

CITY OF CADDO MILLS, TEXAS
ANNUAL FINANCIAL STATEMENTS

For the Fiscal Year Ended
September 30, 2025



CITY OF CADDO MILLS, TEXAS
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Independent Auditor's Report

Honorable Mayor and
Members of the City Council
City of Caddo Mills, Texas

Members of the Council:

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, including the fiduciary fund financial statements, of the City of Caddo Mills, Texas (the City), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information, including the fiduciary fund financial statements, of the City of Caddo Mills, 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 the 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 opinions.

Responsibilities of Management for the Financial Statements

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

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

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 on pages 4-8, and the budgetary comparison information on page 49, schedule of changes in net pension liability & related ratios on page 50, schedule of contributions on page 51, the schedule of changes in total OPEB liability & related ratios on page 52, and the notes to Texas Municipal Retirement System on page 53, which are required supplementary information (RSI) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Delinquent Taxes Receivable, Historical Schedule of Property Tax Rates, and Historical Schedule of Assessed Property Valuation, but does not include the basic financial statements and our auditor's reports thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2026, on our consideration of the City of Caddo Mills, 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 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 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 Caddo Mills, Texas' internal control over financial reporting and compliance.



WILF & HENDERSON, P.C.
Certified Public Accountants
Texarkana, Texas

March 5, 2026

Management Discussion and Analysis

As management for the City of Caddo Mills, Texas, we offer readers of the City's financial statements this overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2025. This discussion should be read in conjunction with the financial statements and related notes.

FINANCIAL HIGHLIGHTS:

- Government-wide net position reported in the Statement of Activities is \$24,075,827. Of this amount \$12,549,959 is the net investment in capital assets, \$99,288 is restricted for debt service or municipal court use, \$7,285,855 restricted for capital projects, \$53,473 is restricted for economic development, leaving \$4,045,740 of unrestricted net position.
- Government-wide net position increased by \$2,697,485.
- Each of the City's fund financial statements reported changes in equity as follows:

General Fund – (\$881,667) decrease
Debt Service Fund – (\$64,177) decrease
Capital Projects Fund – (\$879,341) decrease
Other Governmental Funds – (\$36,039) decrease
Water & Sewer Fund - \$2,056,567 increase

Comparative data is presented at the end of this section to facilitate further analysis of the City's financial activity.

USING THIS ANNUAL REPORT:

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the City as a whole and present a long-term view of the City's financial condition. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. Governmental fund statements tell how services were financed in the short-term, as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for funding requests and appropriations from the State. Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses, such as the water and sewer system. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosures for the government-wide statements and the fund financial statements.

REPORTING THE CITY AS A WHOLE GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The Statement of Net Position and the Statement of Activities

Government-wide financial statements provide an analysis of the City's overall financial condition and operations. The primary objective of these statements is to show whether the City's financial condition has improved or deteriorated as a result of the year's activities.

The Statement of Net Position includes all the City's assets and liabilities while the Statement of Activities includes all the revenue and expenses generated by the City's operations during the year. Government-wide statements utilize the accrual basis of accounting, which is the same method used by most private sector companies.

All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. The City's revenue is divided into the following categories: 1) charges for services, 2) operating grants and contributions, 3) capital grants and contributions and 4) general revenues not associated with any specific program function. All of the City's assets are reported whether they serve the current year or future years. Liabilities are also reported regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and the changes in it. The City's net position (the difference between assets and liabilities) provide one measure of the City's financial health or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, you should consider non-financial factors as well, such as changes in the City's request for services from citizens and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities:

Governmental Activities - Most of the City's services are reported here, including, administration, judicial, public works, police, fire, code enforcement, parks and recreation and airport. Property taxes and state and federal grants finance most of these activities.

Business-type Activities - The City charges fees to customers to help it cover the cost of certain services it provides. The City's water and sewer system operations and sanitation services are reported here.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS:

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds. The City's administration establishes funds to help it control and manage money for particular purposes. The City's two kinds of funds - governmental and proprietary use different accounting approaches.

Governmental Funds - The City reports most of its basic services in governmental funds. Governmental funds use the modified accrual basis of accounting (a method that measures the receipt and disbursement of cash and other financial assets that can be readily converted to cash) and they report balances that are available for future spending. Governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the accounting differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules found after each of the governmental fund financial statements.

Proprietary Funds - The Proprietary/Enterprise fund is used to account for operations that are financed in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water and sewer services to the general public on a continuing basis are financed through user charges.

Fiduciary Funds - Fiduciary Funds are used to account for resources held by the City in a custodial capacity for others; these resources cannot be used to support the City's own programs and are not included in the government-wide financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS:

Net position serves as one useful indicator of a government’s financial position. In the case of the City, the combined net position exceeded liabilities by \$24,075,827 at the close of fiscal year 2025.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS:

The net position of the City’s activities increased by \$2,697,485 during 2025. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was \$4,045,741.

**City of Caddo Mills
Statement of Net Position**

	Governmental Activities		Business-Type Activities		Component Unit	
	2025	2024	2025	2024	2025	2024
Current assets	\$ 3,637,709	\$ 4,331,804	\$ 4,012,049	\$ 4,012,682	\$ 1,364,078	\$ 1,183,567
Restricted assets	3,174,670	4,203,061	4,367,550	4,367,111	-	-
Capital assets	8,034,161	5,355,988	22,987,144	21,467,807	741,125	731,617
Total Assets	<u>14,846,540</u>	<u>13,890,853</u>	<u>31,366,743</u>	<u>29,847,600</u>	<u>2,105,203</u>	<u>1,915,184</u>
Deferred outflows of resources	211,735	90,512	58,068	24,823	-	-
Current liabilities	475,605	390,085	2,423,615	2,223,287	-	-
Long-term liabilities	6,668,475	6,855,791	11,970,578	12,821,880	-	-
Net pension and OPEB liability	635,187	75,810	174,199	20,790	-	-
Total Liabilities	<u>7,779,267</u>	<u>7,321,686</u>	<u>14,568,392</u>	<u>15,065,957</u>	<u>-</u>	<u>-</u>
Deferred inflow of resources	48,954	44,337	10,646	6,725	-	-
Net Position:						
Net investment in capital assets	1,493,501	(1,499,803)	11,056,457	8,645,927	741,125	731,617
Restricted	3,224,454	4,118,188	4,255,674	3,806,085	1,364,078	1,183,567
Unrestricted	2,512,099	3,996,957	1,533,642	2,347,729	-	-
Total Net Position	<u>\$ 7,230,054</u>	<u>\$ 6,615,342</u>	<u>\$ 16,845,773</u>	<u>\$ 14,799,741</u>	<u>\$ 2,105,203</u>	<u>\$ 1,915,184</u>

**City of Caddo Mills
Statement of Activities**

	Governmental Activities		Business-Type Activities		Component Unit	
	2025	2024	2025	2024	2025	2024
Revenues						
Program Revenues						
Charges for Services	\$ 1,605,839	\$ 741,655	\$ 4,816,637	\$ 4,243,339	\$ -	\$ -
Operating Grants and Contributions	-	75,000	-	-	-	-
Capital Grants and Contributions	324,639	407,861	-	5,000	-	-
General Revenues						
Property taxes	3,340,639	2,684,288	-	-	-	-
Other taxes	1,005,581	823,628	-	-	468,160	382,358
Investment earnings	121,674	231,277	64,444	112,874	25,686	82,700
Miscellaneous	204,278	299,267	-	-	14,750	10,600
Impact fees	-	-	805,605	1,629,684	-	-
Total General Revenues	<u>6,602,650</u>	<u>5,262,976</u>	<u>5,686,686</u>	<u>5,990,897</u>	<u>508,596</u>	<u>475,658</u>
Expenses						
Administration	2,051,571	1,444,531	-	-	-	-
Building inspections	429,497	299,398	-	-	-	-
Judicial	92,442	106,908	-	-	-	-
Police department	1,626,493	1,307,283	-	-	-	-
Fire protection	395,884	241,151	-	-	-	-
Airport	319,203	167,767	-	-	-	-
Public works	29,162	27,642	-	-	-	-
Parks & recreation	-	110,049	-	-	-	-
Grant expenditures	33,528	75,000	-	-	-	-
Interest and fiscal charges	201,294	273,083	-	-	-	-
Water, sewer and garbage	-	-	4,412,777	3,868,041	-	-
CMEDC	-	-	-	-	318,577	269,688
Total Expenses	<u>5,179,074</u>	<u>4,052,812</u>	<u>4,412,777</u>	<u>3,868,041</u>	<u>318,577</u>	<u>269,688</u>
Other Sources (Uses)						
Operating transfers in (out)	(782,658)	(916,383)	782,658	960,233	-	(43,850)
Total Other Sources (Uses)	<u>(782,658)</u>	<u>(916,383)</u>	<u>782,658</u>	<u>960,233</u>	<u>-</u>	<u>(43,850)</u>
Increase (Decrease) in Net Position	640,918	293,781	2,056,567	3,083,089	190,019	162,120
Beginning Net Position	6,615,342	6,321,561	14,799,741	11,716,652	1,915,184	1,753,064
Adjustments and restatements	(26,206)	-	(10,535)	-	-	-
Ending Net Position	<u>\$ 7,230,054</u>	<u>\$ 6,615,342</u>	<u>\$ 16,845,773</u>	<u>\$ 14,799,741</u>	<u>\$ 2,105,203</u>	<u>\$ 1,915,184</u>

FINANCIAL ANALYSIS OF THE CITY'S FUNDS:

As the City completed the year, its governmental funds reported a combined fund balance of \$6,288,224 and proprietary funds reported a net position of \$16,845,773 for a decrease of (\$1,861,224) and an increase of \$2,056,567 respectively.

CAPITAL ASSET AND DEBT ADMINISTRATION:

Capital Assets - The City's capital assets reported in governmental activities and business-type activities was \$8,034,161 and \$22,987,144, respectively or \$31,762,430, including the component unit, in total government-wide. Capital assets include land, construction in progress, buildings and improvements, equipment and vehicles, net of accumulated depreciation. Net changes in capital assets in governmental activities and business-type activities were \$2,678,173 increase and \$1,519,337 increase, respectively after current year depreciation expense of \$237,793 (governmental activities) and \$828,934 (business-type activities). Additional information on the City's capital assets can be found in note 5 to the financial statements.

Long-term Debt - At year-end the City had \$6,668,475 in bonds outstanding in governmental activities – a decrease of (\$187,316). At year-end the City has \$11,970,578 in bonds outstanding in business-type activities – a decrease of (\$851,302). Additional information on the City's long-term debt can be found in note 6 to the financial statements.

BUDGETARY HIGHLIGHTS & ECONOMIC FACTORS:

The City continues to experience significant residential and commercial growth. Development within the DR Horton Trailstone subdivision is approximately 70% complete, with additional phases planned. Other subdivisions, including Stonehaven and Caddo Downs, have been completed, while Fox Landing and Brushy Creek are currently under construction. Several additional residential developments proposing more than 8,000 single-family homes are in the planning stages. The City also has three commercial developments under review that will include retail, medical, and multi-family uses.

To support this growth, the City has established two Tax Increment Reinvestment Zones (TIRZ #1 and TIRZ #2) in partnership with Hunt County and the Hunt Memorial Hospital District. The City is also designing a new wastewater treatment plant funded through \$6,000,000 in bond proceeds. Parks and recreation improvements continue, including Phase 1 of the City Lake Parks project and planned improvements to Hooten Park, supported by \$1,500,000 in Texas Parks and Wildlife grants with matching City funds.

As development continues, revenues from sales tax, property tax, utility services, and development-related fees are increasing. In 2025, the City updated its water and sewer impact fees to help ensure that new development contributes to the cost of infrastructure needed to support continued growth.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT:

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City Finance Manager at (903) 527-3116.

