183,375)	-	(1,183,375)	-
(604)	-	(604)	-
(368,754)	-	(368,754)	-
(5,373,231)	-	(5,373,231)	-
-	482,970	482,970	-
-	(167,851)	(167,851)	-
-	(1,064,119)	(1,064,119)	-
-	(329,135)	(329,135)	-
-	(1,078,135)	(1,078,135)	-
(5,373,231)	(1,078,135)	(6,451,366)	-
-	-	-	-
-	-	-	(500,462)
-	-	-	(500,462)
2,332,828	-	2,332,828	-
1,142,866	-	1,142,866	-
1,122,222	561,111	1,683,333	561,111
458,355	-	458,355	-
229,845	131,979	361,824	168,930
-	-	-	39,784
538,752	-	538,752	-
19,500	(19,500)	-	-
465,719	(465,719)	-	-
6,310,087	207,871	6,517,958	769,825
936,856	(870,264)	66,592	269,363
21,501,259	1,548,471	23,049,730	36,666,289
6,485	33,154,277	33,160,762	(33,095,451)
21,507,744	34,702,748	56,210,492	3,570,838
\$ 22,444,600	\$ 33,832,484	\$ 56,277,084	\$ 3,840,201

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

City of La Feria, Texas
Balance Sheet
Governmental Funds

September 30, 2025

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,461,823	\$ 7,191	\$ 149,879	\$ 1,618,893
Investments	1,271	2,263,926	-	2,265,197
Receivables (net of allowance for uncollectibles)				
Property taxes	156,778	145,564	225,115	527,457
Nonproperty taxes	87,847	-	-	87,847
Service	98,430	-	-	98,430
Intergovernmental receivable	770,672	-	-	770,672
Other	18,801	-	60,643	79,444
Due from other funds	3,305,033	456,844	784,543	4,546,420
Due from component units	15,116	9,247	-	24,363
Inventories	24,672	-	-	24,672
Prepaid items	22,645	-	-	22,645
Restricted assets				
Cash and cash equivalents	-	-	1,288	1,288
Total assets	\$ 5,963,088	\$ 2,882,772	\$ 1,221,468	\$ 10,067,328
LIABILITIES				
Accounts payable	\$ 822,087	\$ -	\$ 36,168	\$ 858,255
Accrued liabilities	90,083	-	-	90,083
Unearned revenue	780,185	-	-	780,185
Due to other funds	1,641,292	36,233	111,593	1,789,118
Total liabilities	3,333,647	36,233	147,761	3,517,641
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues				
Property taxes	136,018	134,076	225,115	495,209
Other	67,104	-	-	67,104
Total deferred inflows of resources	203,122	134,076	225,115	562,313
FUND BALANCES				
Nonspendable fund balances:				
Inventories	24,672	-	-	24,672
Prepaid items	22,645	-	-	22,645
Restricted fund balances:				
Retirement of long-term debt	-	2,712,463	-	2,712,463
Tax increment reinvestment zone	-	-	870,606	870,606
Capital projects	-	-	1,288	1,288
Assigned	-	-	4,591	4,591
Unassigned	2,379,002	-	(27,893)	2,351,109
Total fund balance (deficit)	2,426,319	2,712,463	848,592	5,987,374
Total liabilities, deferred inflows of resources and fund balance	\$ 5,963,088	\$ 2,882,772	\$ 1,221,468	\$ 10,067,328

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

City of La Feria, Texas

**Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Position**

September 30, 2025

Fund balance -- total governmental funds	\$ 5,987,374
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Capital and right-to-use assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation.</p>	25,777,909
<p>Certain receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and are therefore not reported in the funds:</p>	
Unavailable revenue - property taxes	495,209
Unavailable revenue - other	67,104
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities consist of:</p>	
Bonds payable	(8,258,000)
Note and financing agreement payable	(581,462)
Lease liability	(102,811)
Compensated absences	(67,691)
<p>Liabilities for accrued interest on long-term debt are not due in the current period and therefore are not reported in the funds.</p>	(63,031)
<p>Certain long-term notes receivable due from the component units are not due and receivable in the current period and, therefore, are not reported in the funds. Including the notes receivable in the statement of net position increases net position.</p>	701,973
<p>Recognition of the City's net pension liability required by GASB 68, deferred resource inflows related to pensions, and deferred resource outflows related to pensions result in a decrease in net position.</p>	(1,364,212)
<p>Recognition of the City's net OPEB liability required by GASB 75, deferred resource inflows related to OPEB, and deferred resource outflows related to OPEB result in a decrease in net position.</p>	(147,762)
Net position of governmental activities	\$ 22,444,600

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

City of La Feria, Texas
Statement of Revenues, Expenditures and
Changes in Fund Balances –Governmental Funds

For the year ended September 30, 2025

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes:				
Property	\$ 1,960,056	\$ 1,143,107	\$ 261,077	\$ 3,364,240
Sales	1,122,222	-	-	1,122,222
Franchise	432,742	-	-	432,742
Other	8,473	-	17,140	25,613
Licenses and permits	126,145	-	-	126,145
Intergovernmental	1,090,924	-	-	1,090,924
Fees and charges	855,277	-	25,789	881,066
Fines	298,084	-	-	298,084
Interest income	111,324	118,521	-	229,845
Contributions and donations	21,419	-	-	21,419
Other	440,444	97,758	-	538,202
Total revenues	6,467,110	1,359,386	304,006	8,130,502
Expenditures				
Current				
General government	1,622,185	23,985	-	1,646,170
Public safety	2,399,870	-	-	2,399,870
Highways and streets	301,015	-	-	301,015
Health and welfare	7,774	-	-	7,774
Culture and recreation	880,431	-	51,787	932,218
Sanitation	604	-	-	604
Debt service				
Principal retirement	149,468	996,329	-	1,145,797
Interest and fiscal agent fees	22,431	324,670	-	347,101
Capital outlay	1,585,010	-	-	1,585,010
Total expenditures	6,968,788	1,344,984	51,787	8,365,559
Excess (deficiency) of revenues over (under) expenditures	(501,678)	14,402	252,219	(235,057)
Other financing sources (uses)				
Transfers in	663,772	293,488	-	957,260
Transfers (out)	(174,943)	(121,598)	-	(296,541)
Issuance from equipment financing	270,473	-	-	270,473
Total other financing sources (uses)	759,302	171,890	-	931,192
Net change in fund balances	257,624	186,292	252,219	696,135
Fund balances, beginning	2,168,695	2,526,171	596,373	5,291,239
Fund balances, ending	\$ 2,426,319	\$ 2,712,463	\$ 848,592	\$ 5,987,374

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

City of La Feria, Texas

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances –Governmental Funds
to the Statement of Activities**

For the year ended September 30, 2025

Net change in fund balances -- total governmental funds	\$	696,135
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and depreciation and amortization are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay was exceeded by depreciation expense.		(176,076)
Transfers for purposes of government-wide financial reporting include items not reported as transfers in the fund financial statements. Specifically, the movement of capital assets between governmental funds and the enterprise funds and component units are not reported as a transfer in the fund financial statements, but are reported as expenses in the government-wide statement of activities. This is the amount of capital assets moved to the governmental funds.		19,500
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds but are accounted for as revenue in the statement of activities. Other revenues which were accounted for as revenue in prior years on the statement of activities but for which resources were not available until the current year are revenues in the funds but not in the statement of activities.		
Unavailable revenues - property taxes		111,454
Unavailable revenues - other		550
Compensated absences in the statement of activities did not require the use of current financial resources, and therefore are not expenditures in governmental funds. The compensated absences increased in the current year.		(18,553)
Changes in the net pension liability and deferred outflows of resources and deferred inflows of resources related to the pension plan results in an increase or decrease to the pension expense reported in the statement of activities. For fiscal year 2025 the effect of these adjustments resulted in a increase in the pension expense reported in the statement of activities.		(353,145)
Changes in the total OPEB liability and deferred outflows of resources and deferred inflows of resources related to OPEB plans results in an increase or decrease to the OPEB expense reported in the statement of activities. For fiscal year 2025 the effect of these adjustments resulted in a decrease in the OPEB expense reported in the statement of activities.		(1,680)
Repayment of non-current liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Bond principal		946,000
Financing agreement principal		161,732
Lease liability principal		38,065
Other adjustments to report the governmental activities on the full accrual basis of accounting include accounting for the following:		
Note receivable repayment from component unit is accounted for as proceeds in governmental funds but is simply a decrease in the receivable in governmental activities		(195,000)
Recognition of current year accrued interest is not recorded in the governmental funds, but in the statement of activities they are recognized as interest expense.		(21,653)
Debt issuance (financing agreements) provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.		(270,473)
Change in net position of governmental activities	\$	936,856

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

City of La Feria, Texas
Proprietary Funds
Statement of Net Position

September 30, 2025

	Enterprise Funds			Total
	Waste Disposal Fund	Economic Development Corporation	Waterworks and Sewer System	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 40,061	\$ 25,792	\$ 475	\$ 66,328
Investments	-	1,722,780	854,397	2,577,177
Receivables, net	175,439	2,745	384,667	562,851
Inventory	3,679	-	25,912	29,591
Nonproperty taxes	-	43,924	-	43,924
Notes receivable, current portion	-	2,096	-	2,096
Due from other funds	705,895	271,513	199,597	1,177,005
Total current assets	925,074	2,068,850	1,465,048	4,458,972
Noncurrent assets:				
Notes receivable	-	27,089	-	27,089
Capital assets				
Land	-	46,000	357,079	403,079
Easements	-	-	117,758	117,758
Certificate of Convenience and Necessity	-	-	115,978	115,978
Construction in progress	-	456,051	1,474,338	1,930,389
Buildings	81,309	441,922	-	523,231
Infrastructure	1,177,421	-	56,244,074	57,421,495
Machinery and equipment	2,056,899	108,426	1,974,913	4,140,238
Right-to-use lease assets	-	-	180,841	180,841
Subscription assets	-	-	66,325	66,325
Less accumulated depreciation	(2,143,385)	(176,887)	(22,467,740)	(24,788,012)
Total capital assets (net of accumulated depreciation)	1,172,244	875,512	38,063,566	40,111,322
Total assets	2,097,318	2,971,451	39,528,614	44,597,383
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to net pension liability	28,169	-	106,330	134,499
Deferred outflows related to total OPEB liability	1,334	-	5,034	6,368
Total deferred outflows of resources	29,503	-	111,364	140,867
Total assets and deferred outflow of resources	\$ 2,126,821	\$ 2,971,451	\$ 39,639,978	\$ 44,738,250

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

City of La Feria, Texas
Proprietary Funds
Statement of Net Position – Continued

September 30, 2025

	Enterprise Funds			Total
	Waste Disposal Fund	Economic Development Corporation	Waterworks and Sewer System	
LIABILITIES				
Current liabilities				
Accounts payable	\$ 58,332	\$ 48,048	\$ 45,775	\$ 152,155
Accrued expenses and other liabilities	38,095	7,440	84,194	129,729
Lease liability	-	-	33,475	33,475
Compensated absences	1,460	-	5,563	7,023
Due to other funds	483,411	174,901	3,275,995	3,934,307
Current portion of due to primary government	-	-	240,000	240,000
Current portion of notes payable	198,638	44,423	47,687	290,748
Current portion of revenue bonds payable	-	-	230,000	230,000
Total current liabilities	779,936	274,812	3,962,689	5,017,437
Current liabilities payable from restricted assets				
Meter deposits	-	-	303,263	303,263
Total current liabilities payable from restricted assets	-	-	303,263	303,263
Noncurrent liabilities				
Lease liability	-	-	99,517	99,517
Due to primary government, net of current portion	-	-	461,973	461,973
Compensated absences	266	-	1,225	1,491
Notes payable, net of current portion	829,457	1,311,452	1,415,902	3,556,811
Revenue bonds payable, net of current portion	-	-	690,000	690,000
Net pension liability	126,705	-	478,276	604,981
Total OPEB liability	11,567	-	43,662	55,229
Total noncurrent liabilities	967,995	1,311,452	3,190,555	5,470,002
Total liabilities	1,747,931	1,586,264	7,456,507	10,790,702
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to net pension liability	21,347	-	80,580	101,927
Deferred inflows related to total OPEB liability	2,751	-	10,386	13,137
Total deferred inflows of resources	24,098	-	90,966	115,064
NET POSITION				
Net investment in capital assets	144,149	108,145	34,845,012	35,097,306
Unrestricted	210,643	1,277,042	(2,752,507)	(1,264,822)
Total net position	354,792	1,385,187	32,092,505	33,832,484
Total liabilities, deferred inflows of resources and net position	\$ 2,126,821	\$ 2,971,451	\$ 39,639,978	\$ 44,738,250

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

City of La Feria, Texas
Proprietary Funds
Statement of Revenues, Expenses and
Changes in Net Position

