



Updated 8a

CITY OF SIMONTON

## INVESTMENT POLICY and STRATEGY GUIDELINES

for the City of Simonton, Texas

Adopted by City Council on June 18, 2013

### I. POLICY STATEMENT

It is the policy of the City of Simonton (the "City") that the administration of its funds and the investment of those funds shall be handled as its highest public trust. Investments shall be made in a manner which will provide the maximum security of principal invested through limitations and diversification while meeting the daily cash flow needs of the City and conforming to the Public Funds Investment Act (the "act") Texas Local Government Code 2256.

The receipt of a market rate of return will be secondary to the requirements for safety and liquidity. It is the intent of the City to be in complete compliance with local law and the Texas Public Funds Investment Act (the "Act"). The earnings from investment will be used in a manner that best serves the interests of the City.

### II. SCOPE

This investment policy applies to all the financial assets and funds of the City. The funds are accounted for in the City's Annual Financial Report and include the following fund designations as per City Policy adopted September 17, 2012:

- 1) **Nonspendable fund balance** – includes amounts that are not in a spendable form or are required to be maintained intact. Examples are inventory or permanent funds.
- 2) **Restricted fund balance** – includes amounts that can be spent only for the specific purposes stipulated by external resource providers either constitutionally or through enabling legislation. Examples include grants and child safety fees.
- 3) **Committed fund balance** – includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.

- 4) **Assigned fund balance** – comprises amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
- 5) **Unassigned fund balance** – is the residual classification of the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

### **III. OBJECTIVES AND STRATEGY**

It is the policy of the City that all funds shall be managed and invested with four primary objectives, listed in order of their priority: safety, liquidity, diversification and yield. Investments are to be chosen in a manner which promotes diversity by market sector, credit and maturity. The choice of high-grade government investments and high-grade, money market instruments is designed to assure the marketability of those investments should liquidity needs arise.

★ **Safety of Principal**

Safety of principal is the foremost objective of the City. Investments of the City shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio.

★ **Liquidity**

The City's investment portfolio will be based on a cash flow analysis of needs and will remain sufficiently liquid to enable it to meet all operating requirements which might be reasonably anticipated.

★ **Diversification**

Diversification of the portfolio will include diversification by maturity and market sector and will include the use of a number of broker/dealers for diversification and market coverage. Competitive bidding will be used on each sale and purchase.

★ **Yield**

The City's investment portfolio shall be designed with the objective of attaining a market rate of return, taking into account the City's risk constraints and the cash flow needs of the portfolio. The City will use the average yield of the six month U.S. Treasury Bill during the same period as its benchmark for risk.

Effective cash management is recognized as essential to good fiscal management. Cash management is defined as the process of managing monies in order to ensure maximum cash availability. The City shall maintain a comprehensive cash management program which includes collection of accounts receivable, prudent investment of its available cash, disbursement of payments in accordance with invoice terms and the management of banking services.

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#### **IV. LEGAL LIMITATIONS, RESPONSIBILITIES AND AUTHORITY**

Direct specific investment parameters for the investment of public funds in Texas are found in the Public Funds Investment Act, Chapter 2256, Texas Local Government Code, (the "Act"). The Act is attached as Exhibit A. All investments will be made in accordance with this statute. The Public Funds Collateral Act, Chapter 2257, Texas Government Code, specifies collateral requirements for all public funds deposits.

#### **V. DELEGATION OF INVESTMENT AUTHORITY**

##### **\* The Investment Committee**

The Investment Committee shall consist of two investment officers (the Mayor and one City Council member) and the city secretary. The Investment Committee shall meet at least quarterly to determine operational strategies and monitor results. The Investment Committee shall include in its deliberation such topics as: performance, economic outlook, portfolio diversification, maturity structure, potential risk to the City's funds, authorized brokers and dealers, and the target rate of return on the investment portfolio.

##### **\* Delegation of Authority and Training**

The City Council will by resolution or order designate the Investment Officer(s) for the City. The Chief Financial Officer, acting on behalf of the City Council, has been designated as the Investment Officer of the City and is responsible for investment management decision and activities. The City Council retains ultimate fiduciary responsibility.

The Investment Officer shall develop and maintain written administrative procedures for the operation of the investment program which are consistent with this Investment Policy. Procedures will include reference to safekeeping, wire transfer agreements, banking services contracts, and other investment related activities. The Investment Officer shall attend at least one training session relating to the officer's responsibility under the Act within 12 months after assuming duties.

All participants in the investment process shall seek to act responsibly as custodians of the public trust. No officer or designee may engage in an investment transaction except as provided under the terms of this Policy and the procedures established.

##### **\* Authorization Resolution**

The Council resolution designating the Investment Officer authorizes the Investment Officer to engage in investment transactions, deposit, withdraw, wire funds for investments, transfer and manage funds on behalf of the City.

##### **\* Limitation of Personal Liability**

The Investment Officer, when acting in accordance with the written procedures and this Policy and in accord with the Prudent Person Rule, shall be relieved of personal liability in the management of the portfolio provided that deviations from expectations for a specific security's credit risk or market price

*All Policies and Procedures are subject to change.*

change or portfolio shifts are reported in a timely manner and that appropriate action is taken to control adverse market effects.

## **VI. PRUDENCE**

The standard of prudence to be used in the investment function shall be the “prudent person” standard and shall be applied in the context of managing the overall portfolio. This standard states:

*“Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the expected income to be derived.”*

## **VII. INTERNAL CONTROLS**

The Investment Officer shall establish written controls to be reviewed annually with the independent auditor of the City. The controls shall be designed to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated market changes, or imprudent actions.

### **\* Ethics and Conflicts of Interest**

City staff involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair the ability to make impartial investment decisions. City staff shall disclose any material financial decisions. City staff shall disclose any material financial interests in financial institutions that conduct business with the City and they shall further disclose positions that could be related to the performance of the City’s portfolio. City staff shall subordinate their personal financial transactions to those of the City, particularly with regard to timing of purchases and sales.

An investment officer of the City who has a personal business relationship with an organization seeking to sell an investment to the City shall file a statement disclosing that personal business interest. An investment officer who is related within the second degree by affinity or consanguinity to an individual seeking to sell and investment to the City shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the governing body of the entity.

## **VIII. AUTHORIZED INVESTMENTS**

Acceptable investments under this policy shall be limited to the instruments listed below and as further described by the Public Funds Investment Act. If additional types of securities are approved for investment by public funds by state statute, they will not be eligible for investment by the City until this policy has been amended and the amended version adopted by the City Council.

All Policies and Procedures are subject to change.

