

CITY OF NEDERLAND, TEXAS



ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal Year Ended September 30, 2025

CITY OF NEDERLAND, TEXAS

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

**FOR THE YEAR ENDED
SEPTEMBER 30, 2025**

Prepared by:

FINANCE DEPARTMENT

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INTRODUCTORY SECTION



City of Nederland

P.O. Box 967 · Nederland, Texas 77627 · (409) 723-1503 · FAX (409) 723-1550

Jeffrey P. Darby, Mayor
Jeff Ortiz, Mayor Pro-Tem
Bret Duplant, Councilmember
Britton Jones, Councilmember
Randy Sonnier, Councilmember
Manuel De La Rosa, City Manager

March 23, 2026

To the Honorable Mayor, Members of the City Council,
and Citizens of Nederland

State and local law requires that the City of Nederland annually publish a complete set of financial statements presented in conformity with generally accepted accounting principles in the United States of America and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report was prepared by the Finance Department, in accordance with the City Charter and in compliance with State law, to provide the public, investors, grantor agencies, and other interested parties with reliable financial information about the City. Accordingly, we hereby respectfully submit the Annual Comprehensive Financial Report of the City of Nederland for the fiscal year ended September 30, 2025.

The report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurances that the financial statements will be free from material misstatement. As management, we assert that to the best of our knowledge and belief this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Mitchell T. Fontenote CPA, Inc., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2025, were free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended September 30, 2025, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report. GAAP requires that

management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

Incorporated in 1940, the City of Nederland is located in the southeast corner of the state and within Jefferson County. With a current population of 18,856, the City currently occupies a land area of approximately 5.5 square miles. The City is served with a regional airport and has ready rail access to all parts of the country. Although empowered to levy a property tax on both real and personal properties located within its boundaries, the City collects no personal or corporate taxes from residents, nor is a state income tax assessed. The City is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate.

The City operates under a Council-Manager form of government. It is governed by an elected City Council composed of a mayor and four councilmembers, who each serve three-year terms and are elected at-large. The City is divided into four council wards; each ward is represented by a councilmember. The City Council is charged with formulating public policy, enacting local legislation, adopting budgets, and appointing the city manager, city attorney, city clerk, director of finance, police chief, and emergency management coordinator. The City Manager is the chief administrative and executive officer of the City, who implements Council directives and policies, manages the City's fiscal affairs, and is responsible for the administration of municipal operations.

The City provides a full range of services including police and fire protection, the construction and maintenance of streets and other infrastructure, general administration, code enforcement, animal control, and cultural and recreational activities. Certain utility services are provided through the Water and Sewer Fund and the Solid Waste Fund, which function as departments of the City.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriations to the City Manager each year. The City Manager uses these requests as the basis for developing a proposed budget. The City Manager then presents the proposed budget to the City Council for review by no later than August 31st. The City Council is then required to conduct public hearings on the proposed budget and to adopt a final budget. The appropriated budget is prepared by fund (e.g. General), function (e.g. public safety), and department (e.g. fire). Department directors may request transfers of appropriations within a department, which are reviewed and approved by the City Manager. Transfer of appropriations between departments, however, requires the approval of the City Council. Budget-to-actual comparisons are provided in this report for the General Fund; this comparison is presented as part of the basic financial statements for the governmental funds.

History

Nederland's heritage is deeply rooted in the Dutch ancestry, which gives the town its name. Nederland was officially founded on December 24, 1897 when Dutch settlers with an adventuresome spirit and desire for a better life found this site. The community was developed by the Port Arthur Townsite

Company and the Port Arthur Land Company as part of the effort by Arthur E. Stilwell to make his newly built Kansas City, Pittsburg and Gulf Railway profitable. Stilwell, who had received much of his financial backing from Dutch investors, wanted a community for Dutch immigrants in Southeast Texas. The first such settler was George Rienstra; forty others arrived in November 1897.

As other immigrants followed, Nederland residents began establishing truck and dairy farms. Rice farming was especially popular until overproduction, overspeculation, and the depression of 1907 virtually eliminated the rice industry in Nederland. Many of the recent immigrants left the area. Prosperity was restored by the discovery of the Spindletop oilfield on January 10, 1901. The Sun Oil Company established a major terminal just to the north of Nederland and the Texas Company built a plant a mile south of the community. An interurban rail line tied this area with Beaumont and Port Arthur in 1913. Electricity was provided shortly thereafter, and telephone and gas service became available during the mid-1920s. During the same decade, the Humphrey Oil Company and Pure Oil Company (subsequently Union Oil) built a refinery at Smith's Bluff to the east, drawing large numbers of former Louisiana residents to Nederland. The refineries and related petroleum industries have continued to be the mainstays of the City's economy. The town incorporated on April 29, 1940 and the population reached 3,801 in 1950. Nederland grew rapidly as a residential center during the boom years that followed. By 1970, the number of inhabitants had surpassed 16,000. Though the local economy was hurt by the declining demand for petroleum during the 1980s, the number of businesses in the City increased from 136 in 1972-73 to 401 in 1984-85. The population was reported at 16,855 in 1980, 16,192 in 1990, 17,422 in 2000, 17,547 in 2010, and 18,856 in 2020.

FACTORS AFFECTING FINANCIAL CONDITIONS

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Nederland operates.

Local Economy

The City of Nederland, Texas is located in a metropolitan area in Southeast Texas frequently referred to as the “Golden Triangle” and is a component of the Beaumont-Port Arthur MSA, located in the Mid-County area of Jefferson County. Unfortunately, the recent history of the City has been marred by severe weather and disasters. The City, its residents, and local businesses completed their recovery efforts from the impacts of Hurricane Rita in September 2005, Hurricane Humberto in August 2007, and Hurricane Ike in September 2008; the restoration was a combination of repairs to return structures to pre-storm conditions, of major renovations, and new construction. As a result of this activity, the area was able to grow and experience a major financial boost. In August 2017, the City and region were devastatingly impacted by Tropical Storm Harvey; in September 2019, Tropical Storm Imelda again affected the City and region with the damage much more localized; in 2020, Hurricanes Laura and Delta affected the City and region; and in 2021, Winter Storm Uri affected the City and the State of Texas. Coupled with the damage from these weather disasters and the necessary repairs to homes, businesses, etc., the effects of the COVID-19 pandemic impacted the City and region. In 2022, the area was impacted by the nationwide economic downturn and inflation. During the summers of 2023 and 2024, extreme drought impacted the City and the State of Texas.

The regional economy is substantially based on petroleum refining and the production and processing of chemicals and petrochemicals. Area refineries are aggressively expanding their refining

infrastructure, several Liquefied Natural Gas facilities are operational and/or under development, and significant construction activity remains in progress to support the personnel and corresponding service needs associated with the industrial projects. These improvements, totaling approximately \$20 billion, have provided massive economic stimulus to communities throughout our regional energy corridor, creating a direct impact on the housing, retail, and service markets.

In 2019, voters approved over \$155M in school bonds; the Nederland Independent School District has completed renovations, improvements, and additions to its elementary and middle schools and built a new high school campus; this work had a positive economic and quality life impact for our citizens. City officials and the Nederland Chamber of Commerce continue to aggressively market our community. And the Nederland Economic Development Corporation continues to collaborate with the private sector to provide funding mechanisms that assist in the placement of new businesses in the community.

Over the past several years, ad valorem and sales tax have indicated modest growth. In the past several years, taxable assessable values have increased by over \$450M. In 2021, a significant values increase followed the Jefferson County Appraisal District altering their methods of assessing market value; this was done in response to the State Comptroller's Office property value study that determined all the school districts in Jefferson County failed and values were substantially below market value. During the same time period, ad valorem tax revenue has increased even while the City's ad valorem tax rate was reduced because increasing property values resulted in the tax rate calculations decreasing. In addition, during the past several years, sales tax collections increased slightly. During this period, industrial in lieu of taxes revenues has increased by 48.13%, which reflects capital investments in the plants, offset some by new tax abatements that are helping facilitate the capital improvements.