Basic Financial Statements

City of Caddo Mills, Texas
Statement of Net Position
September 30, 2025

	Primary Government		Total Primary Government	Component Unit
	Governmental Activities	Business-type Activities		
ASSETS				
Cash and cash equivalents	3,694,135	\$ 3,031,820	\$ 6,725,955	\$ 127,268
Certificates of deposit	-	-	-	1,050,997
Property taxes receivable, net	77,327	-	77,327	-
Sales taxes receivable	171,373	-	171,373	85,674
Fines receivable	24,838	-	24,838	-
Accounts receivable, net	12,788	627,354	640,142	139
Lease receivable	10,123	-	10,123	-
Loans receivable	-	-	-	100,000
Interfund balances	(352,875)	352,875	-	-
Restricted Assets:				
Cash and cash equivalents - capital projects	3,036,148	4,325,611	7,361,759	-
Cash and cash equivalents - debt service	85,049	41,939	126,988	-
Cash and cash equivalents - municipal court	53,473	-	53,473	-
Capital assets:				
Non-depreciable capital assets	4,063,616	6,610,459	10,674,075	741,125
Capital assets, net	3,970,545	16,376,685	20,347,230	-
Total Assets	14,846,540	31,366,743	46,213,283	2,105,203
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows-related to pensions	205,904	56,470	262,374	-
Deferred outflows-related to OPEB	5,831	1,598	7,429	-
Total Deferred Outflows of Resources	211,735	58,068	269,803	-
LIABILITIES				
Accounts payable	367,286	452,844	820,130	-
Construction payable	-	75,904	75,904	-
Accrued salaries	69,419	14,953	84,372	-
Accrued interest	38,900	35,972	74,872	-
Unearned revenue	-	1,491,731	1,491,731	-
Deposit payable	-	352,211	352,211	-
Net pension liability	599,732	164,477	764,209	-
Net OPEB liability	35,455	9,722	45,177	-
Long-term liabilities:				
Bond premium	347,253	470,687	817,940	-
Bonds payable - due within one year	250,000	655,000	905,000	-
Notes payable - due within one year	34,658	-	34,658	-
Compensated absences - due within one year	22,672	3,184	25,856	-
Bonds payable - due in more than one year	5,450,000	10,805,000	16,255,000	-
Notes payable - due in more than one year	458,749	-	458,749	-
Compensated absences - due in more than one year	105,143	36,707	141,850	-
Total Liabilities	7,779,267	14,568,392	22,347,659	-
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows-leases	10,123	-	10,123	-
Deferred inflows-related to pensions	24,394	6,686	31,080	-
Deferred inflows-related to OPEB	14,437	3,960	18,397	-
Total Deferred Inflows of Resources	48,954	10,646	59,600	-
NET POSITION				
Net investment in capital assets	1,493,501	11,056,457	12,549,958	741,125
Restricted for debt service	93,321	5,967	99,288	-
Restricted for capital projects	3,036,148	4,249,707	7,285,855	-
Restricted for municipal court	53,473	-	53,473	-
Restricted for economic development	-	-	-	1,364,078
Unrestricted	2,553,611	1,533,642	4,087,253	-
Total Net Position	\$ 7,230,054	\$ 16,845,773	\$ 24,075,827	\$ 2,105,203

The accompanying notes are an integral part of these financial statements

City of Caddo Mills, Texas
Statement of Activities
Year Ended September 30, 2025

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				Component Unit
	Expenses	Charges For Services	Operating Grants and Contributions		Governmental Activities	Business-type Activities	Total Primary Government		
			Operating Contributions	Grants and Contributions			Government	Government	
Governmental activities:									
Administration	\$ 2,051,571	\$ 548,669	\$ -	\$ 24,926	\$ (1,477,976)	\$ -	\$ (1,477,976)	\$ -	\$ -
Building inspections	429,497	-	-	-	(429,497)	-	(429,497)	-	-
Judicial	92,442	-	-	-	(92,442)	-	(92,442)	-	-
Police department	1,626,493	268,396	-	-	(1,358,097)	-	(1,358,097)	-	-
Fire protection	395,884	74,664	-	245,445	(75,775)	-	(75,775)	-	-
Airport	319,203	380,129	-	54,268	115,194	-	115,194	-	-
Public works	29,162	333,981	-	-	304,819	-	304,819	-	-
Grant expenditures	33,528	-	-	-	(33,528)	-	(33,528)	-	-
Interest and bond issuance costs	201,294	-	-	-	(201,294)	-	(201,294)	-	-
Total governmental activities	5,179,074	1,605,839	-	324,639	(3,248,596)	-	(3,248,596)	-	-
Business-type activities:									
Water and sewer services	4,412,777	4,816,637	-	-	-	403,860	403,860	-	-
Total business-type activities	4,412,777	4,816,637	-	-	-	403,860	403,860	-	-
Total primary government	\$ 9,591,851	\$ 6,422,476	\$ -	\$ 324,639	\$ (3,248,596)	\$ 403,860	\$ (2,844,736)	\$ -	\$ -
Component Unit:									
Economic Development Corporation	318,577	-	-	-	(318,577)	-	(318,577)	(318,577)	(318,577)
Total component unit	\$ 318,577	\$ -	\$ -	\$ -	\$ (318,577)	\$ -	\$ (318,577)	\$ (318,577)	\$ (318,577)
General revenues:									
Ad valorem taxes					3,340,639	-	3,340,639	-	-
Sales taxes					930,596	-	930,596	-	468,160
Franchise taxes					74,985	-	74,985	-	-
Miscellaneous income and contributions					204,278	-	204,278	-	14,750
Unrestricted investment earnings					121,674	64,444	186,118	-	25,686
Impact fees					(782,658)	805,605	805,605	-	-
Transfers					3,889,514	1,652,707	5,542,221	-	508,596
Total general revenues and transfers					640,918	2,056,567	2,697,485	190,019	1,915,184
Change in net position					6,615,342	14,799,741	21,415,083	1,915,184	1,915,184
Net position-beginning as previously stated					(26,206)	(10,535)	(36,741)	-	-
Adjustments and restatements					6,589,136	14,789,206	21,378,342	1,915,184	1,915,184
Net position - beginning as restated and adjusted					\$ 7,230,054	\$ 16,845,773	\$ 24,075,827	\$ 2,105,203	\$ 2,105,203
Net position-ending									

The accompanying notes are an integral part of these financial statements

CITY OF CADDO MILLS, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

	General	Debt Service	Capital Projects	Non-Major Governmental Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 3,576,061	\$ -	\$ -	\$ 118,074	\$ 3,694,135
Cash and cash equivalents - restricted	53,473	85,049	3,036,148	-	3,174,670
Accounts receivable, net	-	-	-	12,788	12,788
Sales taxes receivable	171,373	-	-	-	171,373
Fines receivable	24,838	-	-	-	24,838
Property taxes receivable, net	30,155	47,172	-	-	77,327
Due from other funds	-	-	-	3,532	3,532
Total Assets	\$ 3,855,900	\$ 132,221	\$ 3,036,148	\$ 134,394	\$ 7,158,663
LIABILITIES					
Accounts payable	367,097	-	-	189	367,286
Due to other funds	356,407	-	-	-	356,407
Accrued salaries and benefits	69,419	-	-	-	69,419
Total Liabilities	792,923	-	-	189	793,112
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	30,155	47,172	-	-	77,327
Total Deferred Inflows of Resources	30,155	47,172	-	-	77,327
FUND BALANCES					
Restricted for:					
Debt service	-	85,049	-	-	85,049
Municipal court	53,473	-	-	-	53,473
Capital improvements	-	-	3,036,148	-	3,036,148
Assigned for:					
Airport	-	-	-	134,205	134,205
Unassigned	2,979,349	-	-	-	2,979,349
Total Fund Balances	3,032,822	85,049	3,036,148	134,205	6,288,224
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,855,900	\$ 132,221	\$ 3,036,148	\$ 134,394	\$ 7,158,663

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

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

Total Fund Balances - Governmental Funds	6,288,224
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$8,015,574 and the accumulated depreciation was (\$2,659,586). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. At the beginning of the year, the balances of these liabilities were (\$6,899,422). The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to (decrease) net position.	(1,543,434)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2025 capital outlays of \$2,915,966 and debt principal payments of \$273,619 is to increase net position.	3,189,585
The 2025 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to (decrease) net position.	(237,793)
Included in the noncurrent assets/(liabilities) is the recognition of the City's net pension asset/(liability) required by GASB 68 in the amount of (\$599,732), a deferred resource inflow in the amount of (\$24,394), and a deferred resource outflow in the amount of \$205,904. This resulted in a (decrease) in net position.	(418,222)
Included in the noncurrent assets/(liabilities) is the recognition of the City's net OPEB asset/(liability) required by GASB 75 in the amount of (\$35,455), a deferred resource inflow in the amount of (\$14,437), and a deferred resource outflow in the amount of \$5,831. This resulted in a (decrease) in net position.	(44,061)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of debt as an increase in debts payable, recognizing the liabilities associated with maturing long-term debt and interest and recognize prior period adjustment to move debt from Governmental to Water & Sewer. The net effect of these reclassifications and recognitions is to (decrease) net position.	(4,245)
Net Position of Governmental Activities	<u>7,230,054</u>

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

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

	General Fund	Debt Service Fund	Capital Projects Fund	Non-Major Governmental Fund	Total Governmental Funds
REVENUES:					
Ad valorem taxes	\$ 1,539,597	\$ 1,784,006	\$ -	\$ -	\$ 3,323,603
Franchise taxes	74,985	-	-	-	74,985
Sales tax	930,596	-	-	-	930,596
Impound income	74,664	-	-	-	74,664
Permits and fees	333,981	-	-	-	333,981
Fines	268,396	-	-	-	268,396
Grant revenue	266,185	-	-	33,528	299,713
PSA Fee revenue	548,669	-	-	-	548,669
Fuel revenue	-	-	-	274,029	274,029
Hangar revenue	-	-	-	106,100	106,100
Donations and other income	135,211	-	-	16,741	151,952
Interest	75,228	5,383	39,512	1,551	121,674
Total Revenues	4,247,512	1,789,389	39,512	431,949	6,508,362
EXPENDITURES:					
Administration	1,857,050	-	-	-	1,857,050
Building Inspections	355,540	-	-	-	355,540
Judicial	76,989	-	-	-	76,989
Police department	1,296,801	-	-	-	1,296,801
Fire protection	325,191	-	-	-	325,191
Airport	-	-	-	284,460	284,460
Grant expenditures	-	-	-	33,528	33,528
Capital Outlay	1,972,516	-	918,524	-	2,891,040
Debt Service:					
Principal retirement	273,619	-	-	-	273,619
Interest and fiscal charges	244,707	-	329	-	245,036
Total Expenditures	6,402,413	-	918,853	317,988	7,639,254
Excess (Deficiency) of Revenues Over Expenditures	(2,154,901)	1,789,389	(879,341)	113,961	(1,130,892)
OTHER FINANCING SOURCES (USES):					
Transfers (out)	-	(1,853,566)	-	-	(1,853,566)
Transfers in	1,220,908	-	-	(150,000)	1,070,908
Insurance proceeds	52,326	-	-	-	52,326
Net Other Financing Sources (Uses)	1,273,234	(1,853,566)	-	(150,000)	(730,332)
Net Change in Fund Balances	(881,667)	(64,177)	(879,341)	(36,039)	(1,861,224)
Fund Balance, October 1	3,914,489	149,226	3,915,489	170,244	8,149,448
Fund Balance, September 30	\$ 3,032,822	\$ 85,049	\$ 3,036,148	\$ 134,205	\$ 6,288,224

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

CITY OF CADDO MILLS, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Total Net change in Fund Balances - Governmental Funds **\$ (1,861,224)**

Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2025 capital outlays of \$2,915,966 and debt principal payments of \$273,619 is to increase net position. 3,189,585

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to (decrease) net position. (237,793)

The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/24 caused the change in the ending net position to increase in the amount of \$146,413. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling (\$56,482). The City's reported TMRS net pension expense had to be recorded. The net pension expense increased the change in net position by (\$539,096). The result of these changes is to (decrease) the change in net position. (449,165)

The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/24 caused the change in the ending net position to increase in the amount of \$2,397. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling (\$2,370). The City's reported TMRS net OPEB expense had to be recorded. The net OPEB expense (decreased) the change in net position by (\$3,312). The result of these changes is to (decrease) the change in net position. (3,285)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include eliminating interfund transactions, reclassifying the proceeds of new debt, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position. 2,800

Change in Net Position - Governmental Activities **\$ 640,918**

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

CITY OF CADDO MILLS, TEXAS
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2025

	Enterprise Fund
	Water & Sewer
	Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,031,820
Restricted Cash and cash equivalents - interest and sinking	41,939
Restricted Cash and cash equivalents - capital projects	4,325,611
Accounts receivable, net	627,354
Due from other funds	352,875
Total current assets	8,379,599
Noncurrent assets:	
Capital Assets	
Nondepreciable land	4,387,629
Nondepreciable construction in progress	2,222,830
Depreciable capital assets, net	16,376,685
Capital assets, net	22,987,144
Total assets	31,366,743
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows- related to pensions	56,470
Deferred outflows- related to OPEB	1,598
Total deferred outflows of resources	58,068
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 452,844
Construction payable	75,904
Accrued salaries and benefits	14,953
Accrued interest payable	35,972
Unearned revenue - Impact Fees	1,491,731
Bonds payable - current	655,000
Compensated absences - current	3,184
Total current liabilities	2,729,588
Noncurrent liabilities:	
Meter deposits payable	352,211
Net pension liability	164,477
Net OPEB liability	9,722
Bonds payable - long-term	11,275,687
Compensated absences - long-term	36,707
Total non-current liabilities	11,838,804
Total liabilities	14,568,392
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows- related to pensions	6,686
Deferred inflows- related to OPEB	3,960
Total deferred inflows of resources	10,646
NET POSITION	
Net investment in capital assets	11,056,457
Restricted for debt service	5,967
Restricted for capital projects	4,249,707
Unrestricted	1,533,642
Total Net Position	\$ 16,845,773