1. Obligations of the United State Government, its agencies and instrumentalities, not to exceed two years to stated maturity, excluding mortgage-backed securities;
2. Fully insured or collateralized certificate of deposit from any bank doing business in the State of Texas and under the terms of a written depository agreement with that bank, not to exceed one year to stated maturity, to include certificates of deposit purchased through the CDARS program with a Texas bank;
3. Repurchase agreements as defined by the Act, not to exceed 180 days to stated maturity, provided an executed Master Repurchase Agreement is on file with the City and the counterparty bank or primary dealer as defined by the Federal Reserve. Flex repurchase agreements used specifically for capital projects may extend beyond two years but only to match the expenditure plan of the projects;
4. AAA-rated, no-load, SEC registered money market funds; and
5. AAA- rated, constant dollar Texas Local Government Investment Pools as defined by the Public Funds Investment Act.

☆ **Competitive Bidding Requirement**

All securities, including certificates of deposit, will be purchased or sold only after three (3) competitive offers/bids are taken to verify that the City is receiving fair market value/price for the investment. The information concerning the competitive prices offered shall be documents on the trade documentation.

☆ **Delivery versus Payment**

All security transactions, including collateral for repurchase agreements, entered into by the City, shall be conducted on a delivery versus payment (DVP) basis assuring that no city funds are released before the security is received by the custodian.

## **IX. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS**

All investments made by the City will be made through either the City's banking services or approved broker/dealer. The City Council will review the list of broker/dealers annually. A list of at least three broker/dealers will be maintained in order to assure competitive bidding.

Securities broker/dealers must meet certain criteria as determined by the Investment Officer. The following criteria must be met by those firms on the list:

- Proof of certification by the Financial Industry Regulatory Association (FINRA) and provision of FINRA CRD number,
- City certification, and
- Proof of current registration with the Texas State Securities Board.

Every broker/dealer and bank with which the City transacts business will be provided a copy of this Investment Policy for review to assure that they are familiar with the goals and objectives of the investment program. A representative of the firm will be required to return a signed certification stating that the Policy has been received and reviewed and that controls are in place to control that only authorized securities are sold to the City.

## **X. DIVERSIFICATION AND MATURITY LIMITATIONS**

It is the policy of the City to diversify its investment portfolio. Invested funds shall be diversified to minimize risk or loss resulting from over-concentration of assets in a specific maturity, specific issuer, or specific class of securities. Diversification strategies shall be established and periodically reviewed.

The Investment Officer shall be required to diversify maturities. The Investment Officer, to the extent possible, will attempt to match investments with anticipated cash flow requirements. Matching maturities with cash flow dates will normally increase yield, will lock in higher yields, and reduce the need to sell securities prior to maturity, thus reducing market risk. Unless matched to a specific requirement, the Investment Officer may not invest more than 20% of the portfolio for a period greater than one (1) year. The Investment Officer may not invest any portion of the portfolio for a period greater than two (2) years except in a flex repurchase agreement tied to the expenditure schedule of a bond fund.

## **XI. SAFEKEEPING AND COLLATERALIZATION**

### **\* Safekeeping of City Owned Securities**

The laws of the State and this Policy require that all purchased securities be cleared to safekeeping on a delivery versus payment (DVP) basis and be held in safekeeping by an independent third party financial institution, or the City's banking services depository.

All safekeeping arrangements shall be approved by the Investment Officer and an agreement of the terms executed in writing. The independent third party custodian shall be required to issue safekeeping receipts to the City listing each specific security, rate, description, maturity, cusip number, and other pertinent information. Each safekeeping receipt will be clearly marked that the security is held for the City of pledged to the City.

### **\* Securities Pledged as Collateral to the City**

All securities pledged to the City for all bank time or demand deposits shall be held by an independent third party bank doing business in Texas. The safekeeping bank may not be within the same holding company as the bank from which the securities are pledged.

Collateralization is required on all time and demand deposits over the FDIC insurance coverage. In order to anticipate market changes and provide a level of additional security for all funds, the collateralization level required will be 102% of the market value of the principal and accrued interest. Collateral will be held by an

independent third party custodian. The custodian shall provide a written quarterly report directly to the City listing all pledged collateral by description and par at a minimum.

☆ **Authorized Collateral**

The only types of collateral authorized by the City are:

- Obligations of the US Government, its agencies and instrumentalities including mortgage-backed securities which pass the bank test.
- Obligations of a state or subdivision, city, county, school district of any state which is rated A or better by two nationally recognized rating agencies.

If the depository proposes a collateral pooling program the Investment Officer will review and evaluate the program's risk and cost to the City for presentation to the Council. The pooling of collateral allows a bank to create a pool of securities for collateral purposes for multiple governments and will not result in securities pledged directly/specifically to each government.

All collateral shall be subject to inspection and audit by the Chief Financial Officer or the City's independent auditors.

**XII. PERFORMANCE EVALUATION AND REPORTING**

The Investment Officer shall submit Quarterly financial reports to the City Council containing sufficient information to permit an informed outside reader to evaluate the performance of the investment program and consistent with statutory requirements. All reports shall be in compliance with the Act.

Within 60 days of the end of the fiscal year, the Investment Officer shall present an annual report on the investment program and investment activity. This report may be presented as a component of the fourth quarter report to the City Council.

**XIII. DEPOSITORIES**

The City will designate one banking institution through a competitive process as its central banking services provider at least every five years. This bank will be used for normal banking services including disbursements, collections, and safekeeping of securities.

Other banking institutions from which the City may purchase certificates of deposit will also be designated as a depository for collateral purposes and shall submit annual financial reports to the City.

**XIV. AMENDED INVESTMENT POLICY ADOPTION**

- a. The City's original Investment Policy, adopted by Resolution #96-1217, has been reviewed, updated and amended by the City Council. Resolution #10-0518 adopts the amended policy.

All Policies and Procedures are subject to change.

The Policy shall be reviewed for effectiveness on an annual basis by the Investment Committee and any modifications will be recommended for approval to the City Council.

  
 Daniel McJunkin, \_\_\_\_\_  
 Mayor Date

June 18, 2013

  
 \_\_\_\_\_  
 City Secretary Date

June 18, 2013



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Updated 5a/b

**CITY OF  
SIMONTON, TX**

**2025  
ANNUAL  
FINANCIAL  
REPORT**

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FOR FISCAL YEAR ENDED  
SEPTEMBER 30, 2025

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***ANNUAL FINANCIAL REPORT***

**of the**

**City of Simonton, Texas**

**For the Year Ended  
September 30, 2025**

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# City of Simonton, Texas

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September 30, 2025

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***INDEPENDENT AUDITOR'S REPORT***

To the Honorable Mayor and  
Members of the City Council  
City of Simonton, Texas:

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, and each major fund, of the City of Simonton, 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 accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, and each major fund of the City of Simonton, Texas, as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows 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 (GAAS). 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 City of Simonton, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

The City's 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 one year after the date that the financial statements are issued.

### *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 GAAS 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 GAAS, 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.