Looking beyond the past several years, long-term trends in taxable values, ad valorem revenue, and sales tax revenue, as well as the recent instability in the local economy due to the impacts of inflation and instability in the national economy, have resulted in staff conservatively estimating any potential short-term growth. Due to the level of economic growth, the City has previously initiated actions to ensure financial stability while continuing to identify potential improvements for increased operational efficiencies.

In 1994, voters adopted an additional one half of one percent sales and use tax to be used for the promotion and development of new or expanded business enterprises as authorized by Section 4B, Article 5190.6, V.T.C.S. With this additional sales tax revenue, an economic development corporation, also authorized by the Act, was created to promote, assist, and enhance economic and community development activities for the City. In 2007, voters adopted a quarter cent of the City sales tax to be allocated to a Street Improvement Fund by reducing the Section 4B tax to a quarter cent. Funds would be expended on street-related improvement projects. With 81.9% votes of approval, the street sales tax was re-authorized during the May 2023 election.

GOALS FOR FISCAL YEAR 2025-2026

- Maintain the lowest municipal tax rates in Jefferson County (\$0.451000 per \$100 assessed taxable value); continue to provide \$15,000 Homestead Tax Exemptions for the elderly and the disabled.
- Maintain City Utility Rates to ensure the long-term fiscal stability of water/wastewater services and solid waste services (increase water base rate, per 1,000-gallon water fee, waterline maintenance fee, sewer base rate, per 1,000-gallon sewer fee, sewerline maintenance fee, and solid waste base rate). Continuation of 5-year meter replacement plan to ensure accurate reads and billing for all customers.
- Continuation of street improvements to improve the transportation network - \$1,375,000.
- Create a new Assistant Public Works Director position for the Public Works Administration Department, a Wastewater Operator Trainee for the Wastewater Treatment Plant, a new Inspector and Assistant Building Official for the Inspections and Permits Department, and a new Dispatcher position in the Central Dispatch.
- Human Resources will utilize a consulting service to complete a comprehensive salary survey and review of job descriptions.
- Utilizing the City's allocated Coronavirus Local Fiscal Recovery Funds, complete a Water Treatment Plant clarifier improvement project.
- Complete the City of Nederland, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2021 (issuance value \$4,170,000) projects.
- Complete the City of Nederland, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2023 (issuance value \$4,540,000) projects to include street and drainage improvements.
- Complete the City of Nederland, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2024 (issuance value \$8,000,000) projects.
- Continue Sewerline Replacement project and a Waterline Replacement project.
- Continue to fund spay & neutering program of Nederland residents' pets in an effort to control the pet population and fund a feline population control program.
- Purchase two detective trucks for the Police Department, a drum roller for the Streets Department, a dump truck for the Wastewater Treatment plant, a mini excavator and trailer for the Water/Sewer Distribution Department, 500 water meters for Utility Billing, and a trash truck and welding machine for the Solid Waste Department. Additionally, utilize Fire Department Special Funds for SCBA Escape Packs.
- Complete Park improvements to include a new slab, shades, and tables at Cropo Leblanc Park and improvements to the Doornbos Park parking lot and driveway.
- Continue to reduce the crime rate.
- Continue the monthly contribution to the Senior Citizen Center of \$4,500.
- Continue to provide community events including Nederland Family Nights at the Pool, Monsters in the Park, holiday decorating, Christmas on the Avenue, National Night Out, Veterans' Day, Memorial Day, and the 4th of July Fireworks Extravaganza.
- Improve workplace safety and reduce the number of injury claims.
- Continue the strong relationship with the Nederland Economic Development Corporation and Chamber of Commerce in order to promote commerce and industrial growth.
- Continuation of residential and commercial growth in our City that will impact economic growth and opportunities for our citizenry.
- Continue to assess each City department's delivery of services to ensure the maximum efficiency and effectiveness of tax dollars to provide a better municipal government.

Long-term Financial Planning

Local officials continue to support a strategic and aggressive capital plan for Nederland. Short-term and long-term capital improvement planning is necessary. City staff remains cognizant of the need for long-term fiscal stability. A conservative approach to the budget, including greater efficiency and salary/benefit controls, was required to offset decreases in revenue. While growth will continue in the City and surrounding area, a number of factors, specifically natural disasters and the national economy, may adversely impact Nederland's long-term planning efforts. The City's elected officials and management have traditionally maintained a prudent approach to budgeting, the expenditure of funds, and the collection of revenues. This philosophy will remain in place, in addition to continuing to evaluate further opportunities to more efficiently and effectively manage public funds.

Development opportunities continue to be pursued by the Nederland Economic Development Corporation with the greatest focus on the redevelopment. The Nederland EDC actively works with the City of Nederland and Jefferson County. The City's efforts are focused on industrial development opportunities with Energy Transfer (formerly known as Sunoco), Phillips 66, and Air Liquide.

Cash Management Policies and Practices

Cash temporarily idle during the year was invested in approved investment pools, and interest-bearing demand deposits. The average yield on investments was 4.5215% during fiscal year ended September 30, 2025.

Risk Management

The City's risk management program includes risks associated with employee health benefits, worker's compensation, and general liability. The Personnel Department is responsible for the administration of the City's plan for accident prevention.

Pension and Other Postemployment Benefits

The City provides pension benefits for all full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. As a matter of policy, the City fully funds each year's annual required contribution to the pension plan as determined by the actuary. The City has funded 105% of the present value of the projected benefits earned by employees. The remaining unfunded amount is being systematically funded over 25 years as part of the annual required contribution calculated by the actuary.

The City also provides post-retirement health and dental care benefits for certain retirees. Following a two-year study conducted with the help of a retiree insurance committee comprised of city employees, effective July 1, 2012, the City's retiree insurance plan was amended from the "sliding scale benefit" provided since 1996 to a one-time flat rate contribution of no more than \$7,900 to retirees who meet the policy requirements. Effective October 1, 2024, the flat rate contribution was increased to \$8,800. The funds are deposited into a Health Reimbursement Account to be utilized for qualifying medical expenses. Following the policy adoption, the City annually allocates funds in the budget for potential

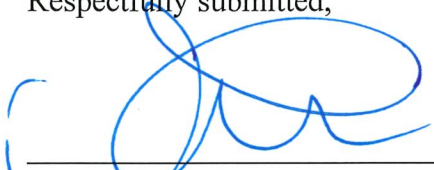
retiree's HRA. The policy revision and annual expense allocation are necessary to manage the City's GASB liability, to be financially prudent, and to properly assist existing and future City retirees. In addition, the City now annually allocates funds in the budget for possible retiree's accrued leave compensation.

Additional information on the City's pension arrangements and post-employment benefits can be found in Note 10 and Note 12 in the notes to the financial statements.