For the year ended September 30, 2025

	Enterprise			
	Funds			
	Waste Disposal Fund	Economic Development Corporation	Waterworks and Sewer System	Total
Operating revenues				
Nonproperty taxes	\$ -	\$ 561,111	\$ -	\$ 561,111
Operating grants and contributions	-	44,492	-	44,492
Charges for services	1,528,270	37,230	3,555,975	5,121,475
Total operating revenues	1,528,270	642,833	3,555,975	5,727,078
Operating expenses				
Personnel services	288,935	-	1,083,600	1,372,535
Contractual services	434,796	203,809	951,286	1,589,891
Materials, supplies and repairs	94,598	7,496	575,277	677,371
Heat, light and power	59,550	-	248,898	308,448
Depreciation	149,322	25,142	1,508,863	1,683,327
Other	18,099	13,126	252,170	283,395
Total operating expenses	1,045,300	249,573	4,620,094	5,914,967
Operating income	482,970	393,260	(1,064,119)	(187,889)
Nonoperating revenues (expenses)				
Interest income	-	87,599	44,380	131,979
Interest expense	(57,144)	(57,464)	(214,527)	(329,135)
Total nonoperating revenues (expenses)	(57,144)	30,135	(170,147)	(197,156)
Income before transfers	425,826	423,395	(1,234,266)	(385,045)
Asset transfers				
Transfers in	-	(19,500)	-	(19,500)
Transfers out	(400,000)	(187,317)	-	(587,317)
Total asset transfers	(400,000)	(206,817)	121,598	(485,219)
Change in net position	25,826	216,578	(1,112,668)	(870,264)
Net position--beginning	379,862	1,168,609	-	1,548,471
Adjustments (See Note 2)	(50,896)	-	33,205,173	33,154,277
Net position--beginning, restated	328,966	1,168,609	33,205,173	34,702,748
Total net position, end of year	\$ 354,792	\$ 1,385,187	\$ 32,092,505	\$ 33,832,484

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

City of La Feria, Texas
Proprietary Funds
Statement of Cash Flows

For the year ended September 30, 2025

	Enterprise Funds			
	Waste Disposal Fund	Economic Development Corporation	Waterworks and Sewer System	Total
Cash flows from operating activities				
Receipts from customers and users	\$ 1,496,651	\$ 596,681	\$ 3,513,145	\$ 5,606,477
Payments to suppliers	(689,479)	(319,795)	(2,206,376)	(3,215,650)
Payments to employees	(254,028)	-	(975,841)	(1,229,869)
Payments (to) from primary government	-	-	(195,000)	(195,000)
Net cash provided by (used in) operating activities	553,144	276,886	135,928	965,958
Cash flows from (to) noncapital financing activities				
(Increase) decrease in due from other funds	-	82,000	-	82,000
Increase (decrease) in due to other funds	-	16,801	416,605	433,406
Transfers out to other funds and component units	(400,000)	(187,317)	121,598	(465,719)
Net cash provided by (used in) noncapital financing activities	(400,000)	(88,516)	538,203	49,687
Cash flows from capital and related financing activities				
Proceeds from sale of capital assets	1,229,790	-	-	1,229,790
Purchase of capital assets	(1,258,730)	(398,242)	(314,413)	(1,971,385)
Principal paid on long-term debt	(84,143)	(42,889)	(314,813)	(441,845)
Net cash provided by (used in) capital and related financing activities	(113,083)	(441,131)	(629,226)	(1,183,440)
Cash flows from investing activities				
Interest income received	-	87,599	44,380	131,979
Payments received from notes receivable	-	2,149	-	2,149
Purchase of investments	-	-	(89,285)	(89,285)
Dispositions of investments	-	177,935	-	177,935
Net cash provided by (used in) by investing activities	-	267,683	(44,905)	222,778
Net increase (decrease) in cash and cash equivalents	40,061	14,922	-	54,983
Cash and cash equivalents, beginning of year	-	10,870	475	11,345
Cash and cash equivalents, end of year	\$ 40,061	\$ 25,792	\$ 475	\$ 66,328

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

City of La Feria, Texas
Proprietary Funds
Statement of Cash Flows - Continued

For the year ended September 30, 2025

	Enterprise Funds			
	Waste Disposal Fund	Economic Development Corporation	Waterworks and Sewer System	Total
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 482,970	\$ 393,260	\$ (1,064,119)	\$ (187,889)
Adjustments to reconcile net income from operations to net cash from operating activities				
Depreciation expense	149,322	25,142	1,508,863	1,683,327
Interest expense	(57,144)	(57,464)	(214,527)	(329,135)
Effect of increases and decreases in current assets and liabilities				
Decrease (increase) in receivables, net	(31,619)	(1,960)	(57,860)	(91,439)
Decrease (increase) in inventory	408	-	2,476	2,884
Increase (decrease) in deferred inflows related to net pension liability	17,075	-	35,634	52,709
Increase (decrease) in deferred inflows related to total OPEB liability	(1,987)	-	1,573	(414)
Increase (decrease) in accounts payable	(25,292)	(45,340)	(37,489)	(108,121)
Increase (decrease) in accrued expenses and other liabilities	38,095	7,440	70,795	116,330
Increase (decrease) in compensated absences	(927)	-	(418)	(1,345)
Increase (decrease) in meter deposits	-	-	15,030	15,030
Increase (decrease) in unearned revenue	-	(44,192)	-	(44,192)
Increase (decrease) in net pension liability	(36,365)	-	5,008	(31,357)
Increase (decrease) in total OPEB liability	(3,082)	-	1,146	(1,936)
Decrease (increase) in deferred outflows related to net pension liability	20,747	-	68,181	88,928
Decrease (increase) in deferred outflows related to total OPEB liability	943	-	(3,365)	(2,422)
Increase (decrease) in amount due to primary government	-	-	(195,000)	(195,000)
Total adjustments	70,174	(116,374)	1,200,047	1,153,847
Net cash provided by (used in) operating activities	\$ 553,144	\$ 276,886	\$ 135,928	\$ 965,958
Supplemental schedule of noncash activities				
Asset transfers out	\$ -	\$ (19,500)	\$ -	\$ (19,500)
Issuance of right-to-use asset	-	-	(113,935)	(113,935)
Issuance of lease liability	-	-	113,935	113,935
Equipment financing agreement	503,235	-	-	503,235
Total noncash activities	\$ 503,235	\$ (19,500)	\$ -	\$ 483,735

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

City of La Feria, Texas
Discretely Presented Component Unit
Statement of Net Position

September 30, 2025

	La Feria Industrial Development Corporation
ASSETS	
Cash and cash equivalents	\$ 29,211
Investments	3,111,523
Receivables, net	
Other	679
Intergovernmental	43,924
Current portion of note receivable	54,974
Current portion of lease receivable	26,965
Asset held for sale	
Restricted assets:	
Investments	231,455
Total current assets	3,498,731
 Non-current assets	
Note receivable	341,584
Lease receivable	216,483
CAPITAL ASSETS	
Depreciable	
Buildings	1,344,209
Machinery and equipment	38,699
Subscription assets	2,406
	1,385,314
Less accumulated depreciation and amortization	(509,905)
	875,409
 Nondepreciable	
Land	1,426,902
	1,426,902
Total capital and right-to-use lease assets (net of accumulated depreciation and amortization)	2,302,311
Total noncurrent assets	2,860,378
Total assets	6,359,109
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 6,359,109

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

City of La Feria, Texas
Discretely Presented Component Unit
Statement of Net Position – Continued

September 30, 2025

	La Feria Industrial Development Corporation
LIABILITIES	
Current liabilities	
Accounts payable	\$ 1,313
Accrued expenses and other liabilities	6,525
Due to primary government	24,363
Note payable, current portion	74,092
Total current liabilities	106,293
Noncurrent liabilities	
Notes payable, net of current portion	2,187,263
Total noncurrent liabilities	2,187,263
Total liabilities	2,293,556
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to leases	225,352
Total deferred inflows of resources	225,352
NET POSITION	
Net investment in capital assets	40,956
Unrestricted	3,799,245
Total net position	3,840,201
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 6,359,109

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

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City of La Feria, Texas
Discretely Presented Component Unit
Statement of Activities

For the year ended September 30, 2025

	Program revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<u>Component units</u>				
Waterworks and Sewer System (formerly discretely presented component unit)	\$ -	\$ -	\$ -	\$ -
Industrial Development Corporation	543,467	43,005	-	-
Total component units	\$ 543,467	\$ 43,005	\$ -	\$ -

General revenues:

Taxes

Sales taxes

Unrestricted investment earnings

Gain on disposal of asset

Total general revenues

Change in net position

Net position--beginning

Adjustments (See Note 2)

Net position--beginning of year, restated

Net position--ending

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

City of La Feria, Texas
Discretely Presented Component Unit
Statement of Activities – Continued

Component units			
Net (Expense) revenue change in Net Position			
Formerly Discretely Presented Component Unit	Waterworks and Sewer System	La Feria Industrial Development Corporation	Totals
	\$ -	\$ -	\$ -
	-	(500,462)	(500,462)
	-	(500,462)	(500,462)
	-	561,111	561,111
	-	168,930	168,930
	-	39,784	39,784
	-	769,825	769,825
	-	269,363	269,363
	33,095,451	3,570,838	36,666,289
	(33,095,451)	-	(33,095,451)
	-	3,570,838	3,570,838
	\$ -	\$ 3,840,201	\$ 3,840,201

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

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NOTES TO FINANCIAL STATEMENTS



NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of La Feria, Texas (the "City") was incorporated on March 22, 1915, under the provisions of the laws for the State of Texas. The home rule charter was adopted on November 7, 1989 and amended on May 12, 2007. The City operates under a City Commission - Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. Other services include utilities (water and wastewater). The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended Component Units

Blended component units, although legally separate entities, are in substance part of the government's operations and so data from these units are combined with data of the primary government. The City's Economic Development Corporation and Waterworks and Sewer System are blended component units.

The La Feria Economic Development Corporation (the "Corporation") is a Section 4B non-profit industrial development corporation governed by a seven-member board appointed by the City. The Corporation is funded through a sales tax levy of one half of one percent. The purpose of the Corporation is to promote economic development within the City. The City has a voting majority, imposition of will, financial benefit and financial accountability over the Corporation. The Corporation also maintains a September 30 fiscal year end.

The City of La Feria Waterworks and Sewer System (the "System") is governed by a five-member board appointed by the City. The System is intended to operate on a self-supporting basis through user water and sewer charges. The City appoints the Board, has imposition of will, and financial accountability over the System. The System also maintains a September 30 fiscal year end.

Discretely Presented Component Units

Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the City. Discretely presented component units include the following:

The La Feria Industrial Development Corporation (the "Corporation") is a Section 4A non-profit industrial development corporation governed by a five-member board appointed by the City. The Corporation is funded through a sales tax levy of one half of one percent. The purpose of the Corporation is to promote industrial development within the City. The City appoints the Board, has imposition of will, and financial accountability over the Corporation. The Corporation also maintains a September 30 fiscal year end.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Complete financial statements of the individual component units can be obtained directly from their administrative offices as indicated.

Waterworks and Sewer System
115 East Commercial Avenue
La Feria, Texas 78559

La Feria Industrial Development Corporation
115 East Commercial Avenue
La Feria, Texas 78559

La Feria Economic Development Corporation
115 East Commercial Avenue
La Feria, Texas 78559

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities. Business-type activities rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment 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 among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The City and its component units did not have fiduciary funds for this fiscal year. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions under financing agreements are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (normally within 90 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary funds and discretely presented component units are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As discussed earlier, the City has one discretely presented component unit. The component unit is shown in a separate column in the government-wide financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

The Debt Service Fund accounts for the accumulation of resources for the payment of general long-term debt principal, interest, and related costs. An ad valorem tax rate and levy is required to be computed and levied, which will be sufficient to produce the money required to pay principal and interest as it becomes due and provide the interest and sinking fund reserve.

Amounts reported as 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, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the waste disposal fund are charges to customers for sales and services. Principal operating revenues of the EDC include lease and rental fees. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The principal operating revenues of the Waterworks and Sewer System are charges to customers for sales and services. The Waterworks and Sewer System also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Principal operating revenues of the IDC include lease and rental fees.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for General, Special Revenue, and Debt Service funds (with the exception of capital projects funds, which adopt project based budgets) and lapse at fiscal year-end.

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

- a) City Management establishes the amount of estimated revenues and other resources available for appropriation for the succeeding budget year.
- b) City Management submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1.
- c) Public hearings are conducted at City Hall to obtain taxpayer comments.
- d) Prior to October 1, the budget is adopted by the City Commission.
- e) Revisions that alter total expenditures of any fund must be approved by the City Commission. The legal level of budgetary control (the level at which the governing body must approve any over expenditure of appropriations or transfers of appropriated amounts) is at the fund level, with the City manager being authorized to transfer budgeted amounts between functional categories within a fund (ex: general government, public safety, highways and streets, and culture and recreation) without prior City Commission approval. The final annual amended appropriated budgets are used in this report.
- f) Formal budgetary integration is employed as a management control device during the year for the General Fund and the Debt Service Fund.
- g) Budgets for the General, Special Revenue, Debt Service, and Capital Projects Funds were adopted on a basis consistent with GAAP.
- h) Appropriations lapse at the end of each fiscal year.