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

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

	Enterprise Fund
	Water and
	Sewer
Operating revenues:	
Water sales	\$ 2,841,646
Sewer sales	1,097,359
Sanitation fees	716,599
Late fees	78,305
Other revenues	82,728
Total Operating Revenues	4,816,637
Operating expenses:	
Salaries and employee benefits	864,097
Water purchases	1,047,095
Sanitation contract	412,660
Repairs and maintenance	372,329
Fuel and oil	32,970
Utilities and telephone	153,985
Depreciation and amortization	777,741
Other expenses	255,976
Total Operating Expenses	3,916,853
Operating Income (loss)	899,784
Non-operating revenues (expenses):	
Impact fees	805,605
Interest income	64,444
Interest and fiscal charges	(495,924)
Total Nonoperating Revenues (Expenses)	374,125
Income (loss) before contributions and transfers	1,273,909
Transfers in	782,658
Change in Net Position	2,056,567
Net Position, October 1	14,799,741
Prior Period Adjustment	(10,535)
Net Position, September 30	\$ 16,845,773

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

CITY OF CADDO MILLS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Enterprise Fund
	Water and
	Sewer
CASH FLOW FROM OPERATING ACTIVITIES	
Cash received from customers and users	\$ 4,755,192
Cash paid to suppliers	(1,885,933)
Cash paid to employees	(730,747)
Net cash provided (used) by operating activities	2,138,512
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfers (to) from other funds	782,658
Net cash provided for noncapital financing activities	782,658
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from impact fees	805,605
Acquisition of capital assets	(2,833,393)
Principal payments on bonds payable	(840,000)
Interest paid on debt	(532,340)
Net cash provided (used) by capital and related financing activities	(3,400,128)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on deposits and investments	64,444
Net cash provided (used) by investing activities	64,444
Net increase (decrease) in cash and cash equivalents	(414,514)
Cash and cash equivalents, October 1	7,813,884
Cash and cash equivalents, September 30	\$ 7,399,370
RECONCILIATION OF OPERATING INCOME TO	
NET CASH PROVIDED BY OPERATING ACTIVITIES	
Net operating income (loss)	\$ 899,784
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation and amortization	777,741
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable (net)	(61,445)
Increase (decrease) in accounts payable	262,561
Increase (decrease) in interfund accounts	(352,875)
Increase (decrease) in accrued salaries	9,265
Increase (decrease) in unearned revenue	432,173
Increase (decrease) in meter deposits	47,223
Increase (decrease) in net pension plan assets, outflows and inflows	123,184
Increase (decrease) in net OPEB plan assets, outflows and inflows	901
Net cash provided by operating activities	\$ 2,138,512

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

CITY OF CADDO MILLS, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2025

	Enclave of Bahamas PID	Fox Landing PID	Caddo Mills Crossing PID	Total
ASSETS				
Assessment Receivable	\$ 116,297	\$ 147,520	\$ 182,242	\$ 446,059
Total Assets	<u>116,297</u>	<u>147,520</u>	<u>182,242</u>	<u>446,059</u>
LIABILITIES				
Due to Bondholders / Others	\$ 116,297	\$ 147,520	\$ 182,242	\$ 446,059
Total Liabilities	<u>116,297</u>	<u>147,520</u>	<u>182,242</u>	<u>446,059</u>
NET POSITION				
Net Position Restricted for Custodial Funds	\$ -	\$ -	\$ -	\$ -
Total Net Position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

CITY OF CADDO MILLS, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Enclave of Bahamas PID	Fox Landing PID	Caddo Mills Crossing PID	Total
ADDITIONS				
PID Tax Collections	\$ -	\$ -	\$ -	\$ -
Total Additions	-	-	-	-
DEDUCTIONS				
PID Tax Remittances	-	-	-	-
Total Deductions	-	-	-	-
Change in Net Position	-	-	-	-
Net Position, Beginning	-	-	-	-
Net Position, Ending	\$ -	\$ -	\$ -	\$ -

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

City of Caddo Mills, Texas
Notes to Financial Statements
September 30, 2025

1. Introduction and Summary of Significant Accounting Policies

The financial statements of the City of Caddo Mills, Texas, and its component unit, Caddo Mills Economic Development Corporation, collectively identified as “the City” have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. These financial statements follow the financial reporting model under GASB Statement No. 34 and provide detailed information on the City’s activities, major funds, and overall financial condition.

During the year ended September 30, 2025, the City implemented GASB Statement No. 101, *Compensated Absences*. The Statement establishes recognition and measurement guidance for employee leave benefits. As a result, the City now recognizes a liability for leave that is attributable to services already rendered and is probable of resulting in payment, either through cash settlement or time off that reduces future service requirement. The implementation of this standard resulted in a restatement of beginning net position to record compensated absences in accordance with the new guidance.

The accounting and reporting framework and the more significant accounting principles and practices of the City are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the City’s financial activities for the fiscal year ending September 30, 2025.

(A) Reporting Entity and Related Organizations

The City is a municipal corporation governed by an elected mayor and City Council. The City provides general administration, public works, police and judicial, and community development services to its residents. The City Council contracts with a City Manager to manage the operations of the City.

The City Council has the authority to make decisions, appoint administrators and managers, significantly influence operations, and has the primary accountability for fiscal matters. The City is not included in any other governmental “reporting entity” as defined by Governmental Accounting and Financial Reporting Standards.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GASB Statements No. 14 and 39 as amended by GASB Statement 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*. These statements define the reporting entity as the primary government and those component units for which the primary government is financially accountable. In addition, component units may be included in the reporting entity based on the nature and significance of the relationship with the primary government, or based on being closely related or financially integrated with the primary government.

Based on these criteria, the City has the following component units at September 30, 2025:

Discretely Presented Component Unit:

Caddo Mills Economic Development Corporation (EDC) - EDC serves all citizens of the government and is governed by a board appointed by the City Council. The City Council may remove the EDC board for cause. EDC is a nonprofit corporation governed by Section 4A of the Texas Development Corporation Act of 1979 and organized for the public purpose of aiding, promoting and furthering economic development within the City of Caddo Mills, Texas. Financial statements for EDC may be obtained by contacting City Hall.

EDC is reported as a discretely presented component unit in the government-wide financial statements.

The Caddo Mills EDC does not prepare separate financial statements.

Related Organizations:

The City of Caddo Mills is associated with Caddo Mills Municipal District No. 1 (the "District), a legally separate political subdivision of the State of Texas created by the Texas Commission on Environmental Quality. The District operates under the provisions of the Texas Water Code and Chapter 375 of the Texas Local Government Code.

The City appoints members of the District's Board of Directors; however, the District is governed independently and issues separate financial statements. The District finances and constructs water, sewer and drainage infrastructure that is ultimately owned, operated, and maintained by the City. The City does not approve the District's budget, levy assessments on its behalf, or guarantee the District's debt.

Under Texas law, because the District lies wholly within the corporate limits of the City, the City has the authority to dissolve the District. If dissolved, the City would assume the District's assets and outstanding obligations. No dissolution is planned, and no financial activity or obligations related to the District were assumed by the City during the fiscal year ended September 30, 2025.

Accordingly, the District is not considered a component unit of the City and is disclosed as a related organization.

(B) Government-Wide and Fund Financial Statements

Government-wide financial statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund financial statements

Fund financial statement are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds and major proprietary funds are reported in separate columns with composite columns for nonmajor funds. Fiduciary fund financial statements (custodial funds) are reported by fund type and present the assets, liabilities, additions, and deductions of resources held by the City in a custodial capacity for others. Because these resources are not available to support the City's own programs, fiduciary funds are excluded from the government-wide financial statements.

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

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions unless they conflict with GASB pronouncements.

The government-wide financial statements are prepared using the *economic resources measurement focus* and the *accrual basis of accounting* generally including the reclassification or elimination of internal activity (between or within funds). Proprietary fund financial statements and financial statements of City component units are also prepared using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met. Fiduciary funds are used to account for resource held by the City in a custodial capacity for others; these resources cannot be used to support the City's own programs and are not included in the government-wide financial statements.

Governmental fund financial statements are prepared using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond and capital lease principal and interest payments and compensated absences which are reported as expenditures when they are due.

Major revenues sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes, grant revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for the proprietary funds are charges to customers for water and sewer sales or services and solid waste disposal fees. Principal operating expenses are the costs of providing these goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

(D) Fund Types and Major Funds

Governmental Funds - The City reports the following major governmental funds:

General Fund - reports as the primary operating fund of the City. This fund is used to account for all financial resources not reported in other funds.

Debt Service Fund - accounts for the accumulation of financial resources for the payment of principal and interest on the City's general obligation debt. The City annually levies ad valorem taxes restricted for the retirement of general obligation bonds, capital leases, and interest. This fund reports all such ad valorem taxes collected.

Capital Projects Fund - accounts for the proceeds of a bond issue that will be utilized for capital improvement.

Additionally, the City maintains the following non-major governmental funds:

Airport Fund - accounts for the revenues and expenditures of the City's local airport.

Proprietary Funds - The City reports the following major proprietary funds:

Water and Sewer Fund - accounts for the operating activities of the City's water, sewer, and environmental waste utility services.

Fiduciary Funds - The City has established Public Improvement District (PID) custodial funds to account for special assessments collected from property owners within each PID and remitted to pay costs associated with improvements or debt issued for the benefit of those districts.

(E) Assets, Liabilities and Net Assets or Equity

Cash and Investments

The City maintains pooled cash and investment accounts that are shared among various governmental and proprietary funds. Additionally, certain funds hold non-pooled cash and investment accounts, which are reported separately in the respective fund's financial statements. These pooled and non-pooled accounts are presented as "cash and cash equivalents" on the appropriate financial statements.

Investments are reported at fair value in accordance with the fair value hierarchy established by generally accepted accounting principles (GAAP). The fair value of investments is determined based on the following

- Short-term, highly liquid investments are reported at cost, which approximates fair value
- Cash deposits are recorded at their carrying amount, which reasonably estimates fair value.

During the fiscal year, the City did not hold any publicly traded securities or long-term investments. However, if such investments were held, they would be reported at fair value as of the balance sheet date in accordance with the City's investment policy.

For financial reporting purposes, the City considers all highly liquid investments (including restricted assets) with an originally maturity of three months or less at the time of purchase to be cash equivalents.

Inventories and Prepaid Items

Inventories consisting of expendable supplies held for consumption in governmental funds are reported using the expenditure method. Under this method, amounts paid for these items are reported as expenditures when purchased. Inventories, when material, are recorded at cost stated on a first-in, first-out basis in the government-wide financial statements.

Prepaid items record payments to vendors that benefit future reporting periods and are reported on the consumption basis at cost. Prepaid items are similarly reported in government-wide and fund financial statements.

Lease Receivable

The City recognizes a lease receivable for agreements in which it serves as the lessor, measuring the receivable at the present value of lease payments expected to be received over the lease term.

At lease inception, the City also records a deferred inflow of resources equal to the lease receivable, representing the future inflow of resources from the lease. This deferred inflow is systematically reduced over the lease term as lease payments are received and recognized as lease revenue.

Proprietary Fund Receivables

Significant receivables include amounts due from customers primarily for utility services. These receivables are due within one year. The Proprietary Fund reports accounts receivable net of an allowance for uncollectible accounts and revenues net of uncollectible amounts. The allowance amount is estimated using a percentage of total receivables.

Property Tax Receivable, Allowance, and Property Tax Revenue

The City recognizes property tax revenue in accordance with the modified accrual basis of accounting for governmental fund financial statements and the accrual basis of accounting for government-wide financial statements.

Under the modified accrual basis, property tax revenues are recognized when they become measurable and available. Available means collected within the current period or soon enough thereafter to be used to pay current liabilities. The City considers property taxes available if collected within 60 days after the fiscal year-end. Amounts not collected within this period are reported as deferred inflows of resources until they become available.

Under the accrual basis (government-wide statements), property taxes are recognized as revenue when levied, regardless of when collected.

The City levies property taxes annually, as authorized by Texas Property Tax Code, Subtitle E, Truth-in-Taxation Laws, which establishes guidelines for tax rate adoption, assessment, and collection procedures. Property taxes are assessed based on the January 1 taxable value of real and business personal property located within the City’s jurisdiction. The tax rate is set annually by the City Council in compliance with Truth-in-Taxation requirements, ensuring transparency and limits on property tax increases without voter approval.