### *Emphasis of Matter*

As discussed in Note V.D. to the financial statements, the City restated the beginning net position of governmental activities, the general fund, and both component units due to accounting errors occurring in the prior year. Our opinion is not modified with respect to these matters.

**Other Matters**

*Required Supplementary Information*

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

*Brooks Watson & Co.*

Brooks Watson & Co.  
Certified Public Accountants  
Houston, Texas  
May 29, 2026

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*MANAGEMENT'S DISCUSSION  
AND ANALYSIS*

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# City of Simonton, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

### September 30, 2025

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

#### **Financial Highlights**

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows (net position) at September 30, 2025 by \$3,114,914.
- The City's total net position increased by \$337,066. The majority of the City's net position is unrestricted.
- The City's governmental funds reported combined ending fund balances of \$2,635,082 at September 30, 2025, an increase of \$151,811 from the prior fiscal year.

#### **Overview of the Financial Statements**

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

#### **Government-Wide Statements**

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

The *statement of net position* presents information on all of the City's assets, liabilities, and deferred inflows/outflows with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that

**City of Simonton, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2025**

are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include administration, emergency management, public safety, facilities fees, and public works. The City did not present business-type activities for the year ended September 30, 2025.

The government-wide financial statements can be found on pages 16 through 19 of this report.

**FUND FINANCIAL STATEMENTS**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

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

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

The City maintains one governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund.

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

The basic governmental fund financial statements can be found on pages 20 through 23 of this report.

**City of Simonton, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2025**

**Component Units**

The City maintains two component units. The Simonton Development Corporation (4A) and the City of Simonton Development Corporation (4B) are both discretely presented component units displayed on the government-wide financial statements.

**Notes to Financial Statements**

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

The notes to the financial statements can be found on pages 25 through 48 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees and budgetary comparison for the general fund. Required supplementary information can be found on page 51 through 57 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Simonton, Texas, assets and deferred outflows exceeded liabilities and deferred inflows by \$3,114,914 as of September 30, 2025, in the primary government.

The largest portion of the City's net position, \$2,689,955, represents unrestricted financial resources available for future operations. The restricted portion, \$29,711, represents the City's net pension asset. The remaining portion, \$395,248, reflects its investments in capital assets (e.g., land, city hall, police station, streets, and drainage systems, as well as public works facilities, and equipment), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Current and other assets for the primary government increased by \$299,552, or 12%, primarily due to greater cash on hand resulting from operating surpluses during the year.

Capital assets for the primary government increased by \$161,899, or 69%, primarily due to completion of the City Hall remodel and expansion.

**City of Simonton, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2025**

Net pension asset of the primary government increased by \$18,602 primarily due to pension actuarial changes during the year.

Other liabilities for the primary government increased by \$99,778, or over 100%, primarily due greater intergovernmental payables due to component units at the end of the current year.

**Statement of Net Position:**

The following table reflects the condensed Statement of Net Position:

	2025	2024
Current and other assets	\$ 2,875,982	\$ 2,576,430
Capital assets, net	395,248	233,349
<b>Total Assets</b>	<b>3,271,230</b>	<b>2,809,779</b>
<b>Total Def. Outflows</b>	<b>15,062</b>	<b>35,849</b>
Other liabilities	166,222	66,444
Long-term liabilities	195	-
<b>Total Liabilities</b>	<b>166,417</b>	<b>66,444</b>
<b>Total Def. Inflows</b>	<b>4,961</b>	<b>1,336</b>
Net Position:		
Net investment in capital assets	395,248	233,349
Restricted	29,711	38,664
Unrestricted	2,689,955	2,505,835
<b>Total Net Position</b>	<b>\$ 3,114,914</b>	<b>\$ 2,777,848</b>

**City of Simonton, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2025**

**Statement of Activities:**

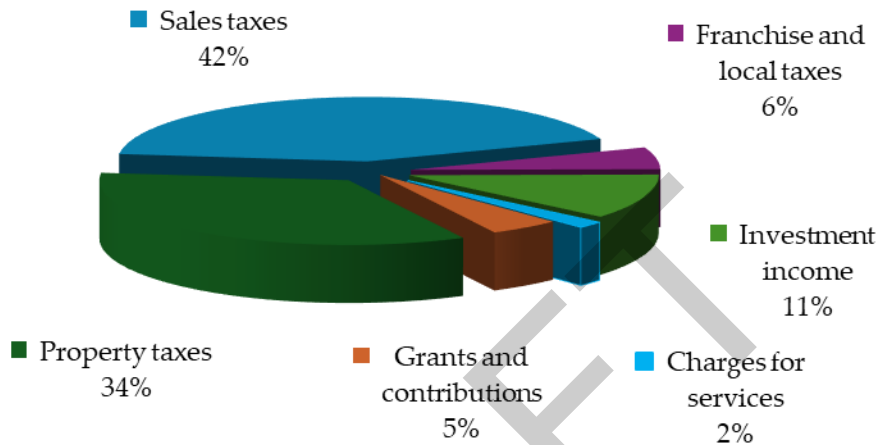
The following table provides a summary of the City's changes in net position:

	<u>2025</u>	<u>2024</u>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 14,181	\$ 13,392
Grants and contributions	37,418	-
General revenues:		
Property taxes	280,228	393,181
Sales taxes	346,179	277,091
Franchise and local taxes	44,782	72,565
Investment income	91,834	89,610
Other revenues	6,642	27,569
<b>Total Revenues</b>	<u>821,264</u>	<u>873,408</u>
<b>Expenses</b>		
Administration	363,872	438,105
Emergency management	2,142	37,123
Public safety	22,425	11,985
Public works	95,759	48,500
<b>Total Expenses</b>	<u>484,198</u>	<u>535,713</u>
<b>Change in Net Position</b>	337,066	337,695
Beg. net position, restated	2,777,848	2,440,153
<b>Ending Net Position</b>	<u>\$ 3,114,914</u>	<u>\$ 2,777,848</u>

**City of Simonton, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2025**

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.