Expenditures may not legally exceed budgeted appropriations at the fund level.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information (Continued)

Excess of expenditures over appropriations

At September 30, 2025, expenditures exceeded total budgeted appropriations for the following functions:

- Public safety was \$57,866 higher than budgeted due to additional expenditures related to volunteer firefighters.
- Highways and streets were \$8,502 higher than budgeted due to higher than anticipated repairs made during the year.
- Culture and Recreation were \$87,633 higher than budgeted due to higher than anticipated repairs made during the year.
- Sanitation was \$604 higher than budgeted due to higher than anticipated repairs made during the year.
- Debt service was \$75,752 higher than budgeted due to additional principal and interest paid on the City's equipment note financing during the year.
- Capital outlay was \$30,010 higher than budgeted due to additional expenditures related to the GLO 2018 and 2019 Drainage Improvement projects.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash and cash equivalents include all demand deposits and short-term investments (inclusive of restricted assets) with maturity dates within ninety days of the date initially acquired.

Investments

Investments for the City are reported at fair value (generally based on quoted market prices) except for the position in the State Treasurer's Investment Pool (Pool). The State Treasurer's Investment Pool meets all of the specified criteria in GASBC Section 150: Investments to qualify to elect to measure their investments at amortized cost. Accordingly, the value of the City's position in the pool is equal to the value of the pooled shares.

Investment Accounting Policy

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

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

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, certain U.S. agencies, the state of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The City policy authorizes all the State allowable investments.

The City's management believes that it has complied in all material respects with the requirements of the act and the City's investment policies.

Receivables and Payables

All trade and property tax receivables are shown net of an allowance for credit losses.

Property taxes are levied as of October 1, on property values assessed as of January 1 of the same year. The tax levy are billed and considered past due February 1, at which time the applicable property is subject to lien, and penalties and interest are assessed.

Unbilled receivables – An amount for unbilled revenue is recorded in the Wastewater System and Waste Disposal funds for services rendered, but not yet billed as of the end of the fiscal year. The receivable is derived from the cycle billings generated subsequent to fiscal year end and prorated for usage in September.

Unearned revenue – Unearned revenue recorded on the governmental fund balance sheet represents amounts received before eligibility requirements are met.

Lease Receivables - The City's lease receivables are measured at the present value of lease payments expected to be received during the least term. Under the lease agreement, the City may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

Unearned revenue – Unearned revenue recorded on the governmental fund balance sheet represents amounts received before eligibility requirements are met.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Interfund Activities and Transactions

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” within the fund financial statements. Long-term borrowings between funds are classified as “advances to other funds” or “advances from other funds” in the fund financial statements. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any residual balance outstanding between the governmental and business-type activities at the end of the fiscal year, which are reported in the government-wide financial statements as internal balances.

Interfund transactions are reflected as services provided, reimbursements, or transfers. Services provided, deemed to be at or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when a fund incurs a cost, charges the appropriate benefitting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or business-type funds are netted as part of the reconciliation to the government-wide presentation.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) basis. The costs of governmental fund inventories are recorded as expenditures when consumed rather than when purchased.

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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Restricted Assets

Certain assets of the City are classified as restricted assets on the statement of net position because their use is limited by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributors or laws or regulations of other governments. Special restricted asset accounts have been established to account for the sources and uses of these limited use assets as follows:

Customer deposit accounts – Deposited in non-interest bearing accounts and refunded upon termination of service with the City and satisfaction of all obligations due.

Bond and capital activities – Includes certain proceeds from issuance of revenue bonds, as well as certain resources set aside for the repayment of bonds or future capital activities.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Capital Assets

The capital assets, which include property, plant, equipment, leased assets, right-to-use assets, right-to-use subscription assets and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Within the proprietary funds, interest cost, less interest earned on investments acquired with proceeds of related borrowing, is capitalized during the construction of capital projects when material. No interest was capitalized by the City during the fiscal year ended September 30, 2024.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and system	25 to 50 years
Improvements other than buildings	3 to 10 years
Machinery and equipment	5 to 10 years
Infrastructure	5 to 25 years

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Deferred Outflows and Inflows of Resources

The City has two (2) items that qualify for reporting as deferred outflows of resources, the *deferred amount on refunding* and the *deferred outflows related to pensions*, both reported in the government-wide and proprietary funds statements of net position. The deferred amount on refunding results from debt refinancing, whereby the reacquisition price of the funding debt instruments exceed their net carrying amount. The deferred amount on refunding is amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred outflows related to pensions will be recognized as either pension expense or a reduction in the net pension liability in future reporting years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three (3) items that qualify for reporting as deferred inflows of resources. The *deferred inflows related to pensions* are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The *deferred inflows related to pensions* will be recognized as a reduction to pension expense in future reporting years. The deferred inflows related to leases are associated with amounts owed to the City, as lessor, by entities leasing the City's capital assets.

Unavailable revenue, which arises only under a modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled in cash payment to the employee during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences, vacation and sick leave. The liability for compensated absences is reported as incurred in the financial statements. The liability for compensated absences includes salary-related benefits, where applicable. The City uses the first-in, first out (FIFO) flow assumption to determine compensated absence liability.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Compensated Absences (Continued)

The vacation allowance for eligible employees is based upon length of service according to the following schedule:

Length of Service	Vacation Allowed
After 1 year	5 days
After 2 years	10 days
After 5 years	12 days
After 10 years	15 days
After 20 years	20 days

Sick leave accumulates at the rate of 5 days per year and may be accumulated on an unlimited basis as long as the employees have full-time status. In addition, upon termination from the City, employees will not be entitled to be paid for any unused sick leave, therefore, a liability for these amounts is not recorded. Vacation time may not be accrued for more than that allowed in a one-year period. Compensatory time (i.e., overtime for work performed beyond normal working hours) must be used within 30 workdays of being accrued.

Long-Term Obligations

In the government-wide financial statement, and proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as insurance costs on issuance, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed during the current period.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Leases

Lease contracts that provide the City with control of a non-financial asset, such as land, buildings or equipment, for a period of time in excess of twelve months are reported as a leased asset with a related lease liability. The lease liability is recorded at the present value of future lease payments, including fixed payments, variable payments based on an index or fixed rate and reasonably certain residual guarantees. The intangible leased asset is recorded for the same amount as the related lease liability plus any prepayments and initial direct costs to place the asset in service. Leased assets are amortized over the shorter of the useful life of the asset or the lease term. The lease liability is reduced for lease payments made, less the interest portion of the lease payment.

Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City'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. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Other Postemployment Benefits (OPEB)

The fiduciary net position of the Texas Municipal Retirement System (TMRS) Supplemental Death Benefit has been determined using the flow of economic resources measurement focus and full accrual basis of accounting.

This includes for purposes of measuring the total OPEB liability, deferred outflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities, and additions to/deductions from the applicable OPEB's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. Information regarding the City's total OPEB liability related to the TMRS Supplemental Death Benefit is obtained from TMRS through a report prepared by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Categories and Classification of Fund Balance

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

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

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

The provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, specifies the following classifications:

Nonspendable fund balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Categories and Classification of Fund Balance (Continued)

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

Unassigned fund balance – Unassigned fund balance is the residual classification for the General Fund.

Committed fund balance is established, modified and/or rescinded by the City Commission in the form of a resolution. City Commission action to commit fund balance must occur within the fiscal reporting period while the amount committed may be determined subsequently.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the City's policy is to first apply restricted fund balance. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the City's policy is to first apply committed fund balance, then assigned fund balance, and finally unassigned fund balance.

This policy delegates to the City Manager the authority to assign unrestricted fund balance amounts where the City's intent is for those amounts to be used for specific purposes. This delegation of authority is for the sole purpose of reporting these amounts in the annual financial statements.

As of and during the year ended September 30, 2025, the City had assigned fund balance which was for the forfeiture fund.

Net Position

The City's Net Position is classified as follows:

Net investment in capital assets: consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt attributable to the acquisition, construction, or improvement of those assets.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Restricted net position: consists of net position that is subject to a legally enforceable restriction on their use.

Unrestricted: consists of all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Revenues and Expenditures/Expenses

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

Property taxes – Property taxes attach as an enforceable lien on real property and are levied as of January 1st. Property taxes are levied as of October 1. The county appraisal district certifies the tax roll by July 25th. This tax roll is used by the City to adopt a tax rate by September 1st or soon thereafter. The tax bills are mailed on October 1 or soon thereafter and are due and payable upon receipt. The billings become delinquent as of February 1 of the following calendar year and penalties and interest may be assessed by the City.

Proprietary funds operating and nonoperating revenues and expenses – Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Waterworks and Sewer System recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditure of monies are recorded as reservations of budget, is employed as an extension of the statutory required budgetary process. At year-end, outstanding encumbrances represent material purchase commitments for goods and services which were ordered, budgeted, and appropriated, but had not been received or completed at date. Although encumbrances lapse at year-end, it is the intention to substantially honor these encumbrances under authority provided in the subsequent year’s budget. There were no significant encumbrances at year-end.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to allowance for doubtful accounts, pension liabilities, and OPEB liabilities.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be used, March 24, 2026. See Note 13 for relevant disclosure(s). No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Issued and Implemented Accounting Pronouncements

In fiscal year 2025, the City implemented the following statements:

GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

GASB Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreci-ation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

The City is evaluating the requirements of the above statements and the impact on reporting.

City of La Feria, Texas
Notes to Financial Statements

NOTE 2: CHANGE IN ACCOUNTING PRINCIPLE, REPORTING ENTITY, AND ERROR CORRECTION

The City’s fiscal year 2025 financial statements incorporate a change in accounting principle, reporting entity, and error correction. GASB Statement No. 100, *Accounting Changes and Error Corrections*, requires disclosure of their nature and effect on amounts reported in the financial statements.

The Waterworks and Sewer System Fund was presented as a discretely presented component unit in the City’s 2024 financial statements. However, in fiscal year 2025, this fund no longer met the thresholds that require it to be presented as a discretely presented component unit. The City consequently reclassified the component unit as a blended component unit and presented it along with the Waste Disposal Fund and the Economic Development Corporation in the business-type activities.

In addition, the City discovered that a customer had overpaid on its utility bills in prior years; as a result, the City is in the process of reimbursing the customer. Additionally, it was noted that there were payables accrued from 2022 and earlier that were uncleared. As the projects pertaining to these were cleared in prior years, the City elected to write off the outstanding payables.

In fiscal year 2025, the City implemented GASB Statement No. 101, *Compensated Absences*. The implementation of the Statement requires the restatement of the September 30, 2024, net position for the compensated absences liability as of September 30, 2024.

The following below summarizes the changes in accounting principle, reporting entity, and error correction:

	Governmental Activities	Business-Type Activities	Component Units	Total
Net position, September 30, 2024 as previously reported	\$ 21,501,259	\$ 1,548,471	\$ 36,666,289	\$ 59,716,019
Change from discretely presented component unit to blended component unit	-	33,095,451	(33,095,451)	-
Adjustment for customer overpayment of utility bills	-	(52,024)	-	(52,024)
Adjustment to clear out long-outstanding payables	-	112,010	-	112,010
Implementation of GASB 101	6,485	(1,160)	-	5,325
Net position, September 30, 2024, restated	21,507,744	34,702,748	3,570,838	59,781,330

NOTE 3: DETAILED NOTES ON ALL FUNDS

Deposits and Investments

At September 30, 2025, the carrying amount of the City and its component unit's cash deposits, (cash, certificates of deposit and interest-bearing savings accounts) was \$1,715,720. The City's cash deposits during the year ended September 30, 2025, were covered by FDIC insurance or by pledged collateral held in the City's name by a bank other than the pledging bank. In addition, the City and its component units held \$8,185,352 in cash equivalents and investments in Texas CLASS external investment pools.

Restricted cash in the amount of \$1,288 represents bond proceeds from the City's Certificates of Obligation Series 2015 Fund. The proceeds of the Certificates are restricted for constructing various capital improvements in and around the City.

Discretely Presented Component Units Cash Deposits

The component unit's unrestricted cash totaled \$29,211 at September 30, 2025.

Restricted amounts were \$231,455 and were held in investments in Texas CLASS external investment pools.

In addition, the following is disclosed regarding coverage of *combined balances on the date of highest deposit:

a. Name of Bank: Texas National Bank.

b. Amount of bond and/or market value of securities pledged (including FDIC coverage) as of the date of the highest *combined balance on deposit were \$1,988,577 and occurred during the month of December 2024. The combined deposit balances on that day were \$1,935,111.

The City's cash deposits were properly secured by FDIC insurance or by pledged collateral held in the City's name.

- Combined balances include all of the City of La Feria and component unit cash accounts on deposit at Texas National Bank.

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act, the City's investment policy, and Government Code Chapter 2257 "Collateral for Public Funds" contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments.

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's investment policy is silent as to maximum investment maturities allowed.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of September 30, 2025, the investments in the Texas CLASS external investment pool was rated AAAM by Moody's Investor Service and Standards and Poor's.