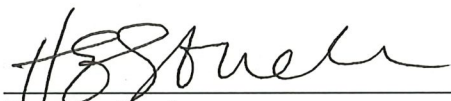
ACKNOWLEDGMENTS

The preparation of the Annual Comprehensive Financial Report was made possible by the dedicated service of the entire staff of the City. We would like to express our appreciation to all employees who assisted and contributed to its preparations. We would also like to thank the City Council for their interest and support in planning and conducting financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Manuel De La Rosa
City Manager



Heather Stucker
Director of Finance

**CITY OF NEDERLAND
ANNUAL COMPREHENSIVE FINANCIAL REPORT
September 30, 2024**

CITY OFFICIALS

Jeff Darby

Bret Duplant

Britton Jones

Randy Sonnier

Jeff Ortiz

ELECTED POSITIONS

Major

Council Member – Ward 1

Council Member – Ward 2

Council Member – Ward 3

Council Member – Ward 4, Mayor Pro Tem

KEY STAFF

Manuel De La Rosa

Heather Stucker

Joni Underwood

Richard Hughes

POSITION

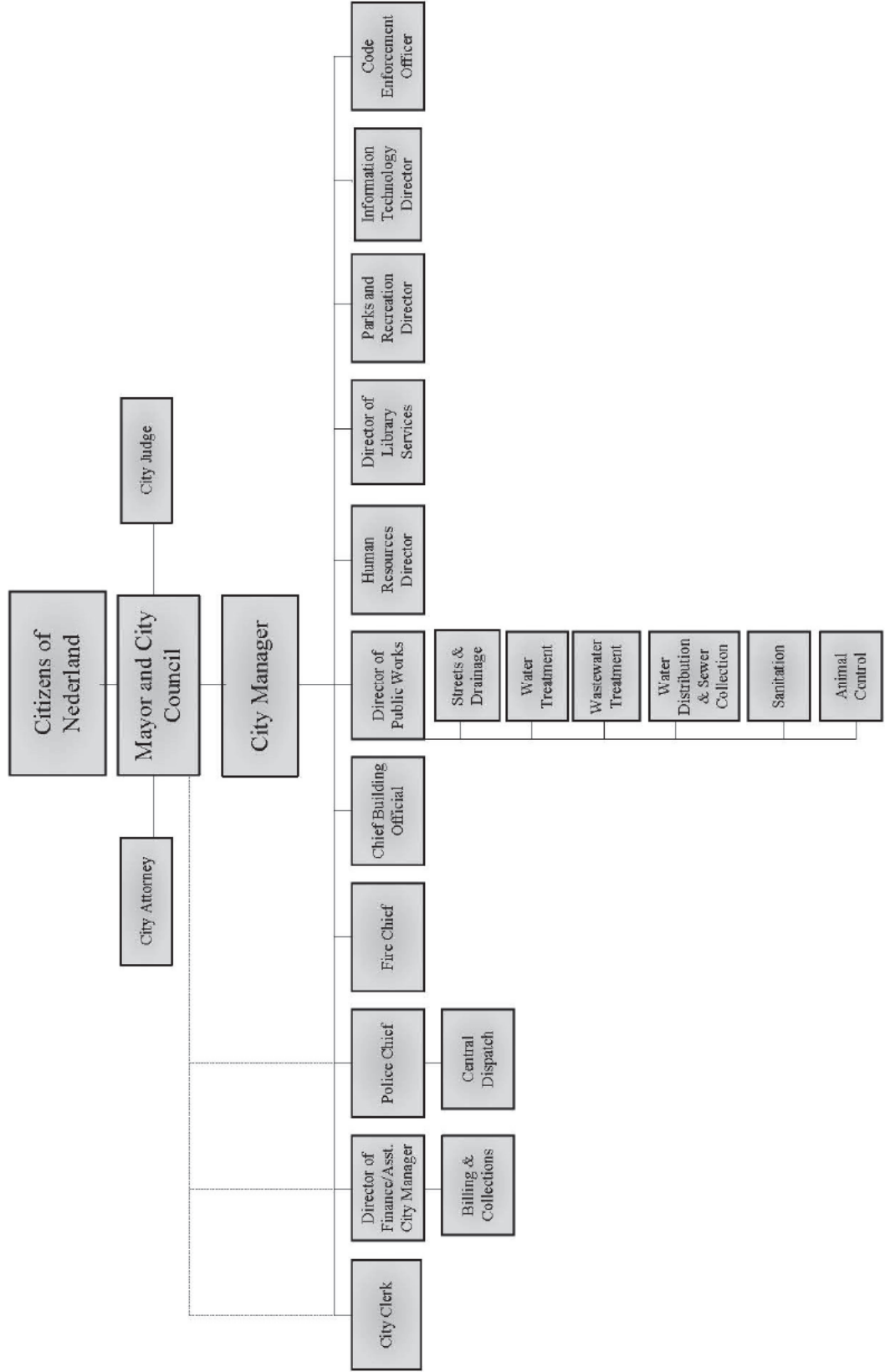
City Manager

Director of Finance

City Clerk

City Attorney

City of Nederland Organizational Chart



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Nederland, Texas

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 of Nederland, Texas's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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.

To the Honorable Mayor and Members of City Council
City of Nederland, Texas
March 23, 2026

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Nederland, Texas'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 of Nederland, Texas's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

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

To the Honorable Mayor and Members of City Council
City of Nederland, Texas
March 23, 2026

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2026, on our consideration of the City of Nederland, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Nederland, Texas's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Nederland, Texas's internal control over financial reporting and compliance.

Mitchell T. Fontenote CPA, Inc.

Port Neches, Texas
March 23, 2026

CITY OF NEDERLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2025

As management of the City of Nederland (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. We encourage readers to consider the information presented here in conjunction with our letter of transmittal at the front of this report and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The net position of the City at the close of the most recent fiscal year was \$124,565,361. This number must be viewed in the context that the majority of the City's net position of \$69,885,605 (56.10%) is the net investment in capital assets and that most capital assets in a government do not directly generate revenue nor can they be sold to generate liquid capital. The net position restricted for specific purposes totals \$514,383 (0.41%). The remaining \$54,165,373 (43.49%) is the unrestricted net position and may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies. Unrestricted net position increased by \$5,422,851 in fiscal year 2025.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$49,708,095. Within this total \$204,370 is non-spendable for prepaid items, \$9,735,966 is restricted by specific legal requirements, such as by debt covenants, \$9,397,335 has been committed to specific expenditures, and \$5,264,539 has been assigned by management. The remaining \$25,105,885 is unassigned fund balance in the general fund and can be used for any lawful purpose.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of four components: 1) government-wide financial statements, 2) fund financial statements 3) notes to the financial statements and 4) required supplementary information which includes this management's discussion and analysis and multi-year funding progress on the City's pension plan. In addition to the basic financial statements, this report also contains other supplementary information as listed in the Table of Contents.

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

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources and deferred inflows of resources, and liabilities, with the difference between them 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.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public works, public safety, cultural and recreation, and administration and general. The business-type activities of the City include two enterprise activities; water and sewer system and a solid waste system. The government-wide financial statements can be found on pages 11-14 of this report.

Fund financial statements – A fund is a self-balancing set of accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories- governmental funds and proprietary funds.

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 current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Non- financial assets such as governmental buildings, roads, drainage ways, park land and long-term liabilities such as bonds payable or long-term liabilities that will not be paid with current assets are excluded. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds 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 eight governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, the Capital Improvement Fund and Debt Service Fund. Data from the other five funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the Annual Comprehensive Financial Report. The basic governmental funds financial statements can be found on pages 15-19.