**Governmental Activities - Revenues**

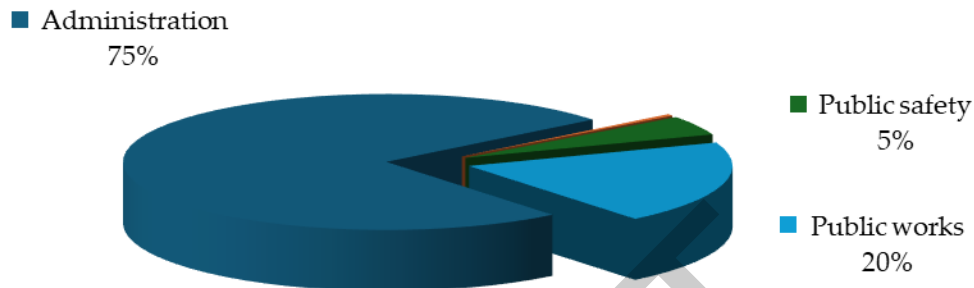


For the year ended September 30, 2025, revenues from governmental activities totaled \$821,264. Property tax and sales tax are the City's largest general revenue sources. Overall revenues decreased by \$52,144, or 6%, compared to the prior year. Grant revenues increased \$37,418, or 100%, due to a nonrecurring General Land Office Mitigation grant reimbursement received in the current year. Property taxes decreased \$112,953, or 29%, primarily due to a reduction in the ad valorem tax rate in the current year. Sales taxes increased by \$69,088, or 25%, primarily due to greater local purchases and realization of increased inflation rate during the current year. Franchise and local taxes increased by \$27,783, or 38%, primarily due to an increase in energy fees. Other revenues decreased by \$20,927, or 76%, primarily as a result of nonrecurring miscellaneous revenues received in the prior year. All other revenues remained consistent with prior year.

**City of Simonton, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2025**

This graph shows the governmental function expenses of the City:

**Governmental Activities - Expenses**



For the year ended September 30, 2025, expenses for governmental activities totaled \$484,198. This represents a decrease of \$51,515, or 10%, from the prior year. The City's largest functional expense is administration of \$363,872, which decreased by \$74,233, or 17%. This decrease was primarily a result of nonrecurring consulting and attorney fees in the prior year. Emergency management expenses decreased by \$34,981, or 94%, primarily due to greater incident responses in the prior year. Public safety expenses increased by \$10,440, or 87%, primarily due to greater technology fees in the current year.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

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

At September 30, 2025, the City's governmental funds reported unassigned fund balance of \$2,635,082, an increase of \$151,811 in comparison with the prior year. This increase was primarily a result of less than expected expenditures and in line with the City's budgeted change in fund balance.

**City of Simonton, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued***  
**September 30, 2025**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

There was a negative variance of \$422,277 for budgeted general fund revenues. The negative variance was primarily due to actual intergovernmental revenue and other revenues coming in under budget. There was a positive variance of \$458,863 for budgeted general fund expenditures. This was due to several departments coming in under budget for the year. The net of these variances resulted in the total positive budget variance of \$36,586 for the general fund. Actual expenditures did not exceed budget appropriations at the legal level of control.

**CAPITAL ASSETS**

As of the end of the year, the City's governmental activities funds had invested \$395,248 in a variety of capital assets and infrastructure, net of accumulated depreciation. This investment in capital assets includes land, buildings, vehicles, and equipment.

Major capital asset events during the current year include the following:

- Completion of City Hall remodel and expansion totaling \$147,085 in the current year.
- Purchased a new 4" PVC 1.5HP 20GPM 120 gallon galvanized tank for \$3,425.
- Purchased a new American Standard 4-ton system for \$15,000.

More detailed information about the City's capital assets is presented in note IV. B to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City and improving services provided to their public citizens. The City budgeted for growth in the upcoming year.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the City Secretary at PO Box 7, Simonton, Texas 77476.

***FINANCIAL STATEMENTS***

DRAFT

**City of Simonton, Texas**  
**STATEMENT OF NET POSITION (Page 1 of 2)**  
**September 30, 2025**

	Primary Government	Component Units	
	Governmental Activities	Simonton Development Corporation (4A)	Simonton Development Corporation (4B)
<b><u>Assets</u></b>			
Current assets:			
Cash and cash equivalents	\$ 2,748,853	\$ 330,478	\$ 512,803
Receivables, net	97,418	8,764	17,528
Prepaid items	-	200	2,690
Due from primary government	-	48,884	87,346
<b>Total Current Assets</b>	<b>2,846,271</b>	<b>388,326</b>	<b>620,367</b>
Net pension asset	29,711	-	-
Capital assets:			
Net depreciable capital assets	395,248	-	-
<b>Total Noncurrent Assets</b>	<b>424,959</b>	<b>-</b>	<b>-</b>
<b>Total Assets</b>	<b>3,271,230</b>	<b>388,326</b>	<b>620,367</b>
<b><u>Deferred Outflows of Resources</u></b>			
Pension outflows-TMRS	15,062	-	-
<b>Total Deferred Outflows of Resources</b>	<b>\$ 15,062</b>	<b>\$ -</b>	<b>\$ -</b>

See Notes to Financial Statements.

**City of Simonton, Texas**  
**STATEMENT OF NET POSITION (Page 2 of 2)**  
**September 30, 2025**

	<u>Primary Government</u>	<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Simonton Development Corporation (4A)</u>	<u>Simonton Development Corporation (4B)</u>
<b><u>Liabilities</u></b>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 29,992	\$ -	\$ -
Due to component units	136,230	-	-
<b>Total Current Liabilities</b>	<u>166,222</u>	<u>-</u>	<u>-</u>
Noncurrent liabilities:			
OPEB liability	195	-	-
<b>Total Liabilities</b>	<u>166,417</u>	<u>-</u>	<u>-</u>
<b><u>Deferred Inflows of Resources</u></b>			
Pension inflows-TMRS	3,732	-	-
OPEB inflows	1,229	-	-
<b>Total Deferred Inflows of Resources</b>	<u>4,961</u>	<u>-</u>	<u>-</u>
<b><u>Net Position</u></b>			
Net investment in capital assets	395,248	-	-
City development	-	388,326	620,367
Pension	29,711	-	-
Unrestricted	2,689,955	-	-
<b>Total Net Position</b>	<u>\$ 3,114,914</u>	<u>\$ 388,326</u>	<u>\$ 620,367</u>

See Notes to Financial Statements.

# City of Simonton, Texas

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2025

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities</b>				
Administration	\$ 363,872	\$ -	\$ 37,418	\$ -
Emergency management	2,142	-	-	-
Public safety	22,425	940	-	-
Public works	95,759	13,241	-	-
<b>Total Governmental Activities</b>	484,198	14,181	37,418	-
<b>Total Primary Government</b>	\$ 484,198	\$ 14,181	\$ 37,418	\$ -
<b>Component Units</b>				
Simonton Development Corp. (4A)	3,533	-	\$ -	\$ -
Simonton Development Corp. (4B)	20,400	-	-	-
<b>Total Component Units</b>	\$ 23,933	\$ -	\$ -	\$ -

**General Revenues:**

- Taxes:
  - Property taxes
  - Sales taxes
  - Franchise and local taxes
- Investment income
- Other revenues

**Total General Revenues and Transfers**

**Change in Net Position**

Beginning net position, as previously reported

Error corrections

Beginning net position, as restated

**Ending Net Position**

See Notes to Financial Statements.