Concentration of Credit Risk

The Investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the Public Funds Investment Act. The City's portfolio only consisted of amounts in the public funds investment pools, discussed below.

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

Public Funds Investment Pools

Texas Cooperative Liquid Assets Securities System Trust (“Texas CLASS”), is an investment pool (local government investment pool) for its participants pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code. Texas CLASS reports its financial statements in accordance with Financial Accounting Standard Boards (FASB) and follows ASC 820 “Fair Value Measurement and Disclosure Requirements” in reporting its investments. For pricing and redeeming shares, Texas CLASS maintains a stable net asset value (NAV) of \$1 per share using the fair value method.

For financial reporting purposes the City’s governmental activities reported amounts for investment pools of \$2,265,197 as investments on the statement of net position. Discretely presented component units reported \$3,111,523 as unrestricted investments and \$231,455 of restricted investments on the Statement of Net Position as of September 30, 2025. There were no unfunded commitments as of September 30, 2025, and amounts reported in the investment pool had a daily redemption frequency and do not require prior notice for redemption.

Accounts Receivable

Property Tax Receivable

Taxes are levied each October 1st and become delinquent on February 1st of the following year. Liens for unpaid taxes go into effect on July 1st of the year the taxes become delinquent. The City may not have a tax rate higher than \$2.50 per \$100 of assessed valuation. Statutes require that all assessments be made on 100% of fair value.

	General Fund	Debt Service Fund	Other Governmental Funds	Total
Gross property taxes receivable	\$ 217,381	\$ 176,484	\$ 225,115	\$ 618,980
Less allowance for doubtful accounts	(60,603)	(30,920)	-	(91,523)
Net property taxes receivable	\$ 156,778	\$ 145,564	\$ 225,115	\$ 527,457

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Accounts Receivable (Continued)

Service Receivables

Service receivables consist of uncollected amounts billed to customers for water, sewer and other services.

At September 30, 2025, the City reflected service receivables of the following:

Primary Government (net)	
Waste disposal services	\$ 175,439
General fund service receivables	98,430
Water services	220,682
Sewer services	163,985
EDC receivables	2,745
Total	\$ 661,281

Governmental Activities

Receivables for governmental activities at September 30, 2025, consisted of the following:

	General	Debt Service Fund	Nonmajor Funds	Total
Receivables				
Property taxes	\$ 217,381	\$ 176,484	\$ 225,115	\$ 618,980
Other taxes	87,847	-	-	87,847
Accounts	101,969	-	-	101,969
Intergovernmental	770,672	-	-	770,672
Other	18,801	-	60,643	79,444
Less allowance for uncollectibles	(64,142)	(30,920)	-	(95,062)
Net total receivables	\$ 1,132,528	\$ 145,564	\$ 285,758	\$ 1,563,850

Component Units

In an effort to stimulate economic growth in the business community, the La Feria Industrial Development Corporation (LFIDC) offers loans to various businesses. One of these programs is the Revolving Loan Fund Program funded by USDA. The Revolving Loan Program was established to assist small businesses to access low interest loans to help with the expansion of a current business or to start a new business in the City of La Feria.

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Accounts Receivable (Continued)

The following is a summary of notes receivable payable to the IDC at September 30, 2025:

Revolving loan program		
STCHD Bearfield	\$	21,148
RLF #1 to STEM		5,154
Other receivables		
TAS Air Conditioning		101,159
Texas State Alarm		269,097
Total		396,558
Less current portion of notes receivable		(54,974)
Total, net of current portion	\$	341,584

The following is a summary of notes receivable payable to the EDC at September 30, 2025:

EDC STCHD note receivable	\$	29,185
Less current portion of note receivable		(2,096)
Total, net of current portion	\$	27,089

The following is a summary of notes receivable payable to the governmental funds from the Waterworks at September 30, 2025:

Note receivable from Waterworks	\$	701,973
Less current portion of note receivable		(240,000)
Total, net of current portion	\$	461,973

Restricted Assets

Primary Government

Certificate of Obligation Series 2015 Fund	\$	1,288
Debt service reserve		545,374
Meter deposits		309,023
Total	\$	855,685

Discretely Presented Component Units

IRP investments	\$	231,455
Total	\$	231,455

City of La Feria, Texas
Notes to Financial Statements

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

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

Primary Government

	Beginning Balance October 1, 2024	Additions	Deletions	Transfers and Reclassifications	Ending Balance September 30, 2025
Governmental Activities					
Capital assets, not being depreciated					
Land	\$ 1,364,363	\$ -	\$ -	\$ -	\$ 1,364,363
Construction in progress	290,063	1,090,591	-	-	1,380,654
Total capital assets, not being depreciated	1,654,426	1,090,591	-	-	2,745,017
Capital, right-to-use, and subscription assets, being depreciated/amortized					
Buildings and systems	16,358,550	110,460	-	19,500	16,488,510
Improvements other than buildings	18,417,435	36,277	-	-	18,453,712
Machinery and equipment	19,634,812	347,682	-	-	19,982,494
Right-to-use lease assets	190,262	-	-	-	190,262
Subscription assets	119,787	-	-	-	119,787
Total capital, right-to-use, and subscription assets, being depreciated/amortized	54,720,846	494,419	-	19,500	55,234,765
Less accumulated depreciation/amortization for					
Buildings and systems	(5,912,454)	(1,150,428)	-	-	(7,062,882)
Improvements other than buildings	(14,680,975)	(240,000)	-	-	(14,920,975)
Machinery and equipment	(9,710,588)	(322,077)	-	-	(10,032,665)
Right-to-use lease assets	(49,215)	(39,173)	-	-	(88,388)
Subscription assets	(87,555)	(9,408)	-	-	(96,963)
Total accumulated depreciation/amortization	(30,440,787)	(1,761,086)	-	-	(32,201,873)
Total capital, right-to-use, and subscription assets, being depreciated/amortized, net	24,280,059	(1,266,667)	-	19,500	23,032,892
Governmental activities capital assets, net	\$ 25,934,485	\$ (176,076)	\$ -	\$ 19,500	\$ 25,777,909

City of La Feria, Texas
Notes to Financial Statements

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (Continued)

	Beginning Balance October 1, 2024	Adjustment (See Note 2)	As Restated Beginning Balance October 1, 2024	Additions	Deletions	Transfers and Reclassifications	Ending Balance September 30, 2025
Business-type Activities							
Capital assets, not being depreciated							
Land	\$ 46,000	357,079	\$ 403,079	\$ -	\$ -	\$ -	\$ 403,079
Easement	-	117,758	117,758	-	-	-	117,758
CCN	-	115,978	115,978	-	-	-	115,978
Construction in progress	139,000	1,474,338	1,613,338	317,051	-	-	1,930,389
Total capital assets, not being depreciated	185,000	2,065,153	2,250,153	317,051	-	-	2,567,204
Capital assets, being depreciated							
Buildings	523,231	-	523,231	19,500	-	(19,500)	523,231
Machinery and equipment	2,702,145	1,943,415	4,645,560	672,099	-	-	5,317,659
Infrastructure	-	55,961,159	55,961,159	282,915	-	-	56,244,074
Right-to-use lease assets	-	66,906	66,906	113,935	-	-	180,841
Subscription assets	-	66,325	66,325	-	-	-	66,325
Total capital assets, being depreciated	3,225,376	58,037,805	61,263,181	1,088,449	-	(19,500)	62,332,130
Less accumulated depreciation/amortization for							
Buildings	(151,745)	-	(151,745)	(25,142)	-	-	(176,887)
Machinery and equipment	(1,994,063)	(1,483,791)	(3,477,854)	(184,428)	-	-	(3,662,282)
Infrastructure	-	(19,403,416)	(19,403,416)	(1,432,740)	-	-	(20,836,156)
Right-to-use lease assets	-	(5,345)	(5,345)	(41,017)	-	-	(46,362)
Subscription assets	-	(66,325)	(66,325)	-	-	-	(66,325)
Total accumulated depreciation	(2,145,808)	(20,958,877)	(23,104,685)	(1,683,327)	-	-	(24,788,012)
Total capital assets being depreciated, net	1,079,568	37,078,928	38,158,496	(594,878)	-	(19,500)	37,544,118
Business-type activities capital assets, net	\$ 1,264,568	39,144,081	\$ 40,408,649	\$ (277,827)	\$ -	\$ (19,500)	\$ 40,111,322

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

Governmental Activities

General government	\$ 546,034
Public safety	800,897
Highways and streets	100,456
Health and welfare	2,594
Culture and recreation	311,105

Total depreciation and amortization expenses - governmental activities **\$ 1,761,086**

Business-type activities

Waste disposal fund	\$ 149,322
Economic development	25,142
Waterworks and sewer system	1,508,863

Total depreciation and amortization expenses - business-type activities **\$ 1,683,327**

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (Continued)

Discretely Presented Component Unit

	Beginning Balance October 1, 2024	Additions	Deletions	Transfers and Reclassifications	Ending Balance September 30, 2025
Industrial Development Corporation					
Capital assets, not being depreciated					
Land	\$ 1,607,118	\$ -	\$ (180,216)	\$ -	\$ 1,426,902
Total capital assets, not being depreciated	1,607,118	-	(180,216)	-	1,426,902
Capital and subscription assets, being depreciated/amortized					
Buildings and improvements	1,277,128	67,081	-	-	1,344,209
Furniture, fixtures and equipment	38,699	-	-	-	38,699
Subscription assets	2,406	-	-	-	2,406
Total capital and subscription assets, being depreciated/amortized	1,318,233	67,081	-	-	1,385,314
Less accumulated depreciation/amortization for					
Buildings and improvements	(431,380)	(47,333)	-	-	(478,713)
Furniture, fixtures and equipment	(27,334)	(1,452)	-	-	(28,786)
Subscription assets	(2,406)	-	-	-	(2,406)
Total accumulated depreciation/amortization	(461,120)	(48,785)	-	-	(509,905)
Total capital and subscription assets, being depreciated/amortized, net	857,113	18,296	-	-	875,409
Industrial Development Corporation activities capital assets, net	\$ 2,464,231	\$ 18,296	\$ (180,216)	\$ -	\$ 2,302,311

Long-Term Debt and Liabilities

General Government Bank Notes and Long-Term Notes Payable

Long-term notes payable at September 30, 2025 consist of the following:

City of La Feria

General Government Financing Agreement

The City entered into a 10 year financing agreement on November 14, 2018, with payments due annually beginning with the first payment due on November 1, 2019, for the acquisition of a fire truck. The fire truck has a ten-year estimated useful life and is valued at \$240,000. The fire truck was placed in service in December of 2018. This purchase financing agreement qualifies as a financing agreement for accounting purposes and, therefore has been recorded at the present value of future minimum financing agreement payments as of the inception date. The financing agreement is secured by the fire truck being financed, and is payable from general fund revenues. Payments are due annually, with the first two payments of \$15,000 and the remaining payments for \$26,433.

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (Continued)

General Government Financing Agreement (Continued)

Final payment is due on November 1, 2028, at which time the title of the fire truck passes to the government and becomes property of the government. The balance at September 30, 2025 was \$95,401.

The City entered into a 10 year financing agreement on November 10, 2020, with payments due annually beginning with the first payment due on January 13, 2022, for the acquisition of a street sweeper. The street sweeper has a ten-year estimated useful life and is valued at \$279,266. The street sweeper was placed in service in June of 2021. This purchase financing agreement qualifies as a financing agreement for accounting purposes and, therefore has been recorded at the present value of future minimum financing agreement payments as of the inception date. The financing agreement is secured by the street sweeper being financed, and is payable from general fund revenues. Payments are due annually, with the first two payments of \$20,000 and the remaining payments for \$36,396. Final payment is due on January 13, 2029, at which time the title of street sweeper passes to the government and becomes property of the government. The balance at September 30, 2025 was \$173,659.

The City entered into a 5 year financing agreement on August 10, 2021, with payments due annually beginning with the first payment due on November 1, 2022, for the acquisition of three Ford explorer vehicles. The police vehicles has a seven-year estimated useful life and is valued at \$194,857. The police vehicles have not been placed in service in as of September 30, 2022. This purchase financing agreement qualifies as a financing agreement for accounting purposes and, therefore has been recorded at the present value of future minimum financing agreement payments as of the inception date. The financing agreement is secured by the vehicles being financed, and is payable from general fund revenues. Payments are due annually with 5 annual payments of \$42,749. Final payment is due on November 1, 2026, at which time the title of the police vehicles passes to the government and becomes property of the government. The balance at September 30, 2025 was \$301,951.

The City entered into a 4 year financing agreement on December 22, 2021, with payments due annually beginning with the first payment due on December 22, 2022, for the acquisition of a fire truck. The fire truck has a four-year estimated useful life and is valued at \$39,750. The fire truck was placed in service in December of 2021. This purchase financing agreement qualifies as a financing agreement for accounting purposes and, therefore has been recorded at the present value of future minimum financing agreement payments as of the inception date. The financing agreement is secured by the fire truck being financed, and is payable from general fund revenues. Payments are due annually with 4 annual payments of \$10,812. Final payment is due on December 22, 2025, at which time the title of fire truck passes to the government and becomes property of the government. The balance at September 30, 2025 was \$10,450.