Proprietary Funds – The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, and solid waste operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer and Solid Waste operations since they are considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 20-24 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-57 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this Report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position and especially net position by category may serve over time as a useful indicator of a government's financial position. The City's net position was \$124,565,361 as of September 30, 2025. The largest portion of the City's net position (56.10%) reflects its investments in capital assets (e.g., land, building, equipment, improvements, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending, and with exception of business type assets, do not generate direct revenue for the City. They do represent, however, an obligation on the part

CITY OF NEDERLAND**MANAGEMENT'S DISCUSSION AND ANALYSIS****SEPTEMBER 30, 2025**

of the City to maintain these assets into the future. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position (0.41%) represents resources that are subject to restrictions on how they may be used. The remaining balance of \$54,165,373 (43.49%) is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

Net Position

September 30, 2025 and 2024

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Current and Other Assets	\$ 54,689,954	\$ 54,160,885	\$ 23,698,018	\$ 14,159,892	\$ 78,387,972	\$ 68,320,777
Capital Assets	53,239,460	51,382,566	28,379,548	28,699,332	81,619,008	80,081,898
Total Assets	<u>107,929,414</u>	<u>105,543,451</u>	<u>52,077,566</u>	<u>42,859,224</u>	<u>160,006,980</u>	<u>148,402,675</u>
Deferred Outflows	743,360	684,839	324,909	299,447	1,068,269	984,286
Current Liabilities	4,834,409	8,275,596	2,226,829	1,802,017	7,061,238	10,077,613
Long-term Liabilities	18,941,482	20,922,882	8,312,908	491,089	27,254,390	21,413,971
Total Liabilities	<u>23,775,891</u>	<u>29,198,478</u>	<u>10,539,737</u>	<u>2,293,106</u>	<u>34,315,628</u>	<u>31,491,584</u>
Deferred Inflows	1,529,968	2,108,517	664,292	915,454	2,194,260	3,023,971
Net Position						
Net Investment in						
Capital Assets	49,293,651	46,545,670	20,591,954	28,699,332	69,885,605	65,651,502
Restricted	364,887	329,657	149,496	147,725	514,383	477,382
Unrestricted	<u>33,708,377</u>	<u>28,045,968</u>	<u>20,456,996</u>	<u>11,103,054</u>	<u>54,165,373</u>	<u>48,742,522</u>
Total Net Position	<u>\$ 83,366,915</u>	<u>\$ 74,921,295</u>	<u>\$ 41,198,446</u>	<u>\$ 39,950,111</u>	<u>\$ 124,565,361</u>	<u>\$ 114,871,406</u>

Governmental activities: Governmental activities increased the City's net position by \$8,445,620. The increase is due to several factors including greater than anticipated revenues from the City's investment earnings and sales tax revenue. Interest earnings were greater than expected due to higher interest rates.

Business type activities. Business-type activities increased the City's net position by \$1,248,335. The increase is due to several factors including operating grants and contributions received during the year.

The following table provides a summary of the City's operations for year ended September 30, 2025 with comparative totals for year ended September 30, 2024.

CITY OF NEDERLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025

Changes in Net Position

For the fiscal years ended September 30, 2025 and 2024

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Revenues						
Program Revenues						
Charges for Services	\$ 617,025	\$ 548,757	\$ 8,653,755	\$ 7,983,001	\$ 9,270,780	\$ 8,531,758
Operating Grants and Contributions	3,437,719	683,802	821,109	-	4,258,828	683,802
General Revenues						
Property Taxes	7,388,243	7,614,119	-	-	7,388,243	7,614,119
Industrial Payments	3,558,160	3,877,798	-	-	3,558,160	3,877,798
Sales Tax	6,185,771	5,220,718	-	-	6,185,771	5,220,718
Gross Receipts Tax	1,275,823	1,098,749	-	-	1,275,823	1,098,749
Penalty and Interest on Taxes	90,564	90,492	-	-	90,564	90,492
Interest	2,228,749	2,730,077	814,458	603,120	3,043,207	3,333,197
Miscellaneous	123,532	77,483	201,718	219,883	325,250	297,366
Total Revenues	<u>24,905,586</u>	<u>21,941,995</u>	<u>10,491,040</u>	<u>8,806,004</u>	<u>35,396,626</u>	<u>30,747,999</u>
Expenses						
General Government	1,194,063	5,246,427	-	-	1,194,063	5,246,427
Public Safety	5,456,706	4,084,801	-	-	5,456,706	4,084,801
Public Works	5,959,380	6,549,530	-	-	5,959,380	6,549,530
Culture and Recreation	2,987,675	3,508,273	-	-	2,987,675	3,508,273
Administrative and General	829,582	548,154	-	-	829,582	548,154
Interest on Long-Term Debt	1,502,790	572,049	-	-	1,502,790	572,049
Water & Sewer	-	-	6,308,365	8,521,718	6,308,365	8,521,718
Solid Waste	-	-	1,464,110	1,781,060	1,464,110	1,781,060
Total Expenses	<u>17,930,196</u>	<u>20,509,234</u>	<u>7,772,475</u>	<u>10,302,778</u>	<u>25,702,671</u>	<u>30,812,012</u>
Increase (Decrease) in Net Position before Transfers	6,975,390	1,432,761	2,718,565	(1,496,774)	9,693,955	(64,013)
Transfers	1,470,230	921,495	(1,470,230)	(921,495)	-	-
Increase in Net Position	<u>8,445,620</u>	<u>2,354,256</u>	<u>1,248,335</u>	<u>(2,418,269)</u>	<u>9,693,955</u>	<u>(64,013)</u>
Net Position - Beginning of Year	<u>74,921,295</u>	<u>72,567,039</u>	<u>39,950,111</u>	<u>42,368,380</u>	<u>114,871,406</u>	<u>114,935,419</u>
Net Position - End of Year	<u>\$ 83,366,915</u>	<u>\$ 74,921,295</u>	<u>\$ 41,198,446</u>	<u>\$ 39,950,111</u>	<u>\$ 124,565,361</u>	<u>\$ 114,871,406</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental funds. The focus of the City's governmental funds is to provide information on 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 a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$49.7 million, an increase of \$2,554,258 over the prior year. The increase is indicative of stable governmental fund activity. Approximately \$25.1 million of this amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted and committed to indicate that it is not available for new spending because it has already been committed to prepaid items \$204,370, restricted for capital acquisition for \$9,307,011, restricted for payment of debt service \$140,144, restricted for Public Safety \$146,681, and restricted for Culture and Recreation \$142,130. In addition, \$9,397,335 is committed for capital projects and \$5,264,539 is assigned.

CITY OF NEDERLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2025

The General Fund is the chief operating fund of the City. At September 30, 2025, the unassigned fund balance of the General Fund was \$25,105,885 while total fund balance was \$31,511,759. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures (including transfers out). Unassigned fund balance represents 154.52% of total general fund expenditures (including transfers out), while total fund balance represents 193.95% of that same amount.

Fund balance of the City's General Fund increased by \$3,158,066 during 2025. This increase was primarily due to increases in sales tax revenue, investment earnings and proceeds from sale of capital assets.

The Debt Service Fund has a total fund balance of \$140,144. The net increase in fund balance during the fiscal year 2025 in this fund was \$51,946. The Debt Service Fund is funded with property tax revenue at the level necessary to meet debt service requirements.

Proprietary funds. The City's proprietary funds provide the same information found in the government-wide financial statements, but in more detail.

The unrestricted net position at the end of the year amounted to \$15,391,794 for the Water and Sewer Fund, and \$5,093,577 for the Solid Waste Fund. The change in net position for the enterprise funds in 2025 were an increase of \$710,548 for the Water & Sewer Fund and an increase of \$537,787 for the Solid Waste Fund.

General Fund Budgetary Highlights

During the year actual revenues exceeded budgeted revenues by \$4,385,631. The majority of this difference was attributable to increased investment earnings, better than expected sales tax collections and industrial in lieu of tax contract collections.

Major variances between budget and actual occurred in sales tax revenue. Sales tax revenue was \$1,685,771 more than budgeted and investment earnings was \$1,121,475 more than budgeted. Grants and private contributions were \$1,984,831 more than budgeted.

The City's highway and street expenditures were \$1,138,444 less than the budget due to added street projects and delays.

CAPITAL ASSETS

Capital assets. The City's investment in capital assets for governmental and business-type activities as of September 30, 2025, amounted to \$81,674,769 (net of accumulated depreciation). This investment in capital assets includes land, and other capital assets such as buildings, improvements, and equipment. The total increase in capital assets for the current fiscal year was approximately 1.99% (3.72% increase for governmental activities and (1.11)% decrease in business-type activities.)