**Net (Expense) Revenue and Changes in Net Position**

<b>Primary Government</b>	<b>Component Units</b>	
	<b>City of Simonton</b>	<b>Simonton</b>
	<b>Development Corporation</b>	<b>Development Corporation</b>
<b>Governmental Activities</b>		
\$ (326,454)	\$ -	\$ -
(2,142)	-	-
(21,485)	-	-
(82,518)	-	-
<u>(432,599)</u>	<u>-</u>	<u>-</u>
<u>(432,599)</u>	<u>-</u>	<u>-</u>
	(3,533)	-
	-	(20,400)
	<u>(3,533)</u>	<u>(20,400)</u>
280,228	-	-
346,179	48,218	96,435
44,782	-	-
91,834	9,595	17,113
6,642	-	-
<u>769,665</u>	<u>57,813</u>	<u>113,548</u>
337,066	54,280	93,148
2,719,926	327,653	514,433
57,922	6,393	12,786
2,777,848	334,046	527,219
<u>\$ 3,114,914</u>	<u>\$ 388,326</u>	<u>\$ 620,367</u>

# City of Simonton, Texas

## BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2025

	<u>General</u>
<b><u>Assets</u></b>	
Cash and cash equivalents	\$ 2,748,853
Receivables, net	97,418
<b>Total Assets</b>	<b>\$ 2,846,271</b>
<b><u>Liabilities</u></b>	
Accounts payable and accrued liabilities	\$ 29,992
Due to component units	136,230
<b>Total Liabilities</b>	<b>166,222</b>
<b><u>Deferred Inflows of Resources</u></b>	
Unavailable revenue - property taxes	44,967
<b>Total Deferred Inflows of Resources</b>	<b>44,967</b>
<b><u>Fund Balances</u></b>	
Unassigned	2,635,082
<b>Total Fund Balances</b>	<b>2,635,082</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 2,846,271</b>

See Notes to Financial Statements.

# City of Simonton, Texas

## RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS September 30, 2025

<b>Fund Balances - Total Governmental Funds</b>	\$	2,635,082
 <b>Adjustments for the Statement of Net Position:</b>		
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.		
Capital assets - net depreciable		395,248
 Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		
Property tax receivable		44,967
Net pension asset		29,711
 Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time		
Pension inflows-TMRS		(3,732)
OPEB inflows		(1,229)
 Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense/ expenditure) until then.		
Pension outflows-TMRS		15,062
 Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.		
OPEB liability		(195)
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b><u><u>3,114,914</u></u></b>

See Notes to Financial Statements.

# City of Simonton, Texas

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

For the Year Ended September 30, 2025

	<b>General</b>
<b><u>Revenues</u></b>	
Property tax	\$ 250,867
Sales tax	346,179
Franchise and local taxes	44,782
Intergovernmental revenue	37,418
License and permits	13,241
Fines and forfeitures	940
Investment income	91,834
Other revenue	6,642
<b>Total Revenues</b>	<b>791,903</b>
<b><u>Expenditures</u></b>	
Current:	
Administration	354,256
Emergency management	2,142
Public safety	22,425
Facilities fees and expenses	236,022
Public works	25,247
<b>Total Expenditures</b>	<b>640,092</b>
	<b>Excess of Revenues</b>
	<b>Over (Under) Expenditures</b>
	151,811
	<b>Net Change in Fund Balances</b>
	151,811
Beginning fund balance, as previously presented	2,470,971
Error corrections	12,300
Beginning fund balance, as restated	2,483,271
<b>Ending Fund Balances</b>	<b>\$ 2,635,082</b>

See Notes to Financial Statements.

# City of Simonton, Texas

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2025

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ 151,811
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	165,510
Depreciation expense	(3,611)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Property taxes	29,361
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Pension expense	(5,917)
OPEB expense	(88)
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 337,066</b>

See Notes to Financial Statements.

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**City of Simonton, Texas**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2025**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Simonton, Texas (the "City") was organized as the Village of Simonton, Texas and incorporated in 1986. The City operates as a Type A "General Law" municipality, which provides for a Mayor-Council form of government. The City provides the following services: general government, public safety (including police, fire), emergency medical services on a contract basis, and public works.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The component units, listed below, although legally separate, are considered part of the reporting entity. These component units have been presented in the City's reporting entity as required by generally accepted accounting principles. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

**Discretely Presented Component Units**

**Simonton Development Corporation**

The citizens of the City approved an additional one half of one percent sales and use tax on November 4, 2008, for economic development under the provisions of Section 4B of the Development Corporation Act of 1979. The Simonton Development Corporation (the "SDC") was created for the public purpose of aiding, promoting and furthering the economic development of the City. The SDC may issue bonds or incur other forms of debt to fulfill its

# City of Simonton, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

public purpose. The SDC began collecting sales tax in April 2009. The Board of Directors is appointed by the City Council and includes seven board members. City Council approval is required for annual budgets. In the event of dissolution, the net position of the SDC shall be conveyed to the City. The SDC does not have separately issued financial statements.

### **City of Simonton Development Corporation**

The citizens of the City approved an additional one quarter of one percent sales and use tax on November 4, 2008, for economic development under the provisions of Section 4A of the Development Corporation Act of 1979. The City of Simonton Development Corporation (the "Corporation") was created for the public purpose of aiding, promoting and furthering the economic development of the City. The Corporation began collecting sales tax in April 2009. The Corporation may issue bonds or incur other forms of debt to fulfill its public purpose. The Board of Directors is appointed by the City Council and includes five board members. City Council approval is required for annual budgets. In the event of dissolution, the net position of the Corporation shall be conveyed to the City.

The Corporation does not have separately issued financial statements.

The following component unit has not been included as part of the reporting entity;

### **Simonton Higher Education Facilities Corporation**

The Simonton Higher Education Facilities Corporation (the "SEFC") has not been included in the reporting entity as a discretely presented component unit, as it has been deemed immaterial to the financial statements of the City. In 2004, the City authorized and created the SEFC, which was evidenced by ordinance of City Council.

The SEFC is governed by the provisions of section 53.35(6) of the Higher Education Authority Act (Chapter 53, Texas Education Code) referred to as the "Act" for the purpose of benefiting and accomplishing public purposes of, and to act on behalf of, the City pursuant to the Act. The Board of Directors are appointed and serve at the discretion of the City Council. City Council approval is required for debt issuance. In the event of dissolution, any remaining net position shall be conveyed to the City.

The accounting policies of the City conform to generally accepted accounting principles applicable to governments. The following is a summary of the more significant policies.

## **B. Government-Wide and Fund Financial Statements**

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

**City of Simonton, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2025

funds. Separate financial statements are provided for governmental funds and the proprietary funds.

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

**Governmental Funds**

Governmental funds are those funds through which most governmental functions are typically financed.

The government reports the following major governmental funds:

**General Fund**

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, emergency management, public works, and facilities fees.