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (Continued)

The annual financing agreement requirements to maturity are as follows:

Year Ending September 30,	Governmental Activities
2026	\$ 191,085
2027	180,273
2028	137,523
2029	137,565
2030	64,694
Total minimum payments	711,140
Less amount representing interest	(129,678)
Present value of minimum payments	\$ 581,462

Enterprise Fund

La Feria Economic Development Corporation, Inc., (EDC)

Note payable to *Government Capital Corporation* dated August 10, 2021, original principal amount of \$1,518,750 at an interest rate of 3.576% payable in seven annual installments of \$92,913 (including interest) with the first payment due on August 10, 2022 and a final payment due at maturity on August 10, 2046. The note is payable from EDC revenues and was issued to finance the costs of improvements to certain streets and roads, water and sewer utilities, drainage, site improvements and related improvements within the City. The balance at September 30, 2025 was \$1,355,875.

Waste Disposal Fund

The City entered into a 10 year financing agreement on December 22, 2021, with payments due annually beginning with the first payment due on November 1, 2023, for the acquisition of an Autocar Xpeditor truck. The truck has a 10-year estimated useful life and is valued at \$460,561 and has an interest rate of 3.2%. The truck was placed in service in December of 2021. This purchase financing agreement qualifies as a financing agreement for accounting purposes and, therefore has been recorded at the present value of future minimum financing agreement payments as of the inception date. The financing agreement is secured by the truck being financed, and is payable from general fund revenues. Payments are due annually with 10 annual payments of \$54,558. Final payment is due on November 1, 2032, at which time the title of street sweeper passes to the government and becomes property of the government. The balance at September 30, 2025 was \$385,344.

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (Continued)

The City entered into a 5 year financing agreement on February 3, 2023, with payments due annually beginning with the first payment due on February 3, 2024, for the acquisition of a brush truck. The truck has a 5-year estimated useful life and is valued at \$221,087 and has an interest rate of 5.4%. The truck was placed in service in February of 2023. This purchase financing agreement qualifies as a financing agreement for accounting purposes and, therefore has been recorded at the present value of future minimum financing agreement payments as of the inception date. The financing agreement is secured by the truck being financed, and is payable from general fund revenues. Payments are due annually with 5 annual payments of \$51,583. Final payment is due on February 3, 2028, at which time the title of brush truck passes to the government and becomes property of the government. The balance at September 30, 2025 was \$139,516.

The City entered into a 10 year financing agreement on November 29, 2024, with payments due annually beginning with the first payment due on December 13, 2025, for the acquisition of a garbage truck. The garbage truck has a ten-year estimated useful life and is valued at \$503,235 and has an interest rate of 5.9%. The garbage truck was placed in service in December of 2024. This purchase financing agreement qualifies as a financing agreement for accounting purposes and, therefore has been recorded at the present value of future minimum financing agreement payments as of the inception date. The financing agreement is secured by the garbage truck being financed, and is payable from general fund revenues. Payments are due annually with 10 annual payments of \$68,208. Final payment is due on December 13, 2034, at which time the title of garbage truck passes to the government and becomes property of the government. The balance at September 30, 2025 was \$503,235.

La Feria Waterworks & Sewer System

At year-end, the Waterworks had one long-term debt outstanding. The long-term debt was incurred for the replacement of water meters. The following table shows the loan description, original value, acquisition date, and year-end principal balance.

	Original Loan	Rate	Loan Date	Balance at September 30, 2025	Current Term Portion	Long- Term Portion
Government Capital	\$ 1,486,053	5.05%	Jul-23	\$ 1,463,589	\$ 47,687	\$ 1,415,902
				\$ 1,463,589	\$ 47,687	\$ 1,415,902

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (Continued)

Discretely Presented Component Units

La Feria Industrial Development Corporation, Inc., (IDC)

At year-end, the IDC had one long-term debt outstanding. The long-term debt was incurred for the purchase of land for industrial development. The following table shows the loan description, original value, acquisition date, and year-end principal balance.

	Original Loan	Rate	Loan Date	Balance at September 30, 2025	Current Term Portion	Long- Term Portion
Government Capital	\$ 2,500,000	3.58%	Aug-21	\$ 2,261,355	\$ 74,092	\$ 2,187,263
				\$ 2,261,355	\$ 74,092	\$ 2,187,263

Certificates of Obligation Bonds

Certificates of obligation bonds have only been issued for governmental activities.

- Proceeds from the Series 2011 were used for street improvements, the expansion to city hall, public works equipment, the fire department expansion, and the development of two dome/shelter facilities.
- Proceeds from the Series 2012A were used for the expansion of the library.
- Proceeds from the Series 2015 were used for a variety of capital projects throughout the City.

Certificates of obligation bonds are direct obligations and pledge the full faith credit of the City. These bonds are generally issued as 7-year serial bonds with non-equal amounts of principal maturing each year.

On December 6, 2011, the City issued Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2011 at a fixed rate of 3.9% in the amount of \$5,005,000 to finance the City’s match of the funding needed for capital projects and further capital street improvements throughout the City. The City of La Feria Waterworks and Sewer System (the “System”) was allocated \$670,000 of this amount to complete capital projects and meet certain local match grant requirements. The System agreed to pay its portion of debt services to the City as required annually until the bonds mature in 2032.

On December 22, 2011, the City of La Feria issued General Obligation Refunding Bonds, Series 2011 at a fixed rate of 3.4% in the amount of \$7,970,000 and a maturity date of May 15, 2028. The proceeds were used to refund the total outstanding principal balances of three prior bond series listed below which had interest rates ranging from 3.85% to 5.85%:

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (Continued)

- The City of La Feria, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2000, (principal balance totaling \$255,000),
- City of La Feria, Texas Utility System Revenue Bonds, Series 2004, (principal balance totaling \$4,450,000), and
- City of La Feria, Texas Combination Tax and Limited Pledge Revenue Certificate of Obligation, Series 2008, (principal balance totaling \$3,060,000).

Accrued interest payments of \$115,110 and issuance costs of \$89,890 were also paid with part of the refunding bond proceeds. The refunding bonds were issued to restructure the City's debt service and associated tax rates in the coming years, and resulted in an economic net present value savings of \$399,256 (3.57%) and a gross savings of \$403,118. At September 30, 2025, the balance of the defeased debt still outstanding was \$970,000.

An inter-local agreement was signed by the City of La Feria, Texas (the "City") and the City of La Feria Waterworks and Sewer System (the "System") whereby the City agreed to refund the City of La Feria, Texas Utility System Revenue Bonds, Series 2004. In order to take advantage of lower interest rates the City refunded the bonds in the City's name and ultimately removed the long-term debt from the books of the System. However, the System is still responsible for their portion of the debt service payments related to the 2004 refunded bonds. The inter-local agreement provides for the System to make annual payments to the City for its portion of debt service related to these refunded bonds until 2027.

The City commission passed Resolution 2011-46 on November 1, authorizing the interlocal cooperative agreement between the City and the System for the two certificate issues mentioned above.

On February 24, 2015, the City issued Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2015 at a fixed rate of 3.210% in the amount of \$6,330,000 to finance the City's various ongoing capital projects. The bonds have principal and interest payments due every year on August 15 and February 15, with full maturity on February 15, 2035.

City of La Feria, Texas
Notes to Financial Statements

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (Continued)

The following schedule reflects the remaining requirements for the System’s portion of the GO Refunding, Series 2011 and CO Series 2011:

Year Ending September 30,	Due to Primary Government - GO Refunding Series 2011			Due to Primary Government - CO Series 2011		
	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 195,000	\$ 13,260	\$ 208,260	\$ 45,000	\$ 14,040	\$ 59,040
2027	146,973	6,630	153,603	50,000	12,285	62,285
2028	-	-	-	50,000	10,335	60,335
2029	-	-	-	50,000	8,385	58,385
2030	-	-	-	55,000	6,435	61,435
2031-2032	-	-	-	110,000	6,435	116,435
Total	\$ 341,973	\$ 19,890	\$ 361,863	\$ 360,000	\$ 57,915	\$ 417,915

Certificates of obligation bonds currently outstanding as of September 30, 2025 are as follows:

Purpose	Interest Rates	Amount
<i>Certificates of obligation bonds</i>		
Governmental activities	3.210 - 4.00%	\$ 8,258,000

The City also issues bonds where the City allows the Waterworks and Sewer System (System), to pledge income derived from the acquired or constructed assets to pay debt service. The revenue bonds are collateralized by the revenue of the water and sewer system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the System is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. The ordinances also contain certain provisions which require the City to maintain pledged revenues, as defined in the ordinances, for each year of at least equal to the annual debt service requirements.

The System, for the purpose of financing partially the improvements and extensions to the combined waterworks and sanitary sewer system, has revenue bonds, 2004-A, and 2009 at a 4.4% average interest rate with a maturity date of September 15, 2032. The bonds are secured by a lien on and pledge of the net revenues of the System.

The principal balance outstanding on these bonds at September 30, 2025 was \$920,000. City of La Feria, Texas Utility System Revenue Bonds, Series 2004 in the amount of \$4,450,000 were retired with proceeds from the City of La Feria, Texas GO Refunding Series 2011.

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (Continued)

Revenue bonds currently outstanding consist of the following:

Purpose	Interest Rates	Amount	Current Term Portion
Water/sewer infrastructure			
Waterworks & Sewer System	0.00% - 5.26%	\$ 920,000	\$ 230,000

Changes in Long-Term Debt

During the year ended September 30, 2025, the following changes occurred:

	Beginning Balance 10/1/2024	Adjustments (See Note 2)	As Restated Beginning Balance October 1, 2024	Increase	Decrease	Ending Balance 9/30/2025	Due Within One Year
Governmental Activities							
<i>Certificate of Obligation Bonds</i>							
Combination Tax and Limited Pledge Revenue							
Certificates of Obligation - Series 2011	\$ 2,920,000	\$ -	\$ 2,920,000	\$ -	\$ (320,000)	\$ 2,600,000	\$ 330,000
General Obligation Refunding Bonds - Series 2011	1,465,000	-	1,465,000	-	(370,000)	1,095,000	420,000
Combination Tax and Limited Pledge Revenue							
Certificates of Obligation - Series 2012A	279,000	-	279,000	-	(11,000)	268,000	12,000
Combination Tax and Limited Pledge Revenue							
Certificates of Obligation - Series 2015	4,540,000	-	4,540,000	-	(245,000)	4,295,000	250,000
	9,204,000	-	9,204,000	-	(946,000)	8,258,000	1,012,000
Net pension liability	1,392,207	-	1,392,207	49,632	-	1,441,839	-
Total OPEB liability	125,069	-	125,069	6,558	-	131,627	-
Lease liability	140,876	-	140,876	-	(38,065)	102,811	25,554
Financing agreement	472,721	-	472,721	270,473	(161,732)	581,462	162,575
Compensated absences	55,623	(6,485)	49,138	18,553	-	67,691	59,514
Total governmental activities	11,390,496	(6,485)	11,384,011	345,216	(1,145,797)	10,583,430	1,259,643

	Beginning Balance 10/1/2024	Adjustments (See Note 2)	As Restated Beginning Balance October 1, 2024	Increase	Decrease	Ending Balance 9/30/2025	Due Within One Year
Business-type Activities							
Revenue bonds	\$ -	\$ 1,175,000	\$ 1,175,000	\$ -	\$ (255,000)	\$ 920,000	\$ 230,000
Notes payable	2,009,161	1,486,053	3,495,214	503,235	(150,890)	3,847,559	290,748
Forgivable loans	44,192	-	44,192	-	(44,192)	-	-
Lease liability	-	56,406	56,406	113,935	(37,349)	132,992	33,475
Net pension liability	163,070	473,268	636,338	-	(31,357)	604,981	-
Total OPEB liability	14,649	42,516	57,165	-	(1,936)	55,229	-
Due to primary government	-	896,973	896,973	-	(195,000)	701,973	240,000
Compensated absences	2,387	6,078	8,465	49	-	8,514	7,023
Total business type activities	\$ 2,233,459	\$ 4,136,294	\$ 6,369,753	\$ 617,219	\$ (715,724)	\$ 6,271,248	\$ 801,246

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (Continued)

	Beginning Balance 10/1/2024	Adjustment (See Note 2)	As Restated Beginning Balance October 1, 2024	Increase	Decrease	Ending Balance 9/30/2025	Due Within One Year
Discretely Presented Component Units Activities							
Revenue bonds	\$ 1,175,000	\$ (1,175,000)	\$ -	\$ -	\$ -	\$ -	\$ -
Notes payable (IDC)	2,332,888	-	2,332,888	-	(71,533)	2,261,355	74,092
Notes payable (Waterworks)	1,486,053	(1,486,053)	-	-	-	-	-
Lease liability	56,406	(56,406)	-	-	-	-	-
Net pension liability	473,268	(473,268)	-	-	-	-	-
Total OPEB liability	42,516	(42,516)	-	-	-	-	-
Due to primary government	896,973	(896,973)	-	-	-	-	-
Compensated absences	4,918	(4,918)	-	-	-	-	-
Total component unit activities	\$ 6,468,022	\$ (4,135,134)	\$ 2,332,888	\$ -	\$ (71,533)	\$ 2,261,355	\$ 74,092

The City's other noncurrent liabilities are liquidated in the fund where the liability was incurred. Thus, the general fund satisfies most liabilities for governmental activities. In regard to business-type activities, other noncurrent liabilities are liquidated through the waste disposal fund or the economic development corporation.