The City’s property tax calendar follows these key dates:

- October 1 – The annual tax levy is assessed and becomes due and payable.
- January 1 – A tax lien attaches to the property securing unpaid taxes.
- February 1 – Unpaid taxes become delinquent, and penalties and interest begin to accrue.
- July 1 – Delinquent taxes are subject to collection fees and attorney charges for enforcement

Hunt County bills and collects property taxes for the City of Caddo Mills. The State of Texas Constitution limits the City’s ad valorem tax rate for all purposes to \$1.50 per one hundred dollars of assessed valuation. Ad valorem tax revenue during the year ended September 30, 2025, was levied using a rate of \$0.484999 per one hundred dollars of assessed valuation. Taxes were allocated between the Maintenance of Operations \$0.224789 and Debt Service \$0.260210. Based on 100% of estimated market value, the City has a tax margin of \$1.015001 per \$100 valuation. The City could raise an additional \$6,991,638 per year from the present assessed valuation of \$688,830,699 before the limit is reached. The amount assessed for the 2024 tax roll was \$3,340,822.

The City maintains an allowance for uncollectible property taxes, which is estimated at 10% of delinquent receivables. Over time, substantially all property taxes are collected, but delinquent accounts not collected within the availability period remain as deferred inflows of resources until received.

Capital Assets, Depreciation, and Amortization

The City’s property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost, or if donated, at acquisition value. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, or the amount at which a liability could be liquidated with the counterparty on the acquisition date. These assets are comprehensively reported in the government-wide financial statements. The City generally capitalizes assets with a cost of \$2,500 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	40
Road Infrastructure	15-20
Water & Sewer Infrastructure & Rights	20-40
Vehicles	5
Furniture, Machinery, and Equipment	5

Long-term Debt, Deferred Debt Expense, and Bond Discounts/Premiums

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as liabilities. Bond discounts or premiums are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method. Bond issuance costs are expensed when incurred.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Pensions

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

The City's net pension liability is determined using actuarial valuations that incorporate various assumptions, including discount rates, projected salary increases, mortality rates, and inflation, in accordance with GASB Statement No. 68. These actuarial valuations are performed biennially. Deferred inflows and outflows of resources related to pensions arise from changes in actuarial assumptions, differences between expected and actual experience, and differences between projected and actual investment earnings. Investment gains and losses are amortized over a five-year period, while other pension-related deferred inflows and outflows are reorganized over the expected remaining service lives of participating employees.

Pension contributions made after the measurement date but before the end of the reporting period are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The City's pension expense is recognized on a systematic basis over the expected service life of employees.

The Fiduciary Net Position of TMRS is determined using the economic resources measurement focus and the accrual basis of accounting, in accordance with GASB standards. The TMRS pension plan financial statements are publicly available as part of the TMRS Annual Comprehensive Financial Report (ACFR).

Other Post-Employment Benefits – OPEB

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

The City's total OPEB liability is determined using actuarial valuations that incorporate various assumptions such as discount rates, projected salary increases, mortality rates, and healthcare cost trends, in accordance with GASB Statement No. 75. Deferred inflows and outflows of resources related to OPEB are recognized in the financial statements based on changes in actuarial assumptions, differences between expected and actual experience, and contributions made after the measurement date but before the reporting period ends. The OPEB expense is recognized on a systematic basis over the expected remaining services lives of participating employees.

Fund Equity

The City classifies its fund balances in accordance with GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which establishes categories based on the level of constraints imposed on fund balance resources. Fund balances are classified into the following categories:

Non-Spendable Fund Balance – Includes amounts that cannot be spent because they are either not in a spendable form (such as inventory, prepaid expenses, or long-term receivables) or legally required to remain intact (such as principal balances in permanent funds).

Restricted Fund Balance – Includes resources subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments. Examples include funds restricted for debt service, capital projects, or grants with external spending requirements.

Committed Fund Balance – Includes resources that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through a formal resolution of the City Council.

Assigned Fund Balance- Comprises amounts that the City intends to use for a specific purpose but that do not meet the criteria for restricted or committed funds. The City Council has delegated the authority to assign fund balance to the City Manager or other designated official. Assignments generally do not require formal action and may be modified as needed.

Unassigned Fund Balance – Represents the residual fund balance in the General Fund and includes all spendable amounts that have not been restricted, committed, or assigned.

Policies and Procedures for Fund Balance Classification

Committed Fund Balance – The City Council is the City’s highest levels of decision-making authority. The formal action required to establish, modify, or rescind fund balance commitment is a resolution approved by the City Council meeting. The resolution must be approved or rescinded , as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

Assigned Fund Balance – The City Council authorizes the City Manager as the City Official responsible for the assignment of fund balance to a specific purpose as approved by the fund balance policy.

Resource Flow Assumptions

When multiple categories of fund balance are available for expenditure (for example, a construction project is being funded partly by a grant, funds set aside by the City Council, and unassigned fund balance), the City will first spend the most restricted funds before moving down to the next most restrictive category with available funds.

Minimum Fund Balance Policy

The City’s goal is to achieve and maintain an unassigned fund balance in the General Fund and Utility Fund equal to 25% of expenditures. The City considers a balance of less than 15% to be cause for concern, barring unusual or deliberate circumstances. In the event that the unassigned fund balance is calculated to be less than the policy stipulates, the City shall plan to adjust budget resources in subsequent fiscal years to restore the balance.

In unassigned fund balance unintentionally falls below 15% or if it is anticipated that at the completion of any fiscal year the projected unassigned fund balance will be less than the minimum requirement, the City Manager shall prepare and submit a plan to restore the minimum required level as soon as economic conditions allows. The plan shall detail the steps necessary for the replenishment of fund balance as well as an estimated timeline for achieving such. The replenishment of fund balance to the minimum level shall be accomplished within a three-year period. If restoration of the reserve cannot be accomplished within such a period without severe hardship to the City, then the Council shall establish an extended timeline for attaining the minimum balance.

In the government-wide and proprietary fund financial statements, the City follows GASB Statement No. 63, which replaces the term “Net Assets” with “Net Position”. Net position is classified into three categories.

Net Investment in Capital Assets – Represents the City’s capital assets, including land, buildings, infrastructure, and equipment, net of accumulated depreciation and any outstanding debt related to those assets.

Restricted Net Position – Includes amounts with external restrictions imposed by creditors, grant agreements, laws, or regulations, such as bond proceeds, grant funds, or externally restricted revenues.

Unrestricted Net Position – Represents all other net resources that do not meet the criteria for restricted or net investment in capital assets and are available for general use.

Compensated Absences

Full-time employees earn vacation leave for each month of work performed. Progressive accrual of vacation leave is based on the number of years the individual is employed by the City. After completion of a probationary period of employment, accrued vacation leave and comp time is paid upon termination of employment. Full-time employees also earn sick leave time. Unused sick leave is not paid upon termination of employment. Compensated absences are reported as accrued in the government-wide, proprietary and component unit financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees. These are included in wages and benefits payable.

(F) Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a participant in the Texas Municipal League (TML) Employees Health Insurance Fund, Texas Municipal League Worker's Compensation Joint Insurance Fund (WC Fund) and the Texas Municipal League Joint Self-Insurance Fund (Property-Liability Fund), a public entity risk pool operated by the Texas Municipal League Board for the benefit of individual governmental units located within Texas. The agreement provides that the trust established by TML will be self-sustaining through member premiums. The City pays annual premiums to TML for worker's compensation, general and auto liability, property damage, employee dishonesty, public officials liability, and law enforcement professional liability coverage. The City does not anticipate any material additional insurance cost assessments as a result of participation in this risk management pool. There were no reductions in insurance coverage from the prior year. Settlements have not exceeded insurance coverage during any of the past three fiscal years.

(G) Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

(H) Deferred Inflows and Outflows of Resources

Deferred inflows of resources represent an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City has deferred inflows of resources related to property tax revenue, the City's defined benefit pension plan, and the City's postemployment benefits other than pensions (OPEB) at year-end that are not available for recognition.

Deferred outflows of resources represent a consumption of net position or fund balance that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The City has deferred outflows that relate to a deferred loss on bond refunding, the City's defined benefit pension plan, and the City's postemployment benefits other than pensions (OPEB) at year-end.

2. Stewardship, Compliance, and Accountability

Budgetary Information

The City Manager and the City Finance Manager submit an annual budget to the City Council in accordance with the laws of the State of Texas. The budget is presented to the City Council for review, budget workshops are held with the various City department officials, and public hearings are held to address priorities and the allocation of resources. Generally, in August, the City Council adopts the annual fiscal year budgets for all City operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Each fund's approved budget is prepared on a detailed line-item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personnel services and related fringe benefits, supplies, other services and charges, capital outlay, transfers, and debt service. Expenditures may not exceed appropriations at the department level. Within this control level, management may transfer appropriations between line items. Budget revisions and line-item transfers are subject to final review by the City Council.

The budgets for the operating funds are prepared on the cash and expenditure basis. Revenues are budgeted in the year receipt is expected; and expenditures, which do not include encumbrances, are budgeted in the year that the liability is to be incurred. The budget and actual required supplementary information is presented on this basis. Unexpended appropriations for annually budgeted funds lapse at fiscal year-end.

3. Deposits and Investments

The City of Caddo Mills, Texas, follows the requirements of the Texas Public Funds Investment Act (Government Code Chapter 2256), which governs investment policies and procedures for local governments. This legislation mandates that the City adopt, implement, and maintain a formal investment policy that address the following key 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, (8) investment staff qualifications and (9) bid solicitation preferences for certificates of deposit.

Under Texas law, the City is authorized to invest in (1) obligations in the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds.

The City is also required to undergo annual independent audits to verify that its investment practices comply with the Texas Public Funds Investment Act and the City's investment policies.

Custodial credit risk for deposits refers to the risk that, in the event of a bank failure, the City's deposits may not be returned or that the City may not be able to recover collateral securities held by an outside party. The City's policy requires all deposits to be fully secured by either:

- Federal Deposit Insurance Corporation (FDIC) coverage, or
- Pledged collateral securities held at market or par value (whichever is lower) in the City's name.

All collateralized deposits must be secured through approved depository institutions, which must meet the financial health criteria established by the City's policy. Collateral agreements must be formally approved prior to depositing City funds, and the City Council review and approves all authorized depository institutions based on management recommendations.

As of September 30, 2025, all deposits of the City and its component unit, the Caddo Mills Economic Development Corporation (EDC), were fully insured or collateralized with securities held by the City, its agent, or the pledging financial institution's trust department in the City's name.

As of September 30, 2025, the City of Caddo Mills did not hold any investments. However, the Caddo Mills Economic Development Corporation (EDC) held \$1,050,997 in certificates of deposit, with a weighted average maturity of 95 days.

The City does not engagement in high-risk investment practices, and its policies prioritizes the preservation of capital, liquidity, and prudent investment diversification.

4. Disaggregation of Receivables/Payables

Receivables at September 30, 2025, were as follows:

	Accounts Receivable	Sales Taxes	Fines Receivable	Property Taxes	Due From Other	Total Receivables
Governmental Activities:						
General Fund	-	171,373	24,838	33,506	-	229,717
Debt Service Fund	-	-	-	52,413	-	52,413
Non-Major Governmental Funds	12,788	-	-	-	3,532	16,320
Total Governmental Activities:	<u>12,788</u>	<u>171,373</u>	<u>24,838</u>	<u>85,919</u>	<u>3,532</u>	<u>298,450</u>
Amount not scheduled for collection during the subsequent year	-	-	-	(8,592)	-	(8,592)
Business-Type Activities:						
Major Enterprise Fund	649,216	-	-	-	352,875	1,002,091
Amount not scheduled for collection during the subsequent year	(21,862)	-	-	-	-	(21,862)
Component Unit Activities:						
Economic Development Corporation	139	85,674	-	-	-	85,813

Payables at September 30, 2025, were as follows:

	Accounts Payable	Construction Payable	Salaries & Benefits	Due to Other Funds	Total Payables
Governmental Activities:					
General Fund	367,097	-	69,419	356,407	792,923
Non-Major Governmental	189	-	-	17,208	17,397
Total Governmental Activities:	<u>367,286</u>	<u>-</u>	<u>69,419</u>	<u>373,615</u>	<u>810,320</u>
Business-Type Activities:					
Major Enterprise Fund	452,844	75,904	14,953	-	543,701
Total Business-Type Activities:	<u>452,844</u>	<u>75,904</u>	<u>14,953</u>	<u>-</u>	<u>543,701</u>

5. Capital Assets

Following is a summary of changes in capital assets for the year:

	Beginning	Additions	Retirements/ Reclassifications	Ending
Governmental Activities:				
Non-depreciable capital assets:				
Land	\$ 85,956	\$ 46,990	\$ -	\$ 132,946
Construction in progress	<u>3,503,854</u>	<u>2,499,529</u>	<u>(2,072,713)</u>	<u>3,930,670</u>
Non-depreciable assets	<u>3,589,810</u>	<u>2,546,519</u>	<u>(2,072,713)</u>	<u>4,063,616</u>
Depreciable capital assets:				
Buildings & improvements	285,960	-	-	285,960
Infrastructure	1,428,008	-	2,072,713	3,500,721
Vehicles	1,197,173	369,447	-	1,566,620
Furniture & equipment	<u>1,514,623</u>	<u>-</u>	<u>-</u>	<u>1,514,623</u>
Depreciable capital assets	<u>4,425,764</u>	<u>369,447</u>	<u>2,072,713</u>	<u>6,867,924</u>
Less: accumulated depreciation	<u>(2,659,586)</u>	<u>(237,793)</u>	<u>-</u>	<u>(2,897,379)</u>
Governmental Activities Capital Assets, net	\$ 5,355,988	\$ 2,678,173	\$ -	\$ 8,034,161
	Beginning	Additions	Retirements/ Reclassifications	Ending
Business-Type Activities:				
Non-depreciable capital assets:				
Land	\$ 4,387,629	\$ -	\$ -	\$ 4,387,629
Construction in progress	<u>1,640,049</u>	<u>2,147,081</u>	<u>(1,564,300)</u>	<u>2,222,830</u>
Non-depreciable assets	<u>6,027,678</u>	<u>2,147,081</u>	<u>(1,564,300)</u>	<u>6,610,459</u>
Depreciable capital assets:				
Buildings & improvements	161,592	-	-	161,592
Water & sewer system	21,734,713	151,266	1,564,300	23,450,279
Vehicles	250,324	15,000	-	265,324
Equipment	<u>601,062</u>	<u>34,924</u>	<u>-</u>	<u>635,986</u>
Depreciable capital assets	<u>22,747,691</u>	<u>201,190</u>	<u>1,564,300</u>	<u>24,513,181</u>
Less: accumulated depreciation	<u>(7,307,562)</u>	<u>(828,934)</u>	<u>-</u>	<u>(8,136,496)</u>
Business-Type Activities Capital Assets, net	\$ 21,467,807	\$ 1,519,337	\$ -	\$ 22,987,144

Governmental Activities:

Current year additions include a 2025 Tahoe and other vehicle outfitting totaling \$124,002, a fire truck in the amount of \$245,445, and land valued at \$46,990. The City paid \$22,065 for the land, with the remaining balance received as a capital contribution of \$24,926.

In prior fiscal years, the City incurred \$239,058 in engineering and other preliminary costs related to a bond-funded street improvement project and entered into a construction contract totaling \$1,456,495 (plus a 25% contingency). Through September 30, 2024, the City had paid \$1,576,086 toward the project. During fiscal year 2025, the City incurred \$216,109 in construction costs, \$8,390 in engineering fees, and \$33,070 in other related costs. The project was completed as of September 30, 2025, and total accumulated costs were reclassified from construction in progress to infrastructure.

In prior years, the City entered into a construction contract for an airport hanger totaling \$3,008,478, including approved change orders. Through September 30, 2024, the City had incurred \$1,525,298 in construction, engineering, and related costs. During fiscal year 2025, the City incurred \$1,655,478 in construction costs, \$152,339 in engineering fees, and \$9,646 in other related costs. As of September 30, 2025, the project remains incomplete and is reported as Construction in Progress.

Through September 2024, the City had incurred in engineering costs of \$163,412 related to the City Lake Park expansion project. During fiscal year 2025, the City incurred an additional \$64,221 in engineering fees and \$35,182 in other related costs. As of September 30, 2025, no construction contract had been executed, and the project remains in Construction in Progress.

In fiscal year 2025, the City began planning the Hooten Park expansion. During the year, the City was awarded two grants from the Texas Parks and Wildlife Department to support the project. Each grant provides \$750,000 in funding and requires a \$750,000 local match from the City. No grant funds had been drawn as of year-end. Costs incurred in the current year include \$90,270 in engineering fees, \$21,150 in grant administration fees, and \$213,674 in other costs. As of year-end, no construction contract has been signed for this project, and it remains classified as Construction in Progress.

Depreciation expense for governmental activities was charged to functions of the City as follows:

Police department	\$	71,900
Airport		34,743
Public works		29,162
Fire protection		70,693
Administration		31,295
Total	\$	<u>237,793</u>

Proprietary Activities:

During fiscal year 2025, the City acquired a truck, lawn mower, and other equipment totaling \$49,924. Water system additions included a turbine pump and meter upgrades.

The City entered into a construction contract with CR Fabrication for a new public works maintenance building funded by Series 2022 bond proceeds. Through September 30, 2024, the City had incurred \$488,501 in construction and related costs. During fiscal year 2025, the City incurred \$28,244 in additional construction costs. As of September 30, 2025, the project remains incomplete and is reported as Construction in Progress.

The City entered into a construction contract with Preload, LLC for additional water storage with an original contract price of \$1,448,000. Approved change orders of \$70,077 increased the total contract amount to \$1,518,077. Through September 30, 2024, the City had incurred \$792,130 in construction and related costs. During fiscal year 2025, the City incurred \$746,861 in construction costs, \$19,185 in engineering fees, and \$6,124 in other project costs. The project was completed as of September 30, 2025, and total accumulated costs were reclassified from Construction in Progress to the Water and Sewer System.

The City entered into a \$1,499,715 construction contract with Mike Rogers for a lift station on Highway 36. Through September 30, 2024, the City had incurred \$359,418 in construction and related costs. During fiscal year 2025, the City incurred \$550,439 in construction costs, \$31,230 in engineering fees, and \$57,200 in other project costs. As of September 30, 2025, the project remains incomplete and is reported in Construction in Progress.

In fiscal year 2025, the City began construction of wastewater treatment plant screens. The City entered into a \$775,000 construction contract with Summit Solutions. During the current year, the City incurred \$652,500 in construction costs under this contract, engineering costs of \$54,548, and other costs of \$750. The project was not completed by year-end and is included in Construction in Progress.

Depreciation expense recorded in business-type activities and the Water and Sewer Fund was \$828,934.

Component Unit Activities:

Following is a summary of changes in capital assets for the year:

	<u>Beginning</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending</u>
<i>Component Unit Activities:</i>				
Non-depreciable capital assets:				
Land	\$ 731,617	\$ -	\$ -	\$ 731,617
Non-depreciable assets	<u>731,617</u>	<u>-</u>	<u>-</u>	<u>731,617</u>
Depreciable capital assets:				
Land Improvements	-	9,508	-	9,508
Depreciable capital assets	<u>-</u>	<u>9,508</u>	<u>-</u>	<u>9,508</u>
Less: accumulated depreciation	\$ -	-	-	\$ -
Component Unit Activities				
Capital Assets, net	<u>\$ 731,617</u>	<u>\$ 9,508</u>	<u>\$ -</u>	<u>\$ 741,125</u>

During fiscal year 2025, the EDC purchased and installed a fence for \$9,508.

6. Accumulated Leave Benefits Payable and Prior Period Adjustment

Effective for the fiscal year ended September 30, 2025, the City implemented GASB Statement No. 101, *Compensated Absences*. This statement establishes new guidance for recognizing and measuring liabilities for compensated absences.

The City has the following leave policies:

Vacation - The City provides vacation leave for their employees based on length of service with the City. Vacation leave may be accumulated, up to a maximum of 40 hours, to use in future years and is payable upon separation or retirement, in accordance with City policy.

Holiday - Employees accrue holiday leave for City-recognized holidays on which they are required to work. This leave may accumulate, with no maximum, to use in future years and is payable upon separation or retirement, in accordance with City policy.

Sick - The City provides 5 hours per month of sick leave per employee to use during the year. This leave may accumulate, with no maximum, to use in future years, in accordance with City policy.

Comp Time - The city allows earned time in lieu of overtime for hours worked in excess of a regular schedule. Comp time may be accumulated, with no maximum, to use in future years and is payable upon separation or retirement, in accordance with City policy.

A summary of changes in the accumulated leave liability follows:

Governmental Activity

	<u>Vacation</u>	<u>Sick</u>	<u>Holiday</u>	<u>Comp</u>	<u>Total</u>
Balance October 1, 2024	36,662	26,206	-	6,969	69,837
Additions	28,239	18,918	5,975	4,846	57,978
Deductions	-	-	-	-	-
Balance September, 30, 2025	<u>64,901</u>	<u>45,124</u>	<u>5,975</u>	<u>11,815</u>	<u>127,815</u>

Business-Type Activity

	<u>Vacation</u>	<u>Sick</u>	<u>Holiday</u>	<u>Comp</u>	<u>Total</u>
Balance October 1, 2024	10,321	10,535	-	8,361	29,217
Additions	6,079	3,778	975	-	10,832
Deductions	-	-	-	(158)	(158)
Balance September, 30, 2025	<u>16,400</u>	<u>14,313</u>	<u>975</u>	<u>8,203</u>	<u>39,891</u>

Under the provisions of GASB Statement No. 101, Compensated Absences, the City recognizes a liability for leave that is attributable to services already rendered, accumulates period to period, and is probable of resulting in payment, either through cash settlement or time off that reduces future service requirements.

The liability for compensated absences includes amounts expected to be paid upon termination or retirements as well as benefits expected to be used for time off in lieu of additional pay. The liability is measured using the pay rates and benefit costs in effect at the reporting date.

The total compensated absences liability for at September 30, 2025, consisted of the following components:

Governmental Activity

<u>Description</u>	<u>Amount</u>
Current portion - expected to be paid within one year	22,672
Long-term portion - expected to be paid after one year	105,143
Total compensated absences liability	<u>127,815</u>

Business-Type Activity

<u>Description</u>	<u>Amount</u>
Current portion - expected to be paid within one year	3,184
Long-term portion - expected to be paid after one year	36,707
Total compensated absences liability	<u>39,891</u>

The adoption of this standard resulted in the City's accounting for compensated absences, requiring the accrual of additional amounts for certain types of leave that were not previously recognized as liabilities. As a result, the beginning net position of the governmental activities as of October 1, 2024, was decreased by (\$26,206) and the beginning net position of the business-type activities was decreased by (\$10,535) to recognize the additional liability for compensated absences in accordance with the new standard. The comparative financial statements for the prior year have been restated to reflect this change in accounting principle.

Governmental Activity

<u>Description</u>	<u>Amount</u>
Net position, as previously stated	6,615,342
Cumulative effect of GASB 101	<u>(26,206)</u>
Net position, as restated	<u>6,589,136</u>

Business-Type Activity

<u>Description</u>	<u>Amount</u>
Net position, as previously stated	14,799,741
Cumulative effect of GASB 101	<u>(10,535)</u>
Net position, as restated	<u>14,789,206</u>

6. Long-Term Obligations

Long-term Obligations Supporting Governmental Activities

On December 14, 2021, the City entered into a Notes Payable in the amount of \$592,248 at an interest rate of 3.09%. The proceeds were used to purchase a fire truck for the City. Payments are due in annual installments on December 28 of each year for fifteen years.

The City's combination tax and revenue certificates of obligation are guaranteed by the full faith and credit of the City. Certificates of obligation are secured by and payable from a limited pledge of surplus revenues of the waterworks and sewer system. Repayments of principal and interest for these obligations are accounted for in the Debt Service Fund.

Combination Tax and Revenue Certificates of Obligation, Series 2021, issued August 15, 2021, in the original amount of \$4,660,000 at an interest rate of 3.00% for street improvements and related costs. Requires semi-annual payments of interest on February 15 and August 15 of each year and annual principal payments due on August 15 of each year.

On October 10, 2023, the City issued Combination Tax and Surplus Airport Revenue Certificates of Obligation, Series 2023, in the original principal amount of \$2,000,000. The certificates were issued to acquire, construct, or make improvements to the City's airport. Requires semi-annual payments of interest on February 15 and August 15 of each year and annual principal payments due on August 15 year.

Interest expense for governmental activities was \$243,914. This is reported as a separate line item on the statement of revenues, expenditures and changes in fund balance.

Business-type Activities - Revenue Bonds

Combination Tax and Surplus Revenue Certificates of Obligation represent debt issued to support activities of the Proprietary Fund (Water and Sewer Fund). In addition to being backed by the full faith and credit of the City, revenue bonds are secured by a lien on and a pledge of the surplus revenues of the water and sewer system.

On August 15, 2022, the City issued \$4,800,000 Combination Tax and Revenue Certificates of Obligation, Series 2022 at an interest rate of 4.00% to 5.00%. The bond proceeds from sale will be used for Water and Sewer system improvements. Semi-annual payments of principal and interest are August 15 and February 15 each year for twenty years.

On June 11, 2024, the City issued Combination Tax Revenue Certificates of Obligation, Series 2024, in the original principal amount of \$3,850,000. The certificates were issued to acquire, construct, equip, add, or improve infrastructure related to the City's water and sewer system, including the acquisition of land. Requires semi-annual payments of interest on February 15 and August 15 of each year and annual principal payments due on August 15 year.

Interest expense for business-type activities and the Water and Sewer Proprietary Fund was \$495,524.

Terms of the bonds due to the Texas Water Development Board require the City to establish an interest and sinking fund in an amount equal to the pro-rata share of the next principal and interest payment due for the bonds. At year-end, this requirement was \$41,623. The City has established an interest and sinking fund in the amount of \$41,939 at year-end, and, accordingly, is substantially in compliance with this requirement.