**C. Measurement Focus and Basis of Accounting**

The government-wide statements of net position and statements of activities and all proprietary funds are accounted for on a flow of economic resources measurement focus, accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the balance sheet. Proprietary fund equity consists of net position. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and component units are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing resources) and decreases (i.e., expenditures and other financing uses) in net change in fund balances.

The City utilizes the modified accrual basis of accounting in the governmental fund type and component units. Under the modified accrual basis of accounting, revenues are recognized in

**City of Simonton, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2025

the accounting period when they are susceptible to accrual (i.e., when they are measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues available if they are collected within 60 days of the end of the current period. Revenues susceptible to accrual include charges for services and interest on temporary investments.

Property taxes, sales taxes, franchise taxes, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Other receipts and other taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due.

The accrual basis of accounting is used for the proprietary fund types. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable, and expenses in the accounting period in which they are incurred and become measurable.

The statements of net position, statements of activities, and financial statements of proprietary fund types are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized in the accounting period in which they are earned, and expenses in the accounting period in which they are incurred.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

**1. Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term

**City of Simonton, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2025

highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Fully collateralized repurchase agreements, as defined in the Public Funds Investment Act
- Statewide investment pools

**2. Fair Value Measurement**

The City has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

**3. Receivables and Interfund Transactions**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

**4. Inventories and Prepaid Items**

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories are valued at the

**City of Simonton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

lower of cost or market using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized (the consumption method).

**5. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

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

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

<b>Asset Description</b>	<b>Estimated Useful Life</b>
Buildings and improvements	17 -30 Years
Furniture and equipment	3 - 8 Years

**6. Deferred Outflows/Inflows of Resources**

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

An example is a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred*

**City of Simonton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

*inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

**7. Net Position Flow Assumption**

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

**8. Fund Balance Flow Assumptions**

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

**9. Fund Balance Policies**

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance

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remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

**10. Compensated Absences**

The City accounts for vacation and sick leave in accordance with the provisions of GASB Statement No. 101, Compensated Absences.

Under GASB Statement No. 101, the City recognizes a liability for compensated absences for vacation leave that is attributable to services already rendered and for which the City has a present obligation to provide compensation through paid time off or cash settlement. Vacation leave is reported as a liability regardless of whether it is expected to be paid within one year.

Sick leave is considered a non-separation benefit and is recognized as a liability only to the extent it is probable that the leave will be used for qualifying absences and the amount can be reasonably estimated. Because unused sick leave is not paid upon separation from employment, the City does not record a liability for sick leave beyond amounts expected to be taken as paid absences in the future. The City did not record a compensated absences liability as of September 30, 2025.

**11. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and note payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial

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statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed as incurred.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

The City did not record any long-term debt obligations as of September 30, 2025.

**12. Estimates**

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

**13. Pensions**

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

**14. Other Postemployment Benefits ("OPEB")**

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual

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employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. 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 on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is \$7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

**E. Revenues and Expenditures/Expenses**

**1. Program Revenues**

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

**2. Property Taxes**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Penalties are calculated after February 1 up to the date collected by the government. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City

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**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.**

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general fund. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the City Charter is the fund level. No funds can be transferred or added to a budgeted item without Council approval. Appropriations lapse at the end of the year.

**IV. DETAILED NOTES ON ALL FUNDS Deposits and Investments**

As of September 30, 2025, the primary government had the following investments:

Investment Type	Value	Weighted Average Maturity (Years)
Investment pools	\$ 395,396	0.12
CDARS (comprised of certificates of deposit)	1,430,293	0.20
Total fair value	<u>\$ 1,825,689</u>	
Portfolio weighted average maturity		0.18

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*Interest rate risk* In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed one year; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

*Credit risk* The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service.

*Custodial credit risk – deposits* In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2025, the market values of pledged securities and FDIC exceeded bank balances.

*Custodial credit risk – investments* For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

**TexPool**

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review. At September 30, 2025, the fair value of the position in TexPool

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**NOTES TO FINANCIAL STATEMENTS, Continued**  
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approximates fair value of the shares. There are no limitations or restrictions on withdrawals.

**A. Receivables**

The following comprise receivable balances of the primary government at year end:

	<b>General</b>
Property taxes	\$ 45,103
Sales and beverage taxes	50,068
Franchise and local taxes	2,247
<b>Total</b>	<b>\$ 97,418</b>

**B. Capital Assets**

A summary of changes in governmental activities capital assets for the year end was as follows:

	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases/ Reclassifications</b>	<b>Ending Balances</b>
Capital assets, not being depreciated:				
Construction in progress	\$ 216,578	\$ 147,085	\$ (363,663)	\$ -
Total capital assets not being depreciated	216,578	147,085	(363,663)	-
Capital assets, being depreciated:				
Buildings and improvements	171,583	-	363,663	535,246
Furniture and equipment	129,332	18,425	-	147,757
Total capital assets being depreciated	300,915	18,425	363,663	683,003
Less accumulated depreciation				
Buildings and improvements	(154,812)	(2,911)	-	(157,723)
Furniture and equipment	(129,332)	(700)	-	(130,032)
Total accumulated depreciation	(284,144)	(3,611)	-	(287,755)
Net capital assets being depreciated	16,771	14,814	363,663	395,248
<b>Total Capital Assets</b>	<b>\$ 233,349</b>	<b>\$ 161,899</b>	<b>\$ -</b>	<b>\$ 395,248</b>

Depreciation was charged to governmental functions as follows:

General government	\$ 3,611
<b>Total Governmental Activities Depreciation Expense</b>	<b>\$ 3,611</b>

**City of Simonton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
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**C. Interfund Transactions**

The composition of interfund balances between the primary government and component units as of year-end were as follows:

Due to:	Due from:		Total
	4A	4B	
General	\$ 48,884	\$ 87,346	\$ 136,230
	\$ 48,884	\$ 87,346	\$ 136,230

Amounts recorded as “due to/from” are considered to be temporary loans and will be repaid during the following year.

**V. OTHER INFORMATION**

**A. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with 2,700 other entities in the Texas Municipal League’s Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

**B. Contingent Liabilities**

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

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

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**C. Pension Plans**

**Texas Municipal Retirement Systems**

**1. Plan Description**

The City of Simonton, Texas participates as one of 938 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (ACFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

**2. Benefits Provided**

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of three payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

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Plan provisions for the City were as follows:

	<u>Plan Year 2023</u>	<u>Plan Year 2024</u>
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20s	60/5, 0/20
Updated service credit	0%	0%
Annuity increase (to retirees)	70% of CPI	70% of CPI
Supplemental Death Benefit to Active Members	Yes	Yes
Supplemental Death Benefit to Retirees	Yes	Yes

**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	0
Inactive employees entitled to but not yet receiving benefits	2
Active employees	<u>1</u>
<b>Total</b>	<b>3</b>

**3. Contributions**

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

Employees for the City of Simonton, Texas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Simonton, Texas were 8.75% and 11.04% in calendar years 2025 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were \$5,295, and were equal to the required contributions.