CITY OF NEDERLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2025

Capital Assets

September 30, 2025 and 2024

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Land	\$ 3,250,664	\$ 3,087,044	\$ -	\$ -	\$ 3,250,664	\$ 3,087,044
Construction in Progress	8,281,953	6,830,309	587,567	587,567	8,869,520	7,417,876
Buildings	15,947,421	15,791,514	22,144,461	21,450,340	38,091,882	37,241,854
Improvements other the Building	-	-	41,543,210	40,846,798	41,543,210	40,846,798
Machinery and Equipment	10,442,534	9,167,770	7,569,455	6,912,065	18,011,989	16,079,835
Infrastrucure	56,064,377	54,176,769	-	-	56,064,377	54,176,769
Right-to-Use Equipment	33,922	33,922	-	-	33,922	33,922
SBITA	249,000	249,000	-	-	249,000	249,000
	<u>94,269,871</u>	<u>89,336,328</u>	<u>71,844,693</u>	<u>69,796,770</u>	<u>166,114,564</u>	<u>159,133,098</u>
Less: Accum Depr	<u>(41,030,411)</u>	<u>(37,953,762)</u>	<u>(43,465,145)</u>	<u>(41,097,438)</u>	<u>(84,495,556)</u>	<u>(79,051,200)</u>
Capital Assets, Net	<u>\$ 53,239,460</u>	<u>\$ 51,382,566</u>	<u>\$ 28,379,548</u>	<u>\$ 28,699,332</u>	<u>\$ 81,619,008</u>	<u>\$ 80,081,898</u>

Additional information on the City's capital assets can be found in Note 1 on page 27 and Note 5 on pages 37-38 of this report.

Major variances in governmental activities were driven by additions to construction in progress of \$3.1 million and \$1.34 million in various equipment and vehicles. Additionally, \$1.65M was moved from prior year construction in progress to infrastructure. Within the business-type activities the decrease in net capital assets was due to limited construction and equipment purchases, with accumulated depreciation growing by \$2.4 million.

DEBT ADMINISTRATION

Long-Term Debt

Long-term debt. At September 30, 2025, the City had \$19,856,572 of long-term debt.

Long-Term Debt

September 30, 2025 and 2024

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
General & Certificates of Obligations	\$ 2,275,000	\$ 1,950,000	\$ -	\$ -	\$ 2,275,000	\$ 1,950,000
Tax & Revenue CO's	16,085,000	18,360,000	-	-	16,085,000	18,360,000
Unamortized Bond Prem	1,356,572	1,267,577	-	-	1,356,572	1,267,577
Tax Notes Payable	140,000	140,000	-	-	140,000	140,000
	<u>\$ 19,856,572</u>	<u>\$ 21,717,577</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,856,572</u>	<u>\$ 21,717,577</u>

Total long-term debt outstanding at September 30, 2025 decreased by \$1,861,005 over 2024. The City's General Obligation bond rating is AA. Additional information regarding the City's long-term debt can be found in Note 8 on pages 43-45 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Under ideal conditions, preparing the proposed budget would not require the consideration of an increase in taxes or fees or the reduction of service levels. In prior years, increases in assessed value and other revenue categories have been sufficient to fund City Council supported programs, including aggressive capital improvements. Although economic conditions have improved, Administration continues to evaluate all aspects of City services and apply the most effective and efficient method of program funding and service delivery.

The City of Nederland's budget for fiscal year 2026 includes a small increase in property tax revenue due to properties added to the tax roll and increased property values. The tax rate decreased from fiscal year 2025's rate of .426791 to 2026's rate of .451000 per \$100 valuation. The general fund is budgeted to have a stable fund balance with revenues expected to cover all expenditures for the fiscal year.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Nederland, Finance Department, P. O. Box 967, Nederland, Texas, 77627.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

	Primary Government			Component Unit
	Governmental Activities	Business - Type Activities	Total	Nonmajor Component Unit
ASSETS				
Current assets:				
Cash and Cash Equivalents	\$ 5,009,410	\$ 3,328,728	\$ 8,338,138	\$ 199,139
Investments - Current	44,590,217	16,082,789	60,673,006	7,537,856
Taxes Receivable, Net	418,948	-	418,948	81,729
Accounts Receivable, Net	815,189	982,863	1,798,052	-
Due from Other Funds	512,937	-	512,937	78,513
Due from Other Governments	662,713	-	662,713	-
Due from Others	94,317	-	94,317	-
Inventories	-	454,486	454,486	-
Prepays Items	207,127	218,389	425,516	-
Total current assets	52,310,858	21,067,255	73,378,113	7,897,237
Noncurrent assets:				
Cash and Cash Equivalents	-	637,133	637,133	-
Investments	-	955,643	955,643	-
Capital Assets:				
Land Purchase and Improvements	3,250,664	-	3,250,664	1,614,526
Infrastructure and Improvements, Net	31,615,290	15,503,028	47,118,318	-
Buildings, Net	6,878,516	8,459,410	15,337,926	1,835,603
Machinery and Equipment, Net	3,171,384	2,439,011	5,610,395	7,431
Right-to-Use Leased Assets, Net	8,563	-	8,563	-
SBITA Asset, Net	33,090	-	33,090	-
Construction in Progress	8,281,953	1,978,099	10,260,052	-
Total Pension Asset	2,379,096	1,037,987	3,417,083	59,096
Total noncurrent assets	55,618,556	31,010,311	86,628,867	3,516,656
Total assets	107,929,414	52,077,566	160,006,980	11,413,893
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows Related to Pension Plan	588,992	260,425	849,417	14,630
Deferred Outflows Related to OPEB	154,368	64,484	218,852	25,402
Total Deferred Outflows of Resources	743,360	324,909	1,068,269	40,032

The accompanying notes are an integral part of this statement.

STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

	Primary Government			Component Unit
	Governmental Activities	Business - Type Activities	Total	Nonmajor Component Unit
LIABILITIES				
Current liabilities:				
Accounts Payable	\$ 517,049	\$ 284,890	\$ 801,939	\$ 484
Wages and Salaries Payable	246,955	69,573	316,528	-
Compensated Absences Payable	319,419	83,158	402,577	-
Refundable Customer Deposits	-	955,643	955,643	-
Retainage Payable	53,717	32,253	85,970	-
Intergovernmental Payable	75,638	-	75,638	-
Due to Other Funds	78,513	512,937	591,450	-
Accrued Interest Payable	57,652	-	57,652	-
Unearned Revenues	979,398	-	979,398	5,775
Right-to-Use Lease Payable	6,572	-	6,572	-
SBITA Liability - Current	16,675	-	16,675	-
Bonds Payable - Current	2,482,821	288,375	2,771,196	-
Total current liabilities	<u>4,834,409</u>	<u>2,226,829</u>	<u>7,061,238</u>	<u>6,259</u>
Noncurrent liabilities:				
Bonds Payable - Noncurrent	17,373,751	7,787,594	25,161,345	-
Compensated Absences	479,129	81,147	560,276	-
Right-to-Use Lease Payable	8,881	-	8,881	-
SBITA Liability - Noncurrent	16,415	-	16,415	-
Total Pension Liability	-	-	-	-
Total OPEB Liability	<u>1,063,306</u>	<u>444,167</u>	<u>1,507,473</u>	<u>174,973</u>
Total noncurrent liabilities	<u>18,941,482</u>	<u>8,312,908</u>	<u>27,254,390</u>	<u>174,973</u>
Total Liabilities	<u>23,775,891</u>	<u>10,539,737</u>	<u>34,315,628</u>	<u>181,232</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows Related to Pension Plan	1,356,372	591,777	1,948,149	33,692
Deferred Inflows Related to OPEB	<u>173,596</u>	<u>72,515</u>	<u>246,111</u>	<u>28,566</u>
Total Deferred Inflows of Resources	<u>1,529,968</u>	<u>664,292</u>	<u>2,194,260</u>	<u>62,258</u>
NET POSITION				
Net Investment in Capital Assets	49,293,651	20,591,954	69,885,605	3,516,656
Restricted for:				
Restricted for Debt Service	76,076	149,496	225,572	-
Restricted for Other Funds	288,811	-	288,811	-
Unrestricted	<u>33,708,377</u>	<u>20,456,996</u>	<u>54,165,373</u>	<u>7,693,779</u>
Total Net Position	<u>\$ 83,366,915</u>	<u>\$ 41,198,446</u>	<u>\$ 124,565,361</u>	<u>\$ 11,210,435</u>

The accompanying notes are an integral part of this statement.