Annual debt service requirements to maturity for bonded indebtedness are as follows:

Year Ending September 30,	Governmental Activities					Total Requirements
	Primary Government		Revenue Bonds Principal	Revenue Bonds Interest	Total	
	General Obligation Bonds Principal	General Obligation Bonds Interest				
2026	\$ 1,012,000	\$ 276,288	\$ 230,000	\$ 30,581	\$ 1,548,869	
2027	1,047,000	240,328	240,000	20,943	1,548,271	
2028	882,000	203,122	250,000	10,783	1,345,905	
2029	753,000	175,714	45,000	-	973,714	
2030	783,000	148,757	45,000	-	976,757	
2031-2035	3,650,000	354,747	110,000	-	4,114,747	
2036-2040	91,000	15,243	-	-	106,243	
2041-2042	40,000	1,400	-	-	41,400	
Total	\$ 8,258,000	\$ 1,415,599	\$ 920,000	\$ 62,307	\$ 10,655,906	

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (Continued)

Leases- Lessee

The City has entered into lease agreements to obtain the right-to-use phone system equipment. The total annual payments for the assets that the City paid for the fiscal year ended September 30, 2025 was \$16,320. The interest rate of the leases is 3%. The leases have a maturity date of 2026. Monthly payment amounts are \$1,360 for the assets.

The City also entered into a lease agreement to obtain the right to use three vehicles. The total annual payments for the assets that the City paid for the fiscal year ended September 30, 2025 was \$47,163. The interest rate of the leases is 21%. The leases have a maturity date of 2029. Monthly payment amounts are \$3,930 for the assets.

The City also entered into a lease agreement to obtain the right to use printing and mailing equipment. The total annual payments for the assets that the City paid for the fiscal year ended September 30, 2025 was \$25,255. The interest rate of the lease is 4%. The lease has a maturity date of 2029. Quarterly payment amounts are \$6,314 for the assets.

The following is a schedule of minimum future lease payments from governmental activities lease agreements as of September 30:

For the years ended September 30,	Governmental Activities		
	Principal Payments	Interest Expense	Total
2026	\$ 35,303	\$ 7,022	\$ 42,325
2027	25,555	6,939	32,494
2028	25,555	6,939	32,494
2029	16,398	4,048	20,446
Total	\$ 102,811	\$ 24,948	\$ 127,759

For the years ended September 30,	Business-Type Activities		
	Principal Payments	Interest Expense	Total
2026	\$ 33,475	\$ 6,460	\$ 39,935
2027	34,363	5,561	39,924
2028	35,287	4,637	39,924
2029	29,867	2,402	32,269
Total	\$ 132,992	\$ 19,060	\$ 152,052

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (Continued)

Leases- Lessor

The City's operations consist of use of various properties within the City, which expire between 2023 and 2046. The City recognized \$26,405 of lease revenue principal and \$7,079 of lease revenue interest for the year ended September 30, 2025.

The following is a schedule by years of minimum future revenues from non-cancelable agreements as of September 30:

For the years ended September 30,	Principal Payments	Interest Income	Total
2026	\$ 26,965	\$ 7,535	\$ 34,500
2027	32,181	6,519	38,700
2028	35,135	5,365	40,500
2029	38,428	3,572	42,000
2030	13,152	3,048	16,200
2031-2035	23,016	12,984	36,000
2036-2040	32,624	8,876	41,500
2041-2045	38,475	3,525	42,000
2046	3,472	26	3,498
Total	\$ 243,448	\$ 51,450	\$ 294,898

Subscription-Based Information Technology Arrangements

The City has two software arrangements that require recognition under GASBC Section S:80, *Subscription-Based Information Technology Arrangements* (SBITAs). The City now recognizes a subscription liability and an intangible right-to-use subscription asset for the accounting software in Finance and dispatch software in Public Safety.

The accounting software arrangement is a three-year agreement, initiated in fiscal year 2023 with an annual payment of \$49,992. The City has used a 3% discount rate for this arrangement based on the federal funds rate at the time of the agreement. The City has an option to extend this arrangement for 12 additional months and for 12 months thereafter. There is no option to purchase the software. There are no residual value guarantees in the agreement.

The phone radios arrangement is also a five-year agreement, initiated in fiscal year 2023. However, the radios and corresponding were paid in full upon acquisition; the equipment portion was \$17,762 and the subscription portion was \$47,040. As a result, there is a right-to-use subscription asset, but no subscription liability. There are no residual value guarantees in the agreement.

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Inter-fund Receivables, Payables, and Transfers

The following is a summary of the composition of inter-fund balances at September 30, 2025:

Receivable Fund	Payable Fund							Total
	General Fund	Debt Service Fund	Non-major Governmental Funds	Business-Type Activities				
				Waste Disposal Fund	EDC Fund	Waterworks and Sewer System Fund		
Governmental Funds								
General Fund	\$ 63,735	\$ -	\$ 111,593	\$ 313,715	\$ 158,486	\$ 2,657,504	\$ 3,305,033	
Debt Service	407,929	-	-	-	16,415	32,500	456,844	
Non-major Governmental Funds	778,211	-	-	6,332	-	-	784,543	
Subtotal	1,249,875	-	111,593	320,047	174,901	2,690,004	4,546,420	
Business Type Activities								
Economic Development Corporation	271,513	-	-	-	-	-	271,513	
Waste Disposal Fund	119,904	-	-	-	-	585,991	705,895	
Waterworks and Sewer System Fund	-	36,233	-	163,364	-	-	199,597	
Subtotal	391,417	36,233	-	163,364	-	585,991	1,177,005	
Total interfund balances	\$ 1,641,292	\$ 36,233	\$ 111,593	\$ 483,411	\$ 174,901	\$ 3,275,995	\$ 5,723,425	

The outstanding balances between funds result mainly from the time lag between the dates that 1) inter-fund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Transfers

Inter-fund transfers for the year ended September 30, 2025, are as follows:

Transfer Out	Transfer In		
	General Fund	Debt Service Fund	Total
Governmental funds			
General Fund	\$ 174,943	\$ -	\$ 174,943
Subtotal	174,943	-	174,943
Business-type activities			
Economic Development Corporation	88,829	98,488	187,317
Waste Disposal Fund	400,000	-	400,000
Subtotal	488,829	98,488	587,317
Total transfers	\$ 663,772	\$ 98,488	\$ 762,260

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Inter-fund Receivables, Payables, and Transfers (Continued)

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies. Transfers to the debt service fund primarily represent resources which the general fund received from the La Feria Waterworks & Sewer System, EDC, and IDC, to fund the respective portion of debt service which is provided for those entities, where the debt is paid out of the debt service fund.

Net Position

Net position is composed of three categories: Net investment in Capital Assets, Restricted and Unrestricted.

	Governmental Activities	Business-type Activities	Component Units
<i>Net investment in capital assets consists of the following:</i>			
Long-term assets			
Capital and right-to-use assets, net of accumulated depreciation and amortization	\$ 25,777,909	\$ 40,111,322	\$ 2,302,311
Less related liabilities (bonds, unearned revenues*, due to primary government* and notes payable)	(8,942,273)	(5,602,524)	(2,261,355)
Less construction retainages and accounts payable for construction costs	(733,505)	(46,735)	-
Restricted investments (unexpended bond proceeds)	1,288	635,243	-
Net investment in capital assets	16,103,419	35,097,306	40,956
<i>Restricted Net Position consists of the following:</i>			
Debt service	2,712,463	-	-
Tax Increment Reinvestment Zone	870,606	-	-
Capital projects	1,288	-	-
Restricted net position	3,584,357	-	-
Unrestricted net position	2,756,824	(1,264,822)	3,799,245
Total net position	\$ 22,444,600	\$ 33,832,484	\$ 3,840,201

**Not all unearned revenues and amounts due to primary government are related to capital assets.*

NOTE 4: DEFINED BENEFIT PENSION PLAN

Plan Description

The City of La Feria participates as one of 895 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 TMRS act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (Annual Report) that can be obtained at www.tmr.com.

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

Benefits Provided

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

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

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	45
Inactive employees entitled to but not yet receiving benefits	83
<u>Active employees</u>	<u>55</u>
<u>Total members</u>	<u>183</u>

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

Contributions

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

Employees for the City of La Feria, Texas were required to contribute 7.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 15.59% and 19.46% in calendar 2024 and 2025, respectively. The City’s contributions to TMRS for the year ended September 30, 2025 were \$542,384 and were equal to the required contributions.

Net Pension Liability

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

Actuarial assumptions:

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

Inflation	2.5% per year
Overall payroll growth	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on 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.

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the period ending December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2001 through 2009 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 shortterm and long-term funding needs of TMRS.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.00%	7.10%
Core Fixed Income	6.00%	5.00%
Non-Core Fixed Income	6.00%	6.80%
Other Public and Private Markets	4.00%	7.30%
Real Estate	12.00%	6.70%
Hedge Funds	5.00%	6.40%
Private Equity	13.00%	8.50%
Private Debt	13.00%	8.50%
Infrastructure	6.00%	6.00%
Total	100.00%	

Discount Rate

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

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

Schedule of Changes in Net Pension Liability

The change in the City's net pension liability for TMRS pension for the fiscal year ended September 30, 2025 is as follows:

	City Increase (decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2023	\$ 10,382,624	\$ 8,354,078	\$ 2,028,546
Changes for the year			
Service cost	430,307	-	430,307
Interest	736,341	-	736,341
Change in benefit terms	689,965	-	689,965
Difference between expected/ actual experience	(396,776)	-	(396,776)
Changes of assumptions	-	-	-
Contributions - employer	-	400,813	(400,813)
Contributions - employee	-	178,821	(178,821)
Net investment income	-	867,625	(867,625)
Benefit payments, including refunds of employee contributions	(757,977)	(757,977)	-
Administrative expenses	-	(5,567)	5,567
Other charges	-	(130)	130
Net changes	701,860	683,585	18,275
Balance at December 31, 2024	\$ 11,084,484	\$ 9,037,663	\$ 2,046,821

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 have been if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate.

	1% Decrease in Discount Rate (5.75%)		1% Increase in Discount Rate (7.75%)	
	\$	\$	\$	\$
Net Pension Liability	3,519,289	2,046,821	834,618	

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

***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 a combined pension expense in the amount of \$1,010,174. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience (net of current year amortization)	\$ 33,031	\$ 226,486
Changes in actuarial assumptions	-	16,745
Differences between projected and actual investment earnings (net of current year amortization)	-	101,619
Contributions subsequent to the measurement date	422,019	-
Total	\$ 455,050	\$ 344,850

The \$422,019, which is reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	City
Year ending September 30,	
2026	\$ (150,651)
2027	31,813
2028	(132,237)
2029	(60,744)
2030	-
Thereafter	-
Total	\$ (311,819)

NOTE 5: OTHER POSTEMPLOYMENT BENEFITS

A. TMRS Supplemental Death Benefit

The City also participates in a single-employer, defined benefit group-term life insurance known as the Supplemental Death Benefits Fund (SDBF) administered by the Texas Municipal Retirement System (TMRS). This is a voluntary program in which 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). The death benefit for retirees is considered an other postemployment benefit (“OPEB”) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	32
Inactive employees entitled to but not yet receiving benefits	14
<u>Active employees</u>	<u>55</u>
<u>Total members</u>	<u>101</u>

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees’ entire careers.

Employees for the City of La Feria were required to contribute 0.00% of their annual gross earnings during the fiscal year. The contribution rates for the City of La Feria were 0.41% and 0.36% in calendar year 2024 and 2025, respectively. The City’s contributions to the SDBF for the year ended September 30, 2025 were \$10,940, and were equal to the required contributions.

NOTE 5: OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial assumptions:

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

Valuation date:	12/31/2024
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. The rates are projected on a fully generational basis with scale UMP.

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 Scale UMP to account for future mortality improvements subject to the floor.

*The discount rate was based on the Bond Buyer “20-Bond GO Index” rate as of December 31, 2024.