**City of Simonton, Texas**  
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**4. Net Pension Liability (Asset)**

The City's Net Pension Liability (Asset) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability (Asset) 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	3.60% to 11.85%, including inflation
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 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the 3.5% and 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS as of December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for 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 in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation

# City of Simonton, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

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percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, Gabriel, Roeder, Smith & Company (GRS) focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.0%	6.7%
Core Fixed Income	6.0%	4.7%
Non-Core Fixed Income	20.0%	8.0%
Other Public/Private Markets	12.0%	8.0%
Real Estate	12.0%	7.6%
Hedge Funds	5.0%	6.4%
Private Equity	10.0%	11.6%
Total	100.0%	

### Discount Rate:

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

### Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability (asset) 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 5.75%	Current Single Rate 6.75%	1% Increase 7.75%
\$ (5,389)	\$ (29,711)	\$ (48,802)

**City of Simonton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
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**Changes in the Net Pension Liability (Asset):**

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a) – (b)</b>
<b>Balance at 12/31/23</b>	\$ 113,266	\$ 124,375	\$ (11,109)
Changes for the year:			
Service Cost	5,459	-	5,459
Interest (on the Total Pension Liab.)	7,830	-	7,830
Change in assumptions	-	-	-
Difference between expected and actual experience	(10,078)	-	(10,078)
Contributions – employer	-	13,190	(13,190)
Contributions – employee	-	(4,422)	4,422
Net investment income (loss)	-	13,129	(13,129)
Benefit payments, including refunds of emp. contributions	-	-	-
Administrative expense	-	(83)	83
Other changes	-	(1)	1
Net changes	3,211	21,813	(18,602)
<b>Balance at 12/31/24</b>	<b>\$ 116,477</b>	<b>\$ 146,188</b>	<b>\$ (29,711)</b>

**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](http://www.tmr.com).

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

Pension income for the year ended September 30, 2025 was \$279.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred (Inflows) of Resources</b>
Difference between projected and investment earnings	\$ -	\$ (3,732)
Changes in actuarial assumptions	372	-
Differences between expected and actual economic experience	11,625	-
Contributions subsequent to the measurement date	3,065	-
<b>Total</b>	<b>\$ 15,062</b>	<b>\$ (3,732)</b>

# City of Simonton, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

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The City reported \$3,065 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2026. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	
2025	\$ 420
2026	730
2027	(370)
2028	242
2029	1,126
Thereafter	6,117
	\$ 8,265

### **Other Postemployment Benefits**

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an “other postemployment benefit,” or OPEB.

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

### **Employees 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	0
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>1</u>
<b>Total</b>	<b>1</b>

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The City's retiree contribution rates to the TMRS SDBF for the years ended 2025, 2024 and 2023 are as follows:

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2023	0.00%	0.00%	100.0%
2024	0.00%	0.00%	100.0%
2025	0.00%	0.00%	100.0%

The City's contributions to the TMRS SDBF for the years ended 2025, 2024, and 2023 were \$0, \$0, and \$0, respectively, which equaled the required contributions each year.

**Total OPEB Liability**

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2024, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

**Actuarial assumptions:**

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

Inflation	2.50% per year
Overall payroll growth	3.60% to 11.85%, including inflation per year
Discount rate	4.08%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were 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 are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements. For disabled annuitants, the mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the 3.5% and 3% floor.

**City of Simonton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

**Discount Rate:**

The discount rate used to measure the Total OPEB Liability was 4.08%. The discount rate was based on the Bond Buyer “20-Bond GO Index” rate closest to, but not later than December 31, 2024.

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

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

1% Decrease 3.08%	Current Discount Rate 4.08%	1% Increase 5.08%
\$ 252	\$ 195	\$ 147

**Changes in the Total OPEB Liability:**

	Total OPEB Liability
<b>Balance at 12/31/23</b>	\$ -
Changes for the year:	
Service Cost	90
Interest	2
Difference between expected and actual experience	114
Changes of assumptions	(11)
Benefit payments	-
Net changes	195
<b>Balance at 12/31/24</b>	<b>\$ 195</b>

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

For the year ended September 30, 2025, the City recognized OPEB expense of \$85.

**City of Simonton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

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

	<b>Deferred (Inflows) of Resources</b>
Difference between expected actual experience	\$ (1,159)
Changes in assumptions	(70)
<b>Total</b>	<b>\$ (1,229)</b>

The City reported \$0 as deferred outflows and inflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2026.

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

<b>Year ended December 31:</b>	
2025	\$ (110)
2026	(109)
2027	(108)
2028	(108)
2029	(126)
Thereafter	(668)
<b>Total</b>	<b>\$ (1,229)</b>

**City of Simonton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

**D. Restatements**

The City restated the beginning net position/fund balance for governmental activities and the general fund due to prior year accounting errors. The restatement of beginning fund balances/net position was as follows:

	<u>Governmental Activities</u>	<u>General Fund</u>	<u>Component Unit (4A)</u>	<u>Component Unit (4B)</u>
Prior year ending net position/fund balance, as reported	\$ 2,719,926	\$ 2,470,971	\$ 327,653	\$ 514,433
Sales and mixed beverage tax receivables	36,673	36,673	6,393	12,786
Remove pension asset and deferred balances from general fund balance	-	(24,373)	-	-
Adjust deferred outflows and inflows for pension	21,249	-	-	-
Restated beginning net position/fund balance	<u>\$ 2,777,848</u>	<u>\$ 2,483,271</u>	<u>\$ 334,046</u>	<u>\$ 527,219</u>

**E. Subsequent Events**

There were no material subsequent events through May 29, 2026, the date the financial statements were available to be issued.