CITY OF NEDERLAND
STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2025

EXHIBIT B

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 1,194,063	\$ -	\$ 2,287,831	\$ -
Public Safety	5,456,706	407,235	43,457	-
Public Works	5,959,380	93,116	1,062,480	-
Culture and Recreation	2,987,675	116,674	43,951	-
Administrative and General	829,582	-	-	-
Interest on Debt and Cost of Issuance	1,502,790	-	-	-
Total Governmental Activities	<u>17,930,196</u>	<u>617,025</u>	<u>3,437,719</u>	<u>-</u>
BUSINESS-TYPE ACTIVITIES				
Water and Sewer Fund	6,308,365	6,746,485	821,109	-
Solid Waste Fund	<u>1,464,110</u>	<u>1,907,270</u>	<u>-</u>	<u>-</u>
Total Business-Type Activities	<u>7,772,475</u>	<u>8,653,755</u>	<u>821,109</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 25,702,671</u>	<u>\$ 9,270,780</u>	<u>\$ 4,258,828</u>	<u>\$ -</u>
Component Unit:				
Nonmajor Component Unit	<u>1,440,022</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL COMPONENT UNIT	<u>\$ 1,440,022</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Sales Tax

In Lieu of Tax Contracts

Other Taxes

Penalty and Interest on Taxes

Gain on Disposal of Asset

Miscellaneous Revenue

Investment Earnings

Transfers In (Out)

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

The accompanying notes are an integral part of this statement.

STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2025

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Nonmajor Component Unit
\$ 1,093,768	\$ -	\$ 1,093,768	\$ -
(5,006,014)	-	(5,006,014)	-
(4,803,784)	-	(4,803,784)	-
(2,827,050)	-	(2,827,050)	-
(829,582)	-	(829,582)	-
(1,502,790)	-	(1,502,790)	-
<u>(13,875,452)</u>	<u>-</u>	<u>(13,875,452)</u>	<u>-</u>
-	1,259,229	1,259,229	-
-	443,160	443,160	-
<u>-</u>	<u>1,702,389</u>	<u>1,702,389</u>	<u>-</u>
<u>\$ (13,875,452)</u>	<u>\$ 1,702,389</u>	<u>\$ (12,173,063)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,440,022)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,440,022)</u>
7,388,243	-	7,388,243	-
6,185,771	-	6,185,771	1,237,124
3,558,160	-	3,558,160	-
1,275,823	-	1,275,823	-
90,564	-	90,564	-
-	-	-	562,527
123,532	201,718	325,250	34,060
2,228,749	814,458	3,043,207	316,587
1,470,230	(1,470,230)	-	-
<u>22,321,072</u>	<u>(454,054)</u>	<u>21,867,018</u>	<u>2,150,298</u>
8,445,620	1,248,335	9,693,955	710,276
<u>74,921,295</u>	<u>39,950,111</u>	<u>114,871,406</u>	<u>10,500,159</u>
<u>\$ 83,366,915</u>	<u>\$ 41,198,446</u>	<u>\$ 124,565,361</u>	<u>\$ 11,210,435</u>

The accompanying notes are an integral part of this statement.

**BALANCE SHEET – GOVERNMENTAL FUND
 SEPTEMBER 30, 2025**

	General Fund	Debt Service Fund	Capital Projects	Other Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 3,213,180	\$ 39,555	\$ 1,534,742	\$ 221,933	\$ 5,009,410
Investments - Current	27,828,789	215,970	16,408,545	136,913	44,590,217
Taxes Receivable	358,642	146,115	-	-	504,757
Allowance for Uncollectible Taxes	(60,969)	(24,840)	-	-	(85,809)
Accounts Receivable, Net	562,891	-	-	19,753	582,644
Due from Other Governments	6,997	2,093	653,623	-	662,713
Due from Others	94,317	-	-	-	94,317
Due from Other Funds	1,411,223	-	-	-	1,411,223
Due from Component Unit	-	-	-	-	-
Prepays Items	204,370	-	-	2,757	207,127
Total Assets	<u>\$ 33,619,440</u>	<u>\$ 378,893</u>	<u>\$ 18,596,910</u>	<u>\$ 381,356</u>	<u>\$ 52,976,599</u>
LIABILITIES					
Accounts Payable	\$ 476,661	\$ -	\$ -	\$ 40,388	\$ 517,049
Wages and Salaries Payable	246,955	-	-	-	246,955
Retainage Payable	-	-	53,717	-	53,717
Intergovernmental Payable	75,638	-	-	-	75,638
Due to Other Funds	-	117,474	775,812	5,000	898,286
Due from Component Unit	78,513	-	-	-	78,513
Unearned Revenues	932,241	-	-	47,157	979,398
Total Liabilities	<u>1,810,008</u>	<u>117,474</u>	<u>829,529</u>	<u>92,545</u>	<u>2,849,556</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes	<u>297,673</u>	<u>121,275</u>	<u>-</u>	<u>-</u>	<u>418,948</u>
Total Deferred Inflows of Resources	<u>297,673</u>	<u>121,275</u>	<u>-</u>	<u>-</u>	<u>418,948</u>
FUND BALANCES					
Nonspendable Fund Balance:					
Prepaid Items	204,370	-	-	-	204,370
Restricted Fund Balance:					
Capital Acquisition and Contractual Obligation	936,965	-	8,370,046	-	9,307,011
Retirement of Long-Term Debt	-	140,144	-	-	140,144
Other Restricted Fund Balance	-	-	-	288,811	288,811
Committed Fund Balance:					
Other Committed Fund Balance	-	-	9,397,335	-	9,397,335
Assigned Fund Balance:					
Other Assigned Fund Balance	5,264,539	-	-	-	5,264,539
Unassigned Fund Balance	25,105,885	-	-	-	25,105,885
Total Fund Balances	<u>31,511,759</u>	<u>140,144</u>	<u>17,767,381</u>	<u>288,811</u>	<u>49,708,095</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 33,619,440</u>	<u>\$ 378,893</u>	<u>\$ 18,596,910</u>	<u>\$ 381,356</u>	<u>\$ 52,976,599</u>

The accompanying notes are an integral part of this statement.