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

NOTE 5: OTHER POSTEMPLOYMENT BENEFITS (Continued)

Total OPEB Liability

The City's Total OPEB Liability was measured as of December 31, 2024, and was determined by an actuarial valuation as of that date. The following presents a summary of the changes in Total OPEB liability:

	Total Total OPEB Liability
Balance at December 31, 2023	\$ 182,234
Changes for the year	
Service cost	7,075
Interest	6,913
Change in benefit terms	-
Difference between expected/ actual experience	5,280
Changes of assumptions	(9,844)
Contributions - employer	-
Contributions - employee	-
Net investment income	-
Benefit payments, including refunds of employee contributions	-
Administrative expenses	(4,801)
Other charges	-
Net changes	4,623
Balance at December 31, 2024	\$ 186,857

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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

	1% Decrease in Discount Rate 3.08%	Discount Rate 4.08%	1% Increase in Discount Rate 5.08%
Total OPEB Liability	\$ 221,469	\$ 186,857	\$ 159,764

NOTE 5: OTHER POST EMPLOYMENT BENEFITS (Continued)

OPEB Expense and Deferred Outflows of Resources Related to OPEBs

For the year ended September 30, 2025 the City recognized combined OPEB expense in the amount of \$6,431. At September 30, 2025 the City reported deferred outflows of resources related to OPEB from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience (net of current year amortization)	\$ 5,217	\$ 5,466
Changes in actuarial assumptions	8,531	38,981
Differences between projected and actual investment earnings (net of current year amortization)	-	-
Contributions subsequent to the measurement date	7,795	-
Total	\$ 21,543	\$ 44,447

The \$7,795 which is reported as deferred outflows of resources related to OPEBs resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2026.

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

	City
Year ending September 30,	
2026	\$ (16,022)
2027	(14,483)
2028	22
2029	(216)
2030	-
Thereafter	-
Total	\$ (30,699)

NOTE 6: RISK MANAGEMENT

The City of La Feria, Texas is exposed to various uncertainties related to intentional and unintentional torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; health and dental medical claims by employees; and job-related accidents and injuries for which the City carries commercial insurance coverage. There have been no significant reductions in insurance coverage from the previous year; no negative settlements or jury awards have exceeded insurance coverage in any of the past three years. The City’s risk management program mainly encompasses obtaining property and liability insurance through Texas Municipal League’s Intergovernmental Risk-Pool (TML-IRP), and through commercial insurance carriers. The participation of the City in TML-IRP is limited to payment of premiums. The City is not aware of any pending claims for which expected liability would exceed the limits of the present insurance coverage.

NOTE 7: COMMITMENTS AND CONTINGENCIES

Litigation

At September 30, 2025, the City was involved in various litigation matters, none of which can be reasonably determined as to the likelihood of outcome or financial impact on the City.

Grant Programs

The City participates in a number of grant programs funded by federal agencies. These programs are subject to compliance audits by the grantor agencies or their representatives. Audits of all these programs including the year ended September 30, 2025 have not been conducted. Accordingly, the City’s compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

NOTE 8: DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Governmental funds report deferred inflows of resources in connection with the acquisition of the City’s fund balance that is applicable to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. At the end of the current fiscal year, deferred inflows of resources reported in the fund financial statements were as follows:

Governmental Funds	
Delinquent property taxes receivable	\$ 270,094
Grants and other	292,219
Total deferred inflows of resources for governmental funds	\$ 562,313

Deferred outflows related to pensions are \$320,551 and \$134,499 in the governmental activities and business-type activities, respectively.

NOTE 8: DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES (Continued)

Deferred outflows related to OPEB are \$15,175 and \$6,368 in the governmental activities and business-type activities, respectively.

Deferred inflows related to pensions are \$242,923 and \$101,927 in the governmental activities and business-type activities, respectively.

Deferred inflows related to OPEB are \$31,310 and \$13,137 in the governmental activities and business-type activities, respectively.

NOTE 9: DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

In prior years, the Internal Revenue Code specified that the plan's assets were the property of the City of La Feria until paid or made available to participants, subject only on an equal basis to the claims of the City's general creditors. A 1996 federal law requires all assets and income of Internal Revenue Code 457 deferred compensation plans to be held in trust, custodial accounts, or annuity contracts for the exclusive benefit of the participants and their beneficiaries.

Private corporations under contract with the City administer assets of the City's plan. The private administrators have amended the plans to comply with the new federal law. Consequently, the plan's assets and liabilities are not reported in the City's financial statements.

NOTE 10: TAX INCREMENT REINVESTMENT ZONE (TIRZ)

In 2007, the City of La Feria established a tax increment reinvestment zone (TIRZ) consisting of 759.66 acres through an inter-local agreement with Cameron County. A portion of the real property ad valorem taxes levied by both participating taxing entities will be set aside for capital improvement projects beginning with taxes levied after January 1st, 2008. The amount set aside for the TIRZ is based upon the incremental increase in the appraised value each January 1st compared to the base year appraised value of property in the zone as of January 1, 2007. The City will contribute 100% of property tax revenue portion generated from the TIRZ; Cameron County agreed to contribute 50% of the property tax revenue generated from the TIRZ through August 31, 2036. On December 27, 2013, The TIRZ contributed \$290,000 to a local developer for public improvements for a new 70-unit single family subdivision. As of September 30, 2025, the TIRZ fund balance was at \$870,606.

NOTE 11: RELATED ORGANIZATION TRANSACTIONS

As described in Note 1, the City has one discretely presented component unit all of which have fiscal years ended September 30, 2025. During the year and at year end, the City and the component had the following transactions.

Due from Component Units - During the year, the City maintained receivables totaling \$24,363 from the La Feria IDC for unreimbursed advances. Total amounts due to the City from component units is \$24,363.

Payments from Component Units - Included in other Intergovernmental revenues are payments of \$55,480 from the La Feria IDC, respectively, for administrative fees to the City.

NOTE 12: COMMITMENTS AND CONTINGENCIES

Construction Commitments

At September 30, 2025, the City was a party to the following contracts:

Governmental Funds:

The City was awarded a grant in the amount of \$18,400,000 from the U.S. Department of Housing and Urban Development (HUD) and passed through the Texas General Land Office (GLO) under the Community Development Block Grant Disaster Recovery Program to fund improvements to the public flood and drainage facilities and components, as well as watershed improvements. The GLO is the lead state agency for managing disaster recovery grants through HUD. Construction of the watershed improvements and other public flood components funded with GLO funds is completed but the City is waiting on final approval of the project from GLO for release of final funds.

As part of these improvements, the City worked with the La Feria Irrigation District (LFID) as some of the areas of improvement were property of the LFID. In order to finalize the project and obtain the necessary engineering certifications required by GLO to release the final funds to reimburse the City, the City has entered into an agreement with the LFID to complete these improvements. The agreement stipulates that, beginning with the fiscal year 2019-2020, the City will pay \$100,000 per year for a period of 10 years to the LFID in order to fund the improvements. These amounts will be considered expenditures when paid and do not represent asset additions of the City, although the City will benefit from the infrastructure improvements.

NOTE 13: SUBSEQUENT EVENTS

Management evaluated all events or transactions that occurred after September 30, 2025 through March 24, 2026 the date the current year's financial statements were available to be issued. The following events occurred.

The City issued \$3,405,000 Certificates of Obligation, Series 2025 on October 2, 2025 for the purpose of various drainage improvements throughout the City.

On November 2025, the IDC purchased the Shriners Building valued at approximately \$1.2 million.

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REQUIRED SUPPLEMENTARY INFORMATION



City of La Feria, Texas
General Fund
Schedule of Revenues, Expenditures, and Changes
In Fund Balance – Budget and Actual

For the fiscal year ended September 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive/ (Negative)
REVENUES				
Taxes:				
Property	\$ 2,265,469	\$ 2,265,469	\$ 1,960,056	\$ (305,413)
Sales	1,157,818	1,157,818	1,122,222	(35,596)
Mix Beverage	5,000	5,000	8,473	3,473
Franchise	408,000	408,000	432,742	24,742
Licenses and permits	153,700	153,700	126,145	(27,555)
Intergovernmental	1,282,000	1,282,000	1,090,924	(191,076)
Fees and charges	896,190	896,190	855,277	(40,913)
Fines	200,000	200,000	298,084	98,084
Interest income	27,500	27,500	111,324	83,824
Contributions and donations	22,650	22,650	21,419	(1,231)
Other	249,000	249,000	440,444	191,444
Total revenues	6,667,327	6,667,327	6,467,110	(200,217)
EXPENDITURES				
Current:				
General government	1,875,648	1,875,648	1,622,185	253,463
Public safety	2,342,004	2,342,004	2,399,870	(57,866)
Highways and streets	292,513	292,513	301,015	(8,502)
Health and welfare	13,000	13,000	7,774	5,226
Culture and recreation	792,798	792,798	880,431	(87,633)
Sanitation	-	-	604	(604)
Debt service:				
Principal	79,761	79,761	149,468	(69,707)
Interest	16,386	16,386	22,431	(6,045)
Capital outlay	1,555,000	1,555,000	1,585,010	(30,010)
Total expenditures	6,967,110	6,967,110	6,968,788	(1,678)
Excess (deficiency) of revenues over (under) expenditures	(299,783)	(299,783)	(501,678)	(201,895)
OTHER FINANCING SOURCES (USES)				
Transfers in	668,829	668,829	663,772	(5,057)
Transfers (out)	(230,000)	(230,000)	(174,943)	55,057
Issuance from equipment financing	-	-	270,473	270,473
Total other financing sources and uses	438,829	438,829	759,302	320,473
Net change in fund balance	139,046	139,046	257,624	118,578
Fund balance - beginning	2,168,695	2,168,695	2,168,695	-
Fund balance - ending	\$ 2,307,741	\$ 2,307,741	\$ 2,426,319	\$ 118,578

City of La Feria, Texas
Notes to Required Supplementary Information

Stewardship, compliance, and accountability

Budgetary information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all funds and lapse at fiscal year end.

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

- a. City Management establishes the amount of estimated revenues and other resources available for appropriation for the succeeding budget year.
- b. City Management submits to the City Commission 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.
- c. Public hearings are conducted at City Hall to obtain taxpayer comments.
- d. Prior to October 1, the budget is adopted by the City Commission.
- e. Revisions that alter total expenditures of any fund must be approved by the City Commission. The legal level of budgetary control (the level at which the governing body must approve any over expenditure of appropriations or transfers of appropriated amounts) is the fund level with the City manager being authorized to transfer budgeted amounts between functional categories within a fund without prior City Commission approval. The final annual amended appropriated budgets are used in this report.
- f. Formal budgetary integration is employed as a management control device during the year for the General Fund and the Debt Service Fund.
- g. Budgets for the General, Special Revenue, Debt Service, and Capital Projects Funds were adopted on a basis consistent with GAAP.
- h. Appropriations lapse at the end of each fiscal year.

Expenditures may not legally exceed budgeted appropriations at the fund level. In the current year the City's expenditures exceeded budgeted appropriations at the fund level for Public Safety, Highways and streets, Health and welfare, Culture and Recreation, Sanitation, Debt Service (Principal and Interest), and Capital Outlay. Refer to Note 1 for more information.

City of La Feria, Texas
Schedule of Changes in Net Pension Liability and Related Ratios
For Agent Multiple Employer Pension Plan –
Texas Municipal Retirement System

For the year ended September 30,	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability										
Service cost	\$ 430,307	\$ 387,102	\$ 358,792	\$ 357,396	\$ 321,536	\$ 315,533	\$ 224,723	\$ 219,389	\$ 219,149	\$ 236,999
Interest (on the total pension liability)	736,341	654,207	610,010	561,438	546,282	517,731	455,299	441,558	424,054	410,898
Changes of benefit terms	689,965	-	-	-	-	591,316	-	-	-	-
Difference between expected and actual experience	(396,776)	176,645	97,795	149,239	(288,407)	(45,293)	(31,086)	(50,318)	10,628	(46,049)
Changes of assumptions	-	(89,545)	-	-	-	26,584	-	-	-	61,615
Benefit payments, including refunds of employee contributions	(757,977)	(488,380)	(363,572)	(334,812)	(410,799)	(378,373)	(343,090)	(476,350)	(312,921)	(171,531)
Net change in total pension liability	701,860	640,029	703,025	733,261	168,612	1,027,498	305,846	134,279	340,910	491,932
Total pension liability - beginning	10,382,623	9,742,594	9,039,569	8,306,308	8,137,696	7,110,198	6,804,352	6,670,073	6,329,163	5,837,231
Total pension liability - ending (a)	\$ 11,084,483	\$ 10,382,623	\$ 9,742,594	\$ 9,039,569	\$ 8,306,308	\$ 8,137,696	\$ 7,110,198	\$ 6,804,352	\$ 6,670,073	\$ 6,329,163
Plan Fiduciary Net Position										
Contributions - employer	\$ 400,813	\$ 389,685	\$ 346,188	\$ 380,140	\$ 347,153	\$ 233,845	\$ 202,008	\$ 183,954	\$ 190,998	\$ 209,142
Contributions - employee	178,821	180,889	166,438	169,382	151,975	148,137	131,417	131,935	136,846	150,000
Net investment income	867,625	858,244	(571,940)	878,995	469,841	828,948	(165,962)	694,800	316,601	6,638
Benefit payments, including refunds of employee contributions	(757,977)	(488,380)	(363,572)	(334,812)	(410,799)	(378,373)	(343,090)	(476,350)	(312,921)	(171,531)
Administrative expense	(5,567)	(5,463)	(4,953)	(4,072)	(3,043)	(4,690)	(3,212)	(3,604)	(3,579)	(4,044)
Other	(130)	(38)	5,910	28	(119)	(140)	(168)	(183)	(193)	(200)
Net change in plan fiduciary net position	683,585	934,937	(421,929)	1,089,661	555,008	827,727	(179,007)	530,552	327,752	190,005
Plan fiduciary net position - beginning	8,354,076	7,419,139	7,841,068	6,751,407	6,196,399	5,368,672	5,547,679	5,017,127	4,689,375	4,499,370
Plan fiduciary net position - ending (b)	\$ 9,037,661	\$ 8,354,076	\$ 7,419,139	\$ 7,841,068	\$ 6,751,407	\$ 6,196,399	\$ 5,368,672	\$ 5,547,679	\$ 5,017,127	\$ 4,689,375
Net pension liability - ending (a) - (b)	\$ 2,046,822	\$ 2,028,547	\$ 2,323,455	\$ 1,198,501	\$ 1,554,901	\$ 1,941,297	\$ 1,741,526	\$ 1,256,673	\$ 1,652,946	\$ 1,639,790
Plan fiduciary net position as a percentage of total pension liability	81.53%	80.46%	76.15%	86.74%	81.28%	76.14%	75.51%	81.53%	75.22%	74.09%
City's covered payroll	\$ 2,526,759	\$ 2,584,128	\$ 2,377,683	\$ 2,419,740	\$ 2,171,074	\$ 2,116,249	\$ 1,877,389	\$ 1,884,782	\$ 1,954,942	\$ 2,142,851
Net pension liability as a percentage of city's covered payroll	81.01%	78.50%	97.72%	49.53%	71.62%	91.73%	92.76%	66.67%	84.55%	76.52%