***REQUIRED SUPPLEMENTARY INFORMATION***

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**City of Simonton, Texas**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**

For the Year Ended September 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Property tax	\$ 293,728	\$ 293,728	\$ 250,867	\$ (42,861)
Sales tax	297,827	300,676	346,179	45,503
Franchise and local taxes	37,000	37,000	44,782	7,782
Intergovernmental revenue	195,678	195,678	37,418	(158,260)
License and permits	12,000	12,000	13,241	1,241
Fines and forfeitures	1,100	1,100	940	(160)
Investment income	2,498	2,498	91,834	89,336
Other revenue	371,500	371,500	6,642	(364,858)
<b>Total Revenues</b>	<b>1,211,331</b>	<b>1,214,180</b>	<b>791,903</b>	<b>(422,277)</b>
<b>Expenditures</b>				
Current:				
General government:				
Administration	687,900	575,524	354,256	221,268
Emergency management	40,800	40,800	2,142	38,658
Public safety	8,100	8,100	22,425	(14,325)
Facilities fees and expenses	53,445	53,445	236,022	(182,577)
Public works	421,086	421,086	25,247	395,839
<b>Total Expenditures</b>	<b>1,211,331</b>	<b>1,098,955</b>	<b>640,092</b>	<b>458,863</b>
<b>Revenues Over (Under)</b>				
<b>Expenditures</b>	-	115,225	151,811	36,586
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ 115,225</b>	<b>151,811</b>	<b>\$ 36,586</b>
Beginning fund balance			2,483,271	
<b>Ending Fund Balance</b>			<b>\$ 2,635,082</b>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

# City of Simonton, Texas

## SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS

Years Ended:

	12/31/2024	12/31/2023	12/31/2022
Total pension liability			
Service cost	\$ 5,459	\$ -	\$ 22,804
Interest (on the Total Pension Liability)	7,830	5,981	4,756
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(10,078)	18,403	1,995
Changes of assumptions	-	277	-
Benefit payments, including refunds of participant contributions	-	-	-
<b>Net change in total pension liability</b>	<b>3,211</b>	<b>24,661</b>	<b>29,555</b>
<b>Total pension liability - beginning</b>	<b>113,266</b>	<b>88,605</b>	<b>59,050</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 116,477</b>	<b>\$ 113,266</b>	<b>\$ 88,605</b>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 13,190	\$ 34,636	\$ 14,110
Contributions - members	(4,422)	21,475	10,889
Net investment income (loss)	13,129	7,193	(2,883)
Benefit payments, including refunds of participant contributions	-	-	-
Administrative expenses	(83)	(45)	(25)
Other	(1)	-	29
<b>Net change in plan fiduciary net position</b>	<b>21,813</b>	<b>63,259</b>	<b>22,120</b>
<b>Plan fiduciary net position - beginning</b>	<b>124,375</b>	<b>61,116</b>	<b>38,996</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 146,188</b>	<b>\$ 124,375</b>	<b>\$ 61,116</b>
<b>Fund's net pension liability (asset)- ending (a) - (b)</b>	<b>\$ (29,711)</b>	<b>\$ (11,109)</b>	<b>\$ 27,489</b>
<b>Plan fiduciary net position as a percentage of the total pension liability (asset)</b>	125.51%	109.81%	68.98%
<b>Covered payroll</b>	\$ 33,307	\$ -	\$ 155,551
<b>Fund's net pension liability (asset) as a percentage of covered payroll</b>	-89.20%	N/A	17.67%

**Notes:**

<sup>1</sup> This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>	<sup>1</sup>
\$ 20,784	\$ 10,151	\$ 8,397	\$ 1,635	
3,735	1,560	771	405	
13,296	-	-	5,179	
(10,414)	1,897	1,319	-	
-	-	335	-	
-	-	-	-	
<u>27,401</u>	<u>13,608</u>	<u>10,822</u>	<u>7,219</u>	
<u>31,649</u>	<u>18,041</u>	<u>7,219</u>	<u>-</u>	
<u>\$ 59,050</u>	<u>\$ 31,649</u>	<u>\$ 18,041</u>	<u>\$ 7,219</u>	
\$ 3,947	\$ 3,712	\$ 3,264	\$ 643	
7,767	7,644	6,410	1,248	
3,178	910	296	-	
-	-	-	-	
(15)	(7)	(1)	-	
-	-	-	-	
<u>14,877</u>	<u>12,259</u>	<u>9,969</u>	<u>1,891</u>	
<u>24,119</u>	<u>11,860</u>	<u>1,891</u>	<u>-</u>	
<u>\$ 38,996</u>	<u>\$ 24,119</u>	<u>\$ 11,860</u>	<u>\$ 1,891</u>	
<u>\$ 20,054</u>	<u>\$ 7,530</u>	<u>\$ 6,181</u>	<u>\$ 5,328</u>	
66.04%	76.21%	65.74%	26.19%	
\$ 155,340	\$ 152,876	\$ 128,205	\$ 24,964	
12.91%	4.93%	4.82%	21.34%	

# City of Simonton, Texas

## SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Years Ended:

	9/30/2025	9/30/2024	9/30/2023	9/30/2022
Actuarially determined employer contributions	\$ 5,295	\$ 5,600	\$ 14,110	\$ 3,947
Contributions in relation to the actuarially determined contribution	5,295	5,600	14,110	3,947
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Annual covered payroll	\$ 55,231	\$ 13,115	\$ 155,551	\$ 153,693
Employer contributions as a percentage of covered payroll	9.59%	42.70%	0.00%	2.57%

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

### NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

**Valuation Date:**

Notes

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

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
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 are specific to the City's plan of benefits. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.

Mortality

Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

**Other Information:**

Notes

There were no benefit changes during the year.

<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>
\$ 3,712	\$ 3,264	\$ 643
<u>3,712</u>	<u>3,264</u>	<u>643</u>
\$ -	\$ -	\$ -
\$ 145,189	\$ 119,746	\$ 24,964
2.56%	2.73%	2.58%

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# City of Simonton, Texas

## SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM

Year Ended:

	<sup>1</sup> 12/31/2024	12/31/2023	12/31/2022
<b>Total OPEB liability</b>			
Service cost	\$ 90	\$ -	\$ 327
Interest	2	28	29
Change in benefit terms including TMRS plan participation	-	-	-
Changes of assumptions	114	(731)	(476)
Differences in experience	(11)	-	(577)
Benefit payments, including refunds of participant contributions	-	-	-
<b>Net changes</b>	<u>195</u>	<u>(703)</u>	<u>(697)</u>
<b>Total OPEB liability - beginning</b>	<u>-</u>	<u>703</u>	<u>1,400</u>
<b>Total OPEB liability - ending</b>	<u><sup>2</sup> \$ 195</u>	<u>\$ -</u>	<u>\$ 703</u>
<b>Covered payroll</b>	\$ 33,307	\$ -	\$ 155,551
<b>Total OPEB Liability as a percentage of covered payroll</b>	0.59%	N/A	0.45%

**Notes to schedule:**

<sup>1</sup> This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

<sup>2</sup> No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>
\$ 233	\$ 183	\$ 141	\$ 32
35	29	13	9
-	-	-	254
(556)	90	227	-
66	356	305	-
-	-	-	(17)
<u>(222)</u>	<u>658</u>	<u>686</u>	<u>278</u>
<u>1,622</u>	<u>964</u>	<u>278</u>	<u>-</u>
<u>\$ 1,400</u>	<u>\$ 1,622</u>	<u>\$ 964</u>	<u>\$ 278</u>
\$ 155,340	\$ 152,876	\$ 128,205	\$ 24,964
0.90%	1.06%	0.75%	1.11%

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