The following table contains a summary of changes in long-term obligations for the year ended September 30, 2025:

	<u>Beginning</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending</u>	<u>Due Within One Year</u>
<i>Governmental Activities</i>					
<i>Direct Borrowings</i>					
Notes Payable - New Fire Truck	527,026	-	(33,619)	493,407	34,658
Combination Tax & Revenue Certificate of Obligation Series 2021, 3.0%	3,940,000	-	(180,000)	3,760,000	185,000
Combination Tax & Airport Revenue Certificate of Obligation Series 2023, 5.375-6.00%	2,000,000	-	(60,000)	1,940,000	65,000
Bond Premium	388,765	-	(41,512)	347,253	-
Total Governmental Activities	<u>6,855,791</u>	<u>-</u>	<u>(315,131)</u>	<u>6,540,660</u>	<u>284,658</u>
<i>Business-Type Activities</i>					
Combination Tax & Revenue Certificate of Obligation Series 2012, 1.75% to 4.05%	2,925,000	-	(135,000)	2,790,000	140,000
General Obligation Refunding Bonds Series 2020, 1.59%	1,060,000	-	(170,000)	890,000	170,000
Combination Tax & Revenue Certificate of Obligation Series 2022, 4.5%	4,465,000	-	(160,000)	4,305,000	170,000
Combination Tax & Revenue Certificate of Obligation Series 2024, 4-5%	3,850,000	-	(375,000)	3,475,000	175,000
Bond Premium	521,880	-	(51,193)	470,687	-
Total Business-Type Activities	<u>12,821,880</u>	<u>-</u>	<u>(891,193)</u>	<u>11,930,687</u>	<u>655,000</u>
Total Primary Government	<u>19,677,671</u>	<u>-</u>	<u>(1,206,324)</u>	<u>18,471,347</u>	<u>939,658</u>

Terms of the certificates of obligation bonds require the City to establish sinking funds in order to accumulate resources for the repayment of principal and interest on the bonds as they mature. At year-end, the City was in compliance with these sinking fund requirements. Amounts set aside to meet interest and sinking fund requirements are reflected as restricted cash or restricted investments at year-end.

Debt Service Requirements to Maturity

The annual debt service requirements to maturity for bonded debt obligations for governmental activities are as follows at year-end:

<i>Governmental Activities</i>						
Fiscal Year Ending September 30,	Notes Payable		Bonds Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	34,658	15,276	250,000	218,788	284,658	234,064
2027	35,729	14,206	260,000	209,587	295,729	223,793
2028	36,833	13,102	265,000	199,613	301,833	212,715
2029	37,971	11,963	280,000	189,412	317,971	201,375
2030	39,144	10,790	290,000	178,688	329,144	189,478
2031-2035	214,627	35,042	1,625,000	716,038	1,839,627	751,080
2036-2040	94,445	4,446	1,970,000	379,962	2,064,445	384,408
2041-2045	-	-	760,000	55,681	760,000	55,681
Totals	<u>493,407</u>	<u>104,825</u>	<u>5,700,000</u>	<u>2,147,769</u>	<u>6,193,407</u>	<u>2,252,594</u>

The annual debt service requirements to maturity for bonded debt obligations for business-type activities are as follows at year-end:

<i>Business-Type Activities</i>						
Fiscal Year Ending September 30,	Certificates of Obligation Series 2012		Bonds Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	140,000	111,940	515,000	359,925	655,000	471,865
2027	145,000	107,530	540,000	339,431	685,000	446,961
2028	150,000	102,890	565,000	317,860	715,000	420,750
2029	155,000	97,940	580,000	295,373	735,000	393,313
2030	160,000	92,670	605,000	271,971	765,000	364,641
2031-2035	890,000	371,918	2,455,000	1,009,425	3,345,000	1,381,343
2036-2040	1,080,000	184,377	2,730,000	397,425	3,810,000	581,802
2041-2042	70,000	9,923	680,000	27,400	750,000	37,323
Totals	<u>2,790,000</u>	<u>1,079,188</u>	<u>8,670,000</u>	<u>3,018,810</u>	<u>11,460,000</u>	<u>4,097,998</u>

7. Lease Receivable

On January 1, 2023, the City entered into a three-year agreement with Brady Williams to lease farmland for \$10,587 per year. The lease receivable is measured as the present value of the future minimum payments expected to be received during the lease term at a discount rate of 4.49%.

As of September 30, 2025, the City's lease receivable balance and the related deferred inflow of resources was \$10,123. For the fiscal year 2025, the City recognized \$10,123 as lease revenue, which includes amortization of the deferred inflow of resources and \$464 as interest revenue.

8. Defined Benefit Pension Plans

Plan Description

The City of Caddo Mills, Texas participates as one of 938 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest. The retiring member select one of seven monthly benefit payments options. Members may also choose to receive their retirement benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member contributions and interest.

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

Employee deposit rate	6.0%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated service credit	100%
Annuity increase (to retirees)	0% of CPI

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	5
Inactive employees entitled to but not yet receiving benefits	21
Active employees	<u>26</u>
Total	<u><u>52</u></u>

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees of the City were required to contribute 6% of their annual compensation during the fiscal year. The contribution rates for the City of Caddo Mills, Texas, were 12.83% and 5.72% in calendar years 2025 and 2024, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2025, were \$215,631 and equaled the required contributions.

Net Pension Liability

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

Actuarial Assumptions:

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

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

Salary increases are 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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in fiscal year 2025 are summarized in the following table:

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

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member 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 members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at 12/31/2023	\$ 1,324,177	\$ 1,271,581	\$ 52,596
Changes for the year:			
Service cost	276,966	-	276,966
Interest	134,758	-	134,758
Change of benefit terms	550,736	-	550,736
Difference between expected and actual experience	88,219	-	88,219
Changes of assumptions	-	-	-
Contributions - employer	-	101,036	(101,036)
Contributions - employee	-	105,982	(105,982)
Net investment income	-	132,915	(132,915)
Benefit payments, including refunds of employee contributions	(33,958)	(33,958)	-
Administrative expense	-	(847)	847
Other changes	-	(20)	20
Net changes	<u>1,016,721</u>	<u>305,108</u>	<u>711,613</u>
Balance at 12/31/2024	<u>\$ 2,340,898</u>	<u>\$ 1,576,689</u>	<u>\$ 764,209</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease in <u>Discount Rate (5.75%)</u>	<u>Discount Rate (6.75%)</u>	1% Increase in <u>Discount Rate (7.75%)</u>
City's net pension liability	\$ 1,108,692	\$ 764,209	\$ 480,081

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2025, the City recognized pension expense of \$787,980.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 75,807	\$ 1,186
Changes in actuarial assumptions	-	7,092
Difference between projected and actual investment earnings	-	22,802
Contributions subsequent to the measurement date	186,567	-
Total	<u>\$ 262,374</u>	<u>\$ 31,080</u>

\$186,567 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending September 30,	
2026	\$ 16,431
2027	26,127
2028	(255)
2029	2,424
2030	-
Thereafter	-
Total	<u>\$ 44,727</u>

8. Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

The City participates in a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF) administered by TMRS. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage (Supplemental Death Benefits) for their active members, including or not including retirees. Employers may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Benefits Provided

Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other employment benefit and is a fixed amount of \$7,500. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the Pension Trust Fund.

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	5
Active employees	<u>27</u>
Total	<u>37</u>

Contributions

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

Employees of the City of Caddo Mills were required to contribute 0.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 0.24% and 0.21% in calendar years 2024 and 2025, respectively. The City's contributions to the TMRS SDBF for the year ended September 30, 2025 was \$4,273, which equaled the required contributions for the year.

Total OPEB Liability

Actuarial Assumptions

The actuarial assumptions used in the calculation of the funding valuation for the Supplemental Death Benefit Fund (SDBF) are based on the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. For purposes of developing the SDBF contribution rates, no other demographic assumptions are applicable.

Assumptions

- A. Mortality Rates — Same as for the Pension Trust Fund.
- B. Actuarial Cost Method — The actuarial cost method used is known as the Entry Age Normal Actuarial Cost Method. The Entry Age Normal Actuarial Cost Method develops the annual cost of the Plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that due to service earned prior to the current year, known as the amortization of the unfunded actuarial accrued liability. The normal cost and the actuarial accrued liability are calculated individually for each member. The normal cost rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the City, would be sufficient to meet all benefits payable on their behalf. The normal cost is calculated using an entry age based on benefit service with other TMRS cities or other public agencies, they retain this for determination of benefit eligibility and decrement rates. The salary-weighted average of these rates is the normal cost rate. The unfunded actuarial accrued liability reflects the difference between the portion of projected benefits attributable to service credited prior to the valuation date and assets already accumulated.
- C. Valuation of Assets — For purposes of calculating the Total OPEB Liability, the plan is considered to be unfunded and therefore no assets are accumulated for OPEB.
- D. Supplemental Death Benefit — The contribution rate for the Supplemental Death Benefit (SDB) is equal to the expected benefit payments during the upcoming year divided by the annualized pay of current active members, and it is calculated separately for actives and retirees. The 2026 SDB rate for retiree coverage is equal to 110% of the expected term cost. The SDB rate for active coverage is equal to 150% of the expected term cost.
- E. Changes in Actuarial Assumptions and Methods — Mortality assumptions were modified as of December 31, 2019 valuation. In addition, premiums for retirees are based on full \$7,500 benefit versus the \$2,500 previously used. A credit is granted against premiums for active employees equal to 2% of the SDB Fund balance as of the valuation date expressed as a percentage of payroll.

Benefit Provisions

A. Participation in SDBF — Participation in the SDBF is optional and may be rescinded. Each municipality that chooses to participate can elect to cover just active members, or both active and retired members.

B. Benefit Eligibility — Benefits are payable if the death occurs during the period in which a municipality has elected to participate in the SDBF. For retirees who had service with multiple TMRS employers, benefits are payable only if the municipality from which the member retired participates in the SDBF when the death occurs.

C. Benefit Amount — 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 a fixed amount of \$7,500.

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

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at 12/31/2023	\$ 44,004
Changes for the year:	
Service cost	4,769
Interest on total OPEB liability	1,736
Change of benefit terms	-
Difference between expected and actual experience	(1,853)
Changes of assumptions and other inputs	(2,772)
Benefit payments, including refunds of employee contributions	(707)
Other changes	-
Net changes	<u>1,173</u>
Balance at 12/31/2024	<u>\$ 45,177</u>

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

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

	<u>1% Increase in Discount Rate (3.08%)</u>	<u>Discount Rate (4.08%)</u>	<u>1% Increase in Discount Rate (5.08%)</u>
Total OPEB liability	\$ 55,037	\$ 45,177	\$ 37,661

OPEB plan total liability. Detailed information about the OPEB plan’s Total OPEB Liability is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

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

For the year ended September 30, 2025, the City recognized OPEB expense in the amount of \$4,925.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual economic experience (net of current year amortization)	\$ 523	\$ 2,855
Changes in actuarial assumptions	3,852	15,542
Difference between projected and actual investment earnings (net of current year amortization)	-	-
Contributions subsequent to the measurement date	<u>3,054</u>	<u>-</u>
Total	<u>\$ 7,429</u>	<u>\$ 18,397</u>

\$3,054 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending September 30,</u>	
2026	\$ (3,045)
2027	(3,801)
2028	(4,131)
2029	(2,209)
2030	(657)
Thereafter	<u>(179)</u>
Total	<u>\$ (14,022)</u>

9. Commitments and Contingencies

The City participates in various state and federal grant programs and contracts which are subject to financial and compliance audits by the grantors or their representatives. Audits of these programs by the granting organizations for the year ended September 30, 2025, have not been conducted. Accordingly, the City's final compliance with applicable grant and contract requirements will be established at some future date. The City expects that costs disallowed by these various awarding agencies, if any, would be minimal.

The City is involved in litigation from time to time during the ordinary course of business. Management estimates that any potential litigation will not have a material impact on the City's financial statements.

Certain state reports and remittances are required by the City's municipal court. These reports and remittances are subject to audit by the Comptroller of Public Accounts. Any adjustments which may occur based upon such an audit could require the City to remit additional funds. The City expects that any adjustments to these reports and remittance required, if any, would be minimal.

10. Balances and Transfers/Payments Within the Reporting Entity

Receivables and Payables

Generally, outstanding balances between funds reported as "due to/from other funds" in the governmental fund financial statements include outstanding charges by one fund to another for services or goods, and other miscellaneous receivables/payables between funds. Activity between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are described as "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

	<u>Receivables (Due From)</u>	<u>Payables (Due to)</u>
General Fund:		
Other Governmental Funds	-	(3,532)
Water & Sewer Fund	-	(352,875)
Other Governmental Funds:		
General Fund	3,532	-
Water & Sewer Fund:		
General Fund	<u>352,875</u>	<u>-</u>
Total	<u><u>356,407</u></u>	<u><u>(356,407)</u></u>

Transfers and Payments

Transfers and payments within the reporting entity are substantially for the purposes of funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs. The transfers and payments within the reporting entity are substantially for the purposes of funding capital projects and asset acquisitions or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

The government-wide statement of activities eliminates transfers reported within governmental activities.