City of La Feria, Texas
Schedule of Contributions
For Agent Multiple Employer Pension Plan –
Texas Municipal Retirement System

For the year ended September 30,	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 542,384	\$ 382,234	\$ 392,679	\$ 362,452	\$ 352,562	\$ 309,638	\$ 228,478	\$ 192,956	\$ 183,998	\$ 202,962
Contributions in relation to actuarially determined contribution	(542,384)	(382,234)	(392,679)	(362,452)	(352,562)	(309,638)	(228,478)	(192,956)	(183,998)	(202,962)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 2,932,265	\$ 2,463,531	\$ 2,629,822	\$ 2,426,320	\$ 2,233,285	\$ 2,105,089	\$ 2,081,078	\$ 1,839,977	\$ 1,884,782	\$ 2,078,015
Contributions as a percentage of city covered payroll	18.50%	15.52%	14.93%	14.94%	15.79%	14.71%	10.98%	10.49%	9.76%	9.77%

City of La Feria, Texas
Notes to Schedule of Contributions
For Agent Multiple Employer Pension Plan –
Texas Municipal Retirement System

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	21 Years (longest amortization ladder)
Asset Valuation Method	10 Year Smoothed Market; 12% Soft Corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience – based table based on rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Other Information:	
Notes	Increased city matching ratio from 1.5 -1 to 2 – 1.

City of La Feria, Texas
Schedule of Changes in Total OPEB Liability and Related Ratios
Texas Municipal Retirement System

For the year ended September 30,	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service cost	\$ 7,075	\$ 7,752	\$ 12,602	\$ 12,825	\$ 9,336	\$ 6,984	\$ 6,946	\$ 6,031
Interest (on the total OPEB liability)	6,913	6,589	4,579	4,630	5,456	5,863	5,270	5,174
Changes of benefit terms	-	-	-	-	-	-	-	-
Difference between expected and actual experience	5,280	2,184	(12,056)	(2,085)	(8,567)	(3,030)	(1,335)	-
Change of assumptions	(9,844)	9,725	(83,372)	7,610	28,983	31,199	(10,560)	11,882
Benefit payments, including refunds of employee contributions	(4,801)	(5,685)	(5,231)	(5,807)	(1,955)	(1,692)	(1,314)	(1,131)
Net Change in Total OPEB Liability	4,623	20,565	(83,478)	17,173	33,253	39,324	(993)	21,956
Total OPEB Liability - Beginning	182,234	161,669	245,147	227,974	194,721	155,397	156,390	134,434
Total OPEB Liability - Ending (a)	\$ 186,857	\$ 182,234	\$ 161,669	\$ 245,147	\$ 227,974	\$ 194,721	\$ 155,397	\$ 156,390
Covered Employee Payroll	\$ 2,526,759	\$ 2,584,128	\$ 2,377,683	\$ 2,419,740	\$ 2,171,074	\$ 2,116,249	\$ 1,877,389	\$ 1,884,782
Total OPEB Liability as a Percentage of Covered Employee Payroll	7.40%	7.05%	6.80%	10.13%	10.50%	9.20%	8.28%	8.30%

Notes to schedule:

- (1) The schedule above reflects the changes in the total OPEB liability for the current year. GASB 75 requires 10 fiscal years of data to be provided in this schedule. Additional years will be presented as the information becomes available.
- (2) No assets are accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75 to pay related benefits.



OTHER SUPPLEMENTARY INFORMATION



City of La Feria, Texas
Non-Major Governmental Funds
Combining Statements

Special revenue fund: The Tax Increment Reinvestment Zone (TIRZ) Fund was established to account for a portion of property taxes levied by the City and Cameron County to facilitate the provision of capital improvements.

Special revenue fund: The Texas Capital Fund was established to account for the City's economic development grant received from the State.

Special revenue fund: The Community Development Block Grant (CDBG) Fund was established to account for Federal grant awards which provide communities with flexible programs with resources to address a wide range of unique community development needs. The current CDBG grants complement capital improvements to the water and sewer system.

Special revenue fund: The Promotion of La Feria Fund was established to account for the hotel/motel tax revenue and the activities specifically related to the promotion of the City of La Feria.

Special revenue fund: The forfeiture fund was established to account for monies received by the La Feria Police Department. These funds are used to finance the police investigations and equipment.

Capital projects fund: The Certificates of Obligation Series 2015 Fund accounts for the construction of various capital improvements through the use of proceeds from this issuance of certificates of obligation.

City of La Feria, Texas

Non-Major Governmental Funds

Combining Balance Sheet

September 30, 2025

	Special Revenue Funds					Capital Projects Funds		Total Nonmajor Governmental Funds
	Tax Increment Reinvestment Zone Fund	Texas Capital Fund	Forfeiture Fund	Community Development Block Grant Fund	Promotion of La Feria Fund	Total	Certificates of Obligation Series 2015 Fund	
ASSETS								
Cash and cash equivalents	\$ 92,395	\$ 52,793	\$ 4,591	\$ 100	\$ -	\$ 149,879	\$ -	\$ 149,879
Receivables								
Property tax	225,115	-	-	-	-	225,115	-	225,115
Other	-	60,643	-	-	-	60,643	-	60,643
Due from other funds	778,211	-	-	-	6,332	784,543	-	784,543
Restricted assets								
Cash and cash equivalents	-	-	-	-	-	-	1,288	1,288
Total assets	\$ 1,095,721	\$ 113,436	\$ 4,591	\$ 100	\$ 6,332	\$ 1,220,180	\$ 1,288	\$ 1,221,468
LIABILITIES								
Accounts payable	\$ -	\$ 36,168	\$ -	\$ -	\$ -	\$ 36,168	\$ -	\$ 36,168
Due to other funds	-	78,768	-	100	32,725	111,593	-	111,593
Total liabilities	-	114,936	-	100	32,725	147,761	-	147,761
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenues - property taxes	225,115	-	-	-	-	225,115	-	225,115
Total deferred inflows of resources	225,115	-	-	-	-	225,115	-	225,115
FUND BALANCES (DEFICIT)								
Restricted fund balances:								
Tax increment reinvestment zone	870,606	-	-	-	-	870,606	-	870,606
Capital projects	-	-	-	-	-	-	1,288	1,288
Assigned	-	-	4,591	-	-	4,591	-	4,591
Unassigned	-	(1,500)	-	-	(26,393)	(27,893)	-	(27,893)
Total fund balances (deficit)	870,606	(1,500)	4,591	-	(26,393)	847,304	1,288	848,592
Total liabilities, deferred inflows of resources and fund balance	\$ 1,095,721	\$ 113,436	\$ 4,591	\$ 100	\$ 6,332	\$ 1,220,180	\$ 1,288	\$ 1,221,468

City of La Feria, Texas
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance

For the year ended September 30, 2025

	Special Revenue Funds					Capital Projects Funds		Total Nonmajor Governmental Funds
	Tax Increment Reinvestment Zone Fund	Texas Capital Fund	Forfeiture Fund	Promotion of La Feria Fund	Total	Certificates of Obligation Series 2015 Fund		
Revenues								
Property taxes	\$ 261,077	\$ -	\$ -	\$ -	\$ 261,077	\$ -	\$ -	\$ 261,077
Hotel / motel tax	-	-	-	17,140	17,140	-	-	17,140
Fees and charges	-	-	-	25,789	25,789	-	-	25,789
Total revenues	261,077	-	-	42,929	304,006	-	-	304,006
Expenditures								
Current								
Culture and recreation	-	-	-	51,787	51,787	-	-	51,787
Total expenditures	-	-	-	51,787	51,787	-	-	51,787
Excess (deficiency) of revenues over (under) expenditures	261,077	-	-	(8,858)	252,219	-	-	252,219
Net change in fund balances	261,077	-	-	(8,858)	252,219	-	-	252,219
Fund balance, beginning	609,529	(1,500)	4,591	(17,535)	595,085	1,288	-	596,373
Fund balance, ending	\$ 870,606	\$ (1,500)	\$ 4,591	\$ (26,393)	\$ 847,304	\$ 1,288	\$ -	\$ 848,592

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COMPLIANCE SECTION





CARR, RIGGS & INGRAM, L.L.C.

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

To the City Honorable Mayor and
Members of the City Commission
City of La Feria, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of La Feria, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City of La Feria, Texas’ basic financial statements, and have issued our report thereon dated March 24, 2026.

Report on Internal Control over Financial Reporting

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

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

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2025-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

City of La Feria, Texas' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of La Feria, Texas' response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. City of La Feria, Texas' response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Carr, Riggs & Ingram, L.L.C.

Harlingen, Texas
March 24, 2026

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City of La Feria, Texas
Schedule of Findings and Responses
For the Year Ended September 30, 2025

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal controls over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

City of La Feria, Texas
Schedule of Findings and Responses - Continued
For the Year Ended September 30, 2025

Section II – Financial Statement Findings

2025-001

Payables and Year End Liability Accruals

Criteria:

Internal controls should be designed and implemented over year-end closing and cutoff procedures in order to ensure that expenditures are recorded in the correct accounting period and that payables are properly monitored and updated each year.

Condition Found:

During fiscal year 2025, the City expended \$996,766 in federal expenditures for various drainage improvements. However, while the City correctly accrued the revenue and corresponding receivables for the federal reimbursements, they did not record all of the expenditures and corresponding payables.

Context:

The Schedule of Expenditures of Federal Awards \$733,505 in federal expenditures that were not recorded in the current accounting period as capital outlay expenditures and related payables.

Cause:

The City did not have sufficient controls pertaining to accounts payable cutoff to identify the proper accounting period that expenditures should be recorded in.

Effect:

Prior to the audit adjustment, capital outlay expenditures for the General Fund were materially understated by \$733,505. Not recording expenditures in the correct year can also impact the year end reporting of actual expenditures to budget.

Recommendation:

It is suggested that management review its disbursements made close to and after year-end to ensure that the corresponding expenditures are recorded in the correct accounting period.

View of Responsible Officials:

Management agrees with the finding. See "Corrective Action Plan" section on page 109.

CITY OF LA FERIA



City of La Feria, Texas Corrective Action Plan

PROGRAM DESCRIPTION

Findings - Financial Statements

Schedule Reference Number: (2025-001)
Payables and Year End Liability Accruals

Corrective Action Plan:

CORRECTIVE ACTION PLAN

Management will review its payable schedules and will update and monitor them throughout the year and at year-end.

Responsible Contact: Luis Castillo, Finance Director
Implementation Time Frame: Ongoing during the current fiscal year

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City of La Feria, Texas
Summary Schedule of Prior Audit Findings

DESCRIPTION

STATUS OF PRIOR YEAR FINDINGS

Schedule Reference Number:
(2024-001)

Lack of Waterworks and Sewer System Board Meetings

Corrective Action Plan:

The City Commission has handled the oversight of the Waterworks and Sewer System, and it has been reclassified in the current year as a blended component unit. Not a repeat finding.

**City of La Feria, Texas
Exit Conference**

Discussion with City Personnel: The results of the audit were discussed at an exit briefing with the following grantee personnel:

Luis Castillo, Finance Director
Frank Rios, City Manager

No exceptions were taken to the factual contents of the items contained in this report.