	<u>Transfer (Out)</u>	<u>Transfer In</u>
General Fund:		
Other Governmental Fund	-	150,000
Debt Service Fund	<u>-</u>	<u>1,070,908</u>
	-	1,220,908
Water and Sewer Fund:		
Debt Service Fund	<u>-</u>	<u>782,658</u>
	-	782,658
Debt Service Fund:		
General Fund	(1,070,908)	-
Water and Sewer Fund	<u>(782,658)</u>	<u>-</u>
	(1,853,566)	-
Other Governmental Funds:		
General Fund	<u>(150,000)</u>	<u>-</u>
Total	<u><u>(2,003,566)</u></u>	<u><u>2,003,566</u></u>

The following schedule reports transfers and payments within the reporting entity:

The City transferred \$1,853,566 from debt service fund to the general fund and water sewer fund for reimbursement of debt service payments. The airport fund transferred \$150,000 to the general fund for reimbursement of prior year and current year fuel costs.

11. Economic Dependence

City operations are funded by taxes and revenues provided by the residents of the City of Caddo Mills, Texas. Accordingly, the City is economically dependent on the property values and local economy of City of Caddo Mills, Texas and the surrounding area.

The City purchases water through an agreement with the City of Greenville/GEUS. During fiscal year 2025, water purchases through this agreement totaled \$1,047,095.

The City contracts with Waste Connections Lone Star, Inc. for sanitation services. During fiscal year 2025, the cost of sanitation services paid through this contract were \$412,660.

12. Restricted Cash and Cash Equivalents

Restrictions on cash and cash equivalents at year-end are as follows:

Restricted for debt service	\$ 126,988
Restricted for capital projects - bond proceeds	7,361,759
Restricted for municipal court	<u>53,473</u>
Totals	<u>\$ 7,542,220</u>

Amounts restricted for debt service represent amounts established to meet bond interest and sinking fund requirements and bond maintenance fund requirements.

Amounts restricted for capital projects represent unspent bond proceeds.

13. Impact Fee Revenue and Deferred Revenue

Impact fees are authorized under Chapter 395 of the Texas Local Government Code and are defined as a charge imposed against new development to pay for the off-site construction or expansion of infrastructure facilities that are necessitated by and benefit the new development. Impact fees are deferred until the City incurs expenses for infrastructure. The City had deferred impact fees of \$1,059,558 at the beginning of the year. During fiscal year 2025, the City received \$1,237,777 in impact fees and spent \$805,604. The balance of deferred revenue for impact fees at the end of the year was \$1,491,731.

14. Professional Services Agreement (PSA) Fees

The City assesses Professional Services Agreement (PSA) Fees to developers to recover costs incurred by the City for professional service related to development activities. These fees are intended to reimburse the City for expenditures associated with engineering reviews, legal consultations, planning and zoning services, and other administrative costs incurred as part of the development approval process.

PSA Fees are recognized as revenue in the period in which the related services are provided. These fees are classified as Charges for Services in the City's governmental financial statements. For the fiscal year ended September 30, 2025, the City recognized PSA Fee revenue totaling \$548,669 which was primarily used to offset costs associated with professional services necessary for reviewing and processing development applications.

15. Tax Abatement Agreements (GASB Statement No. 77)

Megatel Agreement

The City entered into a Chapter 380 Agreement with Megatel during the fiscal year; however, no qualifying development activity had occurred as of year-end. No use tax was generated, and no grant payments were made. Accordingly, no tax abatements occurred during the fiscal year, and no GASB Statement No. 77 disclosure is required.

Riverside (East) Homebuilders, Ltd

In September 2022, the City entered into a Chapter 380 Grant Agreement with Riverside (East) Homebuilders, Ltd. (the “Company”) to incentivize residential development within the City and generate additional local use tax revenue.

Under the agreement the City provides an economic development grant equal to 75% of the City’s local use tax receipts attributable to the Company’s Texas Direct Payment Permit. Grant payments are made semi-annually after the Company submits documentation supporting the amount of use tax paid.

The agreement is effective for a ten-year period from September 1, 2022 through August 31, 2032, unless extended by mutual agreement of the parties.

Eligibility Requirements and Compliance Provisions

To remain eligible for the grant, the Company must:

1. Pay applicable local use taxes under its Texas Direct Payment Permit;
2. Submit adequate documentation supporting the amount of use tax paid;
3. Comply with all applicable federal, state, and local laws and regulations.

Recapture and Adjustment Provisions

The agreement contains recapture provisions that require the Company to repay all grant amounts received, plus applicable interest, if the Company:

- Employs undocumented workers; or
- Otherwise breaches the terms of the agreement.

In addition, grant payments are subject to adjustment if reported use tax amounts are later amended or audited.

City Commitments

Under the agreement, the City is obligated to:

1. Review submitted documentation supporting use tax paid; and
2. Remit the applicable grant payment within 45 days of receiving complete and acceptable documentation.

The City did not may any additionally commitments related to infrastructure improvements or other financial assistance under this grant.

Gross Amount of Taxes Abated

During the fiscal year ended, the City paid economic development grants totaling \$5,916 pursuant to this Chapter 380 agreement. The grant payments were calculated as 75% of local use tax revenues generated by the Company and reported under its Texas Direct Payment Permit.

16. Water Purchase Commitment

The City of Caddo Mills, Texas (the City), has entered into a Water Sales Agreement with the City of Greenville, Texas, for the purchase of treated water. The original agreement was executed on November 18, 2014, with an initial term of ten years and two optional five-year extensions exercisable by the City. The agreement has been amended multiple times, most recently in 2024, to increase delivery capacity and revise water rates.

Under the current agreement, the City is obligated to purchase treated water from Greenville. Effective January 1, 2025, the maximum instantaneous delivery rate is 600 gallons per minute (GPM), with the capacity scheduled to increase to 2,500 GPM upon completion of certain Greenville infrastructure improvements currently expected to occur between the second quarter of 2025 and the fourth quarter of 2027. The agreement also establishes maximum annual, monthly, daily, and hourly delivery limits.

Water rates will increase to \$5.96 per 1,000 gallons, phased in over a nine-month period during calendar year 2025. The full rate will be effective October 1, 2025. Thereafter, rates may be revised every two years at the discretion of the City of Greenville based on future water rate studies.

Monthly payments are due within fifteen days of receipt of billing. Late payments are subject to a penalty of ten percent, and water delivery may be discontinued if amounts remain unpaid for more than forty-five days.

Additional significant provisions of the agreement include compliance with Greenville's water conservation and drought contingency plans, transfer of title at the point of delivery, force majeure provisions for events beyond the control of either party, and termination of service for uncured violations of agreement terms.

The City relies on the City of Greenville as its primary supplier of treated water, which results in a concentration risk related to water supply and future and future rate changes.

Based on the current delivery limit and rates, the City's maximum purchase commitments under the agreement consist of up to 70,000 gallons annually, 8,500,000 gallons per month, and 504,000 gallons per day. Actual water usage may vary based on demand and operational needs.

The agreement is considered a normal purchase contract entered into for operational purposes. As of the date of the financial statements, no separate accounting or recognition under other GASB standards is required.

17. Public Improvement Districts

Fox Landing Public Improvement District

The City established the Fox Landing Public Improvement District (PID) to finance public infrastructure improvements benefiting approximately 151.9 acres within the City, including Improvement Area No. 1 (approximately 23.7 acres) and a remainder area for future development. Authorized improvements include streets, water, sewer, and drainage facilities, which will be constructed to City standards and, upon completion and acceptance, will be owned, operated, and maintained by the City.

Special assessments have been levied on benefited parcels within Improvement Area No. 1 in accordance with the Service and Assessment Plan. Assessments are allocated based on estimated buildout value so that each parcel bears a proportionate share of improvement costs. These assessments are not ad valorem taxes and apply only to property within the PID.

Under a reimbursement agreement, the developer is responsible for funding construction of certain improvements and is eligible for reimbursement of verified costs, up to a maximum of \$1,500,000, bearing interest at 5.875% per annum. The City's payment obligation is limited solely to PID assessment collections (and bond proceeds, if issued) and does not constitute a general obligation or pledge of the City's full faith and credit. Accordingly, no long-term liability related to this reimbursement obligation is reported in the City's financial statements. A liability is recorded only for assessment collections held but not yet remitted at year-end.

The City may issue special assessment revenue bonds secured solely by PID assessments; however, no such bonds had been issued as of September 30, 2025.

The first annual installment of Fox Landing PID assessments is due January 31, 2026. Therefore, no assessments had been billed or collected, and no developer reimbursements were made as of fiscal year-end. At September 30, 2025, the City reported special assessment receivables and related amounts due to the developer within a fiduciary custodial fund for Fox Landing PID in the amount of \$147,520.

Caddo Mills Crossing Public Improvement District

The City created the Caddo Mills Crossing PID to finance public improvements benefiting property within the district, including streets, water infrastructure, and drainage facilities, along with related soft costs. Upon completion, street and drainage improvements will be dedicated to and owned by the City, while water improvements will be owned and operated by the Caddo Basin Special Utility District.

The PID is structured on a pay-as-you-go basis. The developer initially funds improvements and is eligible for reimbursement solely from special assessments levied on benefited property. For Improvement Area No. 1, the maximum authorized assessment and reimbursement obligation totals \$1,816,000. Assessments are allocated among parcels based on relative benefit and estimated buildout value.

Annual installments will be billed and collected with property tax statements; however, the assessments are special assessments rather than ad valorem taxes. The first installment is due January 31, 2026; therefore, no assessments were billed or collected during fiscal year 2025. At September 30, 2025, the City reported special assessment receivables and related amounts due to the developer within a fiduciary custodial fund for Caddo Mills Crossing PID in the amount of \$182,242.

No PID bonds had been issued as of September 30, 2025. Because the City's obligation is limited to assessment collections and does not involve a general pledge of City resources, no related long-term liability is reported. PID assessment collections and remittances are reported in a custodial fund, and a liability is recognized only for amounts collected but not yet remitted.

Infrastructure improvements constructed by the developer and dedicated to the City are recorded as capital assets at acquisition value and as capital contribution revenue when the City obtains ownership and control.

Enclave of Bahamas Public Improvement District and TIRZ No. 1

The City established the Enclave of Bahamas PID under Chapter 372 of the Texas Local Government Code to finance public improvements benefiting property within Improvement Area No. 1. Special assessments levied under the Service and Assessment Plan constitute a first lien on assessed property and represent personal obligations of property owners.

The City issued Enclave of Bahamas Public Improvement Bonds as special limited obligations payable solely from pledged PID assessments and, to the extent available, transfers from Tax Increment Reinvestment Zone No. 1 (TIRZ No. 1). The bonds do not constitute a general obligation of the City.

Because the City is not obligated for repayment beyond pledged revenues and acts only in an administrative capacity, PID assessment receivables and related bond obligations are not reported as assets or liabilities of the City. Collections and remittances are accounted for in a custodial fund. At September 30, 2025, the City reported special assessment receivables and related amounts due to the bondholders within a fiduciary custodial fund for Enclave of Bahamas PID in the amount of \$116,297.

TIRZ No. 1 is reported as a special revenue fund and may provide credits toward PID assessments or reimburse developers from tax increment revenues generated within the zone. The first tax increment applicable to the project will be based on Tax Year 2025 values and applied to installments due in Tax Year 2026. Accordingly, no TIRZ revenues, credits, or developer reimbursements related to this PID were recognized during fiscal year 2025.

18. Subsequent Events

Subsequent to year end, Cash Special Utility District transferred service territory, customers, and related water infrastructure assets to the City. The City will assume water service responsibilities for the area, resulting in increased future water revenues, operating expenses, and capital assets.

Subsequent to year end, the City issued Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2025, in the amount of \$5,935,000. Proceeds were received on October 8, 2025, and the first principal and interest payment is due February 2026.

City Administration has evaluated subsequent events through March 5, 2026, the date which the financial statements were available to be issued.

Required Supplementary Information

CITY OF CADDO MILLS, TEXAS
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Ad valorem taxes	1,460,283	\$ 1,460,283	\$ 1,539,597	\$ 79,314
Franchise taxes	65,000	65,000	74,985	9,985
Sales tax	700,000	700,000	930,596	230,596
Impound income	30,000	30,000	74,664	44,664
Permits and fees	635,000	635,000	333,981	(301,019)
Fines	234,000	234,000	268,396	34,396
PSA Fee Revenue	-	-	548,669	548,669
Donations and other income	141,800	141,800	135,211	(6,589)
Grant revenues	-	-	266,185	266,185
Interest	-	-	75,228	75,228
Total Revenues	3,266,083	3,266,083	4,247,512	981,429
EXPENDITURES:				
Administration	1,145,363 *	1,145,363 *	1,857,050	(711,687)
Building inspections	291,900	291,900	355,540	(63,640)
Judicial	166,300	166,300	76,989	89,311
Police department	1,209,300	1,209,300	1,296,801	(87,501)
Fire protection	379,000	379,000	325,191	53,809
Parks & recreation	1,075,503	1,075,503	-	1,075,503
Capital outlay	1,107,262 **	1,107,262 **	1,972,516	(865,254)
Debt Service:				
Principal retirement	273,619	273,619	273,619	-
Interest and fiscal charges	244,078	244,078	244,707	(629)
Total Expenditures	5,892,325	5,892,325	6,402,413	(510,088)
Excess (deficiency) of revenues over (under) expenditures	(2,626,242)	(2,626,242)	(2,154,901)	471,341
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	1,220,908	1,220,908
Insurance proceeds	-	-	52,326	52,326
Total Other Financing Sources (Uses)	-	-	1,273,234	1,273,234
Net change in fund balance	(2,626,242)	(2,626,242)	(881,667)	1,744,575
Fund balance, October 1	3,914,489	3,914,489	3,914,489	-
Fund balance, September 30	\$ 1,288,247	\$ 1,288,247	\$ 3,032,822	\$ 1,744,575

Notes to the budgetary comparison schedule:

The General Fund budget is adopted on a basis consistent with generally accepted accounting principles for a governmental fund.

* General Fund revenues exceeded budgeted amounts because the City does not budget developer contributions

**The City does not budget capital outlay related to bond proceeds and/or grants.

CITY OF CADDO MILLS, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 YEARS (will ultimately be displayed)
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Plan Year Ended December 31,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability	\$ 276,966	\$ 178,934	\$ 145,087	\$ 115,416	\$ 92,945	\$ 68,731	\$ 68,951	\$ 62,620	\$ 60,914	\$ 43,401
Service cost	134,758	79,062	66,145	55,661	46,249	39,425	37,554	32,043	28,963	24,719
Interest (on the total pension liability)	550,736	-	-	-	-	-	-	-	-	22,051
Changes of benefit terms	88,219	11,376	(3,046)	151	8,051	194	(41,146)	7,291	(23,922)	2,819
Difference between expected and actual experience	-	(12,122)	-	-	-	5,709	-	-	-	15,999
Change of assumptions	(33,958)	(29,778)	(37,724)	(23,766)	(14,325)	(35,811)	(39,260)	(7,682)	(34,675)	(4,814)
Benefit payments, including refunds of employee contributions	1,016,721	227,472	170,462	147,462	132,920	78,248	26,099	94,272	31,280	104,175
Net Change in Total Pension Liability	1,324,177	1,096,705	926,243	778,781	645,861	541,514	541,514	447,242	415,962	311,787
Total Pension Liability - Beginning	\$ 2,340,898	\$ 1,324,177	\$ 1,096,705	\$ 926,243	\$ 778,781	\$ 619,762	\$ 567,613	\$ 541,514	\$ 447,242	\$ 415,962
Total Pension Liability - Ending (a)	\$ 3,665,075	\$ 2,419,882	\$ 2,022,948	\$ 1,705,024	\$ 1,424,642	\$ 1,161,276	\$ 1,109,127	\$ 988,756	\$ 863,204	\$ 727,749
Plan Fiduciary Net Position	\$ 101,036	\$ 87,830	\$ 75,886	\$ 55,456	\$ 48,265	\$ 38,331	\$ 36,922	\$ 34,266	\$ 31,500	\$ 16,456
Contributions - employer	105,982	93,601	77,174	60,061	50,015	36,048	35,788	32,643	32,088	27,193
Contributions - employee	132,915	116,789	(70,169)	100,126	48,210	79,914	(14,962)	53,540	22,642	437
Net investment income	(33,958)	(29,778)	(37,724)	(23,766)	(14,325)	(35,811)	(39,260)	(7,682)	(34,675)	(4,814)
Benefit payments, including refunds of employee contributions	(847)	(739)	(606)	(463)	(312)	(452)	(289)	(278)	(256)	(266)
Administrative expense	(20)	(5)	723	3	(12)	(14)	(15)	(14)	(14)	(13)
Other	305,108	267,698	45,284	191,417	131,841	118,016	18,184	112,475	51,285	38,993
Net Change in Plan Fiduciary Net Position	1,271,581	1,003,883	958,599	767,183	635,342	517,326	499,142	386,667	335,382	296,389
Plan Fiduciary Net Position - Beginning	\$ 1,576,689	\$ 1,271,581	\$ 1,003,883	\$ 926,243	\$ 767,183	\$ 635,342	\$ 517,326	\$ 499,142	\$ 386,667	\$ 335,382
Plan Fiduciary Net Position - Ending (b)	\$ 2,848,270	\$ 2,275,464	\$ 1,962,482	\$ 1,693,426	\$ 1,402,525	\$ 1,152,668	\$ 1,016,468	\$ 885,809	\$ 722,049	\$ 631,771
Net Pension Liability - Ending (a) - (b)	\$ 764,209	\$ 52,596	\$ 92,822	\$ (32,357)	\$ 11,598	\$ (15,580)	\$ 50,287	\$ 42,372	\$ 60,575	\$ 80,580
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	67.35%	96.03%	91.54%	103.49%	98.51%	102.51%	91.14%	92.18%	86.46%	80.63%
Covered Payroll	\$ 1,766,366	\$ 1,560,020	\$ 1,286,233	\$ 1,001,009	\$ 833,590	\$ 600,799	\$ 596,464	\$ 544,049	\$ 534,799	\$ 543,866
Net Pension Liability as a Percentage of Covered Payroll	43.26%	3.37%	7.22%	-3.23%	1.39%	-2.59%	8.43%	7.79%	11.33%	14.82%

Note: Ten years of data is presented in accordance with GASB #68, paragraph 138.

CITY OF CADDO MILLS, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
 SCHEDULE OF PENSION CONTRIBUTIONS
 LAST 10 YEARS (will ultimately be displayed)
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Fiscal Year Ended September 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 215,631	\$ 98,568	\$ 82,907	\$ 70,601	\$ 52,125	\$ 46,160	\$ 37,753	\$ 35,999	\$ 33,493	\$ 28,905
Contributions in relation to actuarially determined contribution	(215,631)	(98,568)	(82,907)	(70,601)	(52,125)	(46,160)	(37,753)	(35,999)	(33,493)	(28,905)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 1,962,256	\$ 1,730,658	\$ 1,454,978	\$ 1,214,671	\$ 930,715	\$ 779,733	\$ 596,729	\$ 578,906	\$ 528,661	\$ 552,834
Contributions as a percentage of covered payroll	10.99%	5.70%	5.70%	5.81%	5.60%	5.92%	6.33%	6.22%	6.34%	5.23%

Note: GASB #68, paragraph 81.2.b requires that the data in this schedule be presented as of the City's fiscal year as of the time period covered by the measurement date.

Note: Ten years of data is presented in accordance with GASB #68, paragraph 138.

CITY OF CADDO MILLS, TEXAS
 TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
 SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
 LAST 10 YEARS (will ultimately be displayed)

Actuarial Valuation & Measurement Date, December 31,	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability								
Service cost	\$ 4,769	\$ 3,900	\$ 4,630	\$ 3,904	\$ 2,334	\$ 1,322	\$ 1,789	\$ 1,415
Interest on the total OPEB liability	1,736	1,595	1,086	1,027	1,110	1,728	907	848
Changes of benefit terms	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(1,853)	(1,763)	410	833	(838)	(17,407)	19,376	-
Changes in assumptions or other inputs	(2,772)	3,227	(24,704)	2,169	8,019	7,803	(2,604)	2,586
Benefit payments *	(707)	(780)	(643)	(601)	(250)	(60)	(60)	(54)
Net Change in Total OPEB Liability	1,173	6,179	(19,221)	7,332	10,375	(6,614)	19,408	4,795
Total OPEB Liability - Beginning	44,004	37,825	57,046	49,714	39,339	45,953	26,545	21,750
Total OPEB Liability - Ending	<u>\$ 45,177</u>	<u>\$ 44,004</u>	<u>\$ 37,825</u>	<u>\$ 57,046</u>	<u>\$ 49,714</u>	<u>\$ 39,339</u>	<u>\$ 45,953</u>	<u>\$ 26,545</u>
Covered Payroll	\$ 1,766,366	\$ 1,560,020	\$ 1,286,233	\$ 1,001,009	\$ 833,590	\$ 600,799	\$ 596,464	\$ 544,049
Total OPEB Liability as a Percentage of Covered Payroll	2.56%	2.82%	2.94%	5.70%	5.96%	6.55%	7.70%	4.88%

Note: Only eight years of data is presented in accordance with GASB #75. The information for all periods for the 10 year schedules that are required to be presented as required supplementary information is not be available initially. In these cases, during the transition period, that information will be presented for as many periods as are available.

The TMRS Supplementary Death Benefit Fund is considered to be an unfunded OPEB plan, therefore, no plan fiduciary net position and related ratios are reported in the above schedule.

**CITY OF CADDO MILLS, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

TMRS PENSION

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	20 Years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rate are multiplied by 105%. The rates are projected on a fully general 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: There were no benefit changes during the year

TMRS OPEB

Methods and assumptions Used to Determine Contribution Rates for OPEB:

Inflation	2.5%
Salary Increases	3.60% to 11.85% including inflation
Discount Rate *	4.08%
Retiree's share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rate are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully-generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected

Other Information

**CITY OF CADDO MILLS, TEXAS
OTHER INFORMATION
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
YEAR ENDED SEPTEMBER 30, 2025 (UNAUDITED)**

Tax Roll Year	Fiscal Year Ended September 30	Outstanding Balance 9/30/2025
2024	2025	\$ 26,065
2023	2024	11,584
2022	2024	9,245
2021	2023	6,942
2020	2022	4,729
2019	2021	5,102
2018	2020	4,235
2017	2019	3,407
2016	2018	3,274
2015	2017	4,409
2014	2015 and prior	6,927
	Allowance for uncollectible taxes	<u>(8,592)</u>
	Delinquent taxes receivable, net	<u>\$ 77,327</u>

**CITY OF CADDO MILLS, TEXAS
OTHER INFORMATION
HISTORICAL SCHEDULE OF PROPERTY TAX RATES
YEAR ENDED SEPTEMBER 30, 2025 (UNAUDITED)**

<u>Tax Roll Year</u>	<u>Fiscal Year Ended September 30</u>	<u>Tax Rates</u>
2024	2025	0.484999
2023	2024	0.485000
2022	2023	0.500000
2021	2022	0.546422
2020	2021	0.576000
2019	2020	0.656970
2018	2019	0.693693
2017	2018	0.730000
2016	2017	0.750000
2015	2016	0.750000
2014	2015	0.750000

**CITY OF CADDO MILLS, TEXAS
OTHER INFORMATION
HISTORICAL SCHEDULE OF ASSESSED PROPERTY VALUATION
YEAR ENDED SEPTEMBER 30, 2025 (UNAUDITED)**

<u>Tax Roll Year</u>	<u>Fiscal Year Ended September 30</u>	<u>Net Taxable Valuation</u>
2024	2025	\$ 688,830,699
2023	2024	556,251,340
2022	2023	416,074,400
2021	2022	250,586,543
2020	2021	182,289,653
2019	2020	155,512,799
2018	2019	141,644,919
2017	2018	130,342,181
2016	2017	122,653,429
2015	2016	123,612,604
2014	2015	128,872,135

Overall Internal Control and Compliance



**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***

Independent Auditor's Report

Honorable Mayor and
Members of the City Council
City of Caddo Mills, Texas

Members of the Council:

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 Caddo Mills, Texas, (the City) as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 5, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Caddo Mills, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Report on Compliance and Other Matters

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

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.

Handwritten signature in black ink that reads "Wilf & Henderson, P.C." with a stylized flourish at the end.

WILF & HENDERSON, P.C.
Certified Public Accountants
Texarkana, Texas

March 5, 2026

**CITY OF CADDO MILLS, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

I. Summary of the Auditor's Results:

- a. The type of report issued on the financial statements of the City of Caddo Mills, Texas was an unmodified opinion.
- b. No significant deficiency or material weakness relating to the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters required by the GAO's *Government Auditing Standards*.
- c. No instances of noncompliance material to the financial statements of the City of Caddo Mills, Texas were disclosed during the audit.

II. Findings Relating to the Financial Statements Which Are Required to Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

No findings were required to be reported.

**CITY OF CADDO MILLS, TEXAS
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

No prior year audit findings.

**CITY OF CADDO MILLS, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

There were no current year findings.