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION FOR GOVERNMENTAL ACTIVITIES
SEPTEMBER 30, 2025**

Total Fund Balances - Governmental Funds	\$	49,708,095
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.		53,206,370
Subscription-based information technology arrangements used in governmental activities are not financial resources and, therefore are not reported in the funds.		33,090
Deferred outflow of resources are not reported in the governmental funds:		743,360
Deferred outflows related to pension	\$	588,992
Deferred outflows related to OPEB		154,368
Long-term liabilities, including lease and bonds payable, are not due and payable in the current period and, therefore are not reported in the funds.		(19,905,115)
OPEB liability is not due and payable in the current period and, therefore is not reported in the funds.		(1,063,306)
Pension liability (asset) is not due and payable in the current period and, therefore is not reported in the funds.		2,379,096
Compensated absences that are not due and payable in the current period and, therefore are not reported in the governmental funds.		(798,548)
Property taxes receivable are not available to pay for current period expenditures and, therefore are deferred in the funds.		418,948
Accrued interest on bonds is not reported in the funds.		(57,652)
Deferred inflow of resources are not reported in the governmental funds:		(1,529,968)
Deferred inflows related to pension	\$	(1,356,372)
Deferred inflows related to OPEB		(173,596)
Warrants and fines outstanding are not recorded as revenues in the governmental funds because they are not considered measurable and available. However, in the Statement of Net Position, they are considered accounts receivable and recorded.		232,545
Net Position of Governmental Activities	<u>\$</u>	<u>83,366,915</u>

The accompanying notes are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	General Fund	Debt Service Fund	Capital Projects	Other Funds	Total Governmental Funds
REVENUES:					
Taxes:					
Property Taxes	\$ 5,485,613	\$ 1,865,739	\$ -	\$ -	\$ 7,351,352
Sales Tax	6,185,771	-	-	-	6,185,771
In Lieu of Tax Contracts	3,558,160	-	-	-	3,558,160
Other Taxes	1,124,853	-	-	150,970	1,275,823
Penalty and Interest on Taxes	66,452	24,112	-	-	90,564
Grants and Private Contributions	2,287,831	-	1,062,480	87,408	3,437,719
Forfeitures	-	-	-	-	-
Charges for Services	209,790	-	-	-	209,790
Fines and Court Costs	426,067	-	-	8,557	434,624
Investment Earnings	1,407,475	9,906	797,429	13,939	2,228,749
Other Revenue	118,385	-	-	5,147	123,532
Total Revenues	<u>20,870,397</u>	<u>1,899,757</u>	<u>1,859,909</u>	<u>266,021</u>	<u>24,896,084</u>
EXPENDITURES:					
Current:					
General Government	1,907,546	-	1,076,091	-	2,983,637
Public Safety	8,990,806	-	715,445	64,185	9,770,436
Public Works	3,176,720	-	1,134,181	-	4,310,901
Culture and Recreation	2,294,631	-	-	225,112	2,519,743
Administrative and General	852,628	-	-	-	852,628
Debt Service:					
Principal on Debt	-	2,330,000	-	-	2,330,000
Interest on Debt	-	1,037,611	-	-	1,037,611
Other Debt Service	-	2,600	-	-	2,600
Capital Outlay:					
Capital Outlay	-	-	4,500	-	4,500
Total Expenditures	<u>17,222,331</u>	<u>3,370,211</u>	<u>2,930,217</u>	<u>289,297</u>	<u>23,812,056</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,648,066</u>	<u>(1,470,454)</u>	<u>(1,070,308)</u>	<u>(23,276)</u>	<u>1,084,028</u>
OTHER FINANCING SOURCES (USES):					
Transfers In	485,000	1,522,400	975,000	-	2,982,400
Transfers Out	(975,000)	-	(537,170)	-	(1,512,170)
Total Other Financing Sources (Uses)	<u>(490,000)</u>	<u>1,522,400</u>	<u>437,830</u>	<u>-</u>	<u>1,470,230</u>
Net Change in Fund Balances	3,158,066	51,946	(632,478)	(23,276)	2,554,258
Fund Balance - Beginning	28,353,693	88,198	18,399,859	312,087	47,153,837
Fund Balance - Ending	<u>\$ 31,511,759</u>	<u>\$ 140,144</u>	<u>17,767,381</u>	<u>\$ 288,811</u>	<u>\$ 49,708,095</u>

The accompanying notes are an integral part of this statement.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN THE FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2025

Total Net Change in Fund Balances - Governmental Funds		\$ 2,554,258
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		9,502
Prior year deferred property taxes	\$ (382,057)	
Current year deferred property taxes	418,948	
Prior year warrant and fines	(259,934)	
Current year warrant and fines	232,545	
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.		1,856,894
Capital outlays	\$ 4,999,540	
Disposal of capital assets	(6,461)	
Depreciation	(3,136,185)	
The issuance of long-term debt 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; however, neither transaction has an effect on net position.		2,005,731
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 the governmental funds. Conversely, certain items reported as expenditures in the governmental funds are considered assets in the government-wide statements.		2,019,235
Bond premium amortization	\$ (88,995)	
Change in pension liability, inflows and outflows	2,065,464	
Change in OPEB liability, inflows and outflows	525	
Increase in compensated absences	35,825	
Increase in interest payable	6,416	
Net Position of Governmental Activities		<u>\$ 8,445,620</u>

The accompanying notes are an integral part of this statement.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual GAAP BASIS (See Note)	Variance With Final Budget Over or (Under)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 5,355,000	\$ 5,355,000	\$ 5,485,613	\$ 130,613
Sales Tax	4,500,000	4,500,000	6,185,771	1,685,771
In Lieu of Tax Contracts	3,580,382	3,580,382	3,558,160	(22,222)
Other Taxes	996,500	996,500	1,124,853	128,353
Penalty and Interest on Taxes	58,000	58,000	66,452	8,452
Grants and Private Contributions	303,000	303,000	2,287,831	1,984,831
Charges for Services	236,000	236,000	209,790	(26,210)
Fines and Court Costs	286,000	286,000	426,067	190,067
Investment Earnings	933,884	933,884	1,407,475	1,121,475
Other Revenue	104,130	104,130	118,385	(815,499)
Total Revenues	<u>16,352,896</u>	<u>16,352,896</u>	<u>20,870,397</u>	<u>4,385,631</u>
EXPENDITURES:				
Current:				
General Government:				-
City Council	28,358	28,358	30,962	(2,604)
Legal	90,158	90,158	117,511	(27,353)
City Manager	513,754	513,754	505,886	7,868
Financial Administration	723,687	723,687	655,932	67,755
Personnel	434,069	434,069	415,772	18,297
Civil Service	4,150	4,150	283	3,867
City Hall	158,200	158,200	147,441	10,759
BOA Building	35,000	35,000	33,759	1,241
Public Safety:				-
Police	5,867,674	5,867,674	5,856,318	11,356
Property Maintenance	75,200	75,200	50,265	24,935
Emergency Management	73,500	73,500	51,825	21,675
Fire Protection	2,601,906	2,601,906	2,558,495	43,411
Fire Volunteers	18,650	18,650	17,796	854
Protective Inspections	434,395	434,395	455,880	(21,485)
Code Enforcement	-	0	227	(227)
Public Works				
Administration	537,786	537,786	391,582	
Highways and Streets	3,742,384	3,742,384	2,603,940	1,138,444
Animal Control	181,285	181,285	181,198	87
Culture and Recreation:				-
Parks and Recreation	1,763,219	1,763,219	1,627,750	135,469
Libraries	650,608	650,608	666,881	(16,273)
Administrative and General	817,643	817,643	852,628	(34,985)
Total Expenditures	<u>18,751,626</u>	<u>18,751,626</u>	<u>17,222,331</u>	<u>1,383,091</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,398,730)</u>	<u>(2,398,730)</u>	<u>3,648,066</u>	<u>6,046,796</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	915,000	915,000	485,000	(430,000)
Transfers Out	<u>(975,000)</u>	<u>(975,000)</u>	<u>(975,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(60,000)</u>	<u>(60,000)</u>	<u>(490,000)</u>	<u>(430,000)</u>
Net Change in Fund Balances	(2,458,730)	(2,458,730)	3,158,066	5,616,796
Fund Balance - Beginning	<u>28,353,693</u>	<u>28,353,693</u>	<u>28,353,693</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 25,894,963</u>	<u>\$ 25,894,963</u>	<u>\$ 31,511,759</u>	<u>\$ 5,616,796</u>

The accompanying notes are an integral part of this statement.

STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2025

	Business-Type Activities - Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Total Enterprise Funds
ASSETS			
Current assets:			
Cash and Cash Equivalents	\$ 1,928,806	\$ 1,399,922	\$ 3,328,728
Investments - Current	12,454,556	3,628,233	16,082,789
Accounts Receivable, Net	784,801	198,062	982,863
Due from Other Funds	-	-	-
Inventories	454,486	-	454,486
Prepays Items	218,389	-	218,389
Total current assets	15,841,038	5,226,217	21,067,255
Noncurrent assets:			
Cash and Cash Equivalents	637,133	-	637,133
Investments	955,643	-	955,643
Capital Assets:			
Infrastructure and Improvements	40,846,798	-	40,846,798
Accumulated Depreciation - Infra. & Imp.	(25,343,770)	-	(25,343,770)
Buildings	21,450,340	-	21,450,340
Accumulated Depreciation - Buildings	(12,990,930)	-	(12,990,930)
Machinery and Equipment	3,968,674	3,600,780	7,569,454
Accumulated Depreciation - Machinery & Equip.	(2,707,211)	(2,423,232)	(5,130,443)
Construction in Progress	1,978,099	-	1,978,099
Total Pension Asset	863,483	174,504	1,037,987
Total noncurrent assets	29,658,259	1,352,052	31,010,311
Total assets	45,499,297	6,578,269	52,077,566
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pension Plan	213,772	46,653	260,425
Deferred Outflows Related to OPEB	46,897	17,587	64,484
Total Deferred Outflows of Resources	260,669	64,240	324,909

The accompanying notes are an integral part of this statement.

STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2025

	Business-Type Activities - Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Total Enterprise Funds
LIABILITIES			
Current liabilities:			
Accounts Payable	\$ 235,003	\$ 49,887	\$ 284,890
Wages and Salaries Payable	50,763	18,810	69,573
Retainage Payable	32,253	-	32,253
Due to Other Funds	512,937	-	512,937
Compensated Absences Payable	48,227	34,931	83,158
Refundable Customer Deposits	955,643	-	955,643
Bonds Payable - current	288,375	-	288,375
Total current liabilities	2,123,201	103,628	2,226,829
Noncurrent liabilities:			
Compensated Absences	53,793	27,354	81,147
Bonds Payable, net	7,787,594	-	7,787,594
Net OPEB Liability	323,030	121,137	444,167
Total noncurrent liabilities	8,164,417	148,491	8,312,908
Total Liabilities	10,287,618	252,119	10,539,737
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pension Plan	492,289	99,488	591,777
Deferred Inflows Related to OPEB	52,738	19,777	72,515
Total Deferred Inflows of Resources	545,027	119,265	664,292
NET POSITION			
Net Investment in Capital Assets	19,414,406	1,177,548	20,591,954
Restricted for Debt Service	149,496	-	149,496
Unrestricted	15,363,419	5,093,577	20,456,996
Total Net Position	\$ 34,927,321	\$ 6,271,125	\$ 41,198,446

The accompanying notes are an integral part of this statement.

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

	Business-Type Activities - Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Total Enterprise Funds
OPERATING REVENUES:			
Charges for Water Services	\$ 2,943,555	\$ -	\$ 2,943,555
Charges for Sewerage Services	3,802,930	-	3,802,930
Charges for Sanitation Services	-	1,907,270	1,907,270
Penalties and Interest	179,523	-	179,523
Other Revenue	21,404	791	22,195
Total Operating Revenues	<u>6,947,412</u>	<u>1,908,061</u>	<u>8,855,473</u>
OPERATING EXPENSES:			
Other Operating Costs			
Water Treatment	1,304,110	-	1,304,110
Water and Sewer Distribution	900,682	-	900,682
Wastewater Treatment	1,549,743	-	1,549,743
Billings and Collections	451,892	-	451,892
Solid Waste	-	1,121,135	1,121,135
Other Operating Expenses	5,359	-	5,359
Total Other Operating Costs	<u>4,211,786</u>	<u>1,121,135</u>	<u>5,332,921</u>
Depreciation	<u>2,024,732</u>	<u>342,975</u>	<u>2,367,707</u>
Total Operating Expense	<u>6,236,518</u>	<u>1,464,110</u>	<u>7,700,628</u>
Operating Income	<u>710,894</u>	<u>443,951</u>	<u>1,154,845</u>
NONOPERATING REVENUES (EXPENSES):			
Investment Earnings	610,622	203,836	814,458
Grant	821,109	-	821,109
Bond Fees	(71,847)	-	(71,847)
Total Nonoperating Revenue (Expenses)	<u>1,359,884</u>	<u>203,836</u>	<u>1,563,720</u>
Income Before Transfers	<u>2,070,778</u>	<u>647,787</u>	<u>2,718,565</u>
Transfers In	830,609	781,536	1,612,145
Transfers Out	<u>(2,190,839)</u>	<u>(891,536)</u>	<u>(3,082,375)</u>
Change in Net Position	<u>710,548</u>	<u>537,787</u>	<u>1,248,335</u>
Total Net Position - Beginning	<u>34,216,773</u>	<u>5,733,338</u>	<u>39,950,111</u>
Total Net Position - Ending	<u>\$ 34,927,321</u>	<u>\$ 6,271,125</u>	<u>\$ 41,198,446</u>

The accompanying notes are an integral part of this statement.

**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	Business-Type Activities - Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$ 6,769,925	\$ 1,930,710	\$ 8,700,636
Cash Payments to Employees for Services	(1,982,742)	(715,633)	(2,698,375)
Cash Payments for Goods and Services	(2,886,364)	(513,010)	(3,399,374)
Other Operating Cash Receipts	200,927	791	201,718
Net Cash Provided by Operating Activities	<u>2,101,746</u>	<u>702,858</u>	<u>2,804,604</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>			
Transfer from Other Funds	830,609	781,536	1,612,145
Transfers to Other Funds	(2,190,839)	(891,536)	(3,082,375)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(1,360,230)</u>	<u>(110,000)</u>	<u>(1,470,230)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Cash from grants and other earnings	1,431,731	203,836	1,635,567
Acquisition of Capital Assets	(1,626,386)	(421,536)	(2,047,921)
	(194,655)	(217,700)	(412,354)
<u>Cash Flows from Investing Activities:</u>			
Sale of Investment Securities	602,379	(380,283)	222,096
Investment Income	610,622	203,836	814,458
Net Cash Provided by (Used for) Investing Activities	<u>1,213,001</u>	<u>(176,447)</u>	<u>1,036,554</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,759,863	198,711	1,958,574
Cash and Cash Equivalents at the Beginning of the Year	<u>806,076</u>	<u>1,201,211</u>	<u>2,007,288</u>
Cash and Cash Equivalents at the End of the Year	2,565,939	1,399,922	3,965,862
Cash and Cash Equivalents End of Year, Restricted	<u>(637,133)</u>	<u>-</u>	<u>(637,133)</u>
Cash and Cash Equivalents, Current	<u>\$ 1,928,806</u>	<u>\$ 1,399,922</u>	<u>\$ 3,328,729</u>

The accompanying notes are an integral part of this statement.

**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	Business-Type Activities - Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Total Enterprise Funds
<u>Reconciliation of Operating Income to Net Cash</u>			
<u>Provided by Operating Activities:</u>			
Operating Income	\$ 710,894	\$ 443,951	\$ 1,154,845
Adjustments to Reconcile Operating Income To Net Cash Provided by Operating Activities:			
Depreciation	2,024,732	342,975	2,367,707
Effect of Increases and Decreases in Current Assets and Liabilities:			
(Increase) Decrease in Receivables	(73,189)	23,440	(49,748)
(Increase) Decrease in Inventories	(228,855)	-	(228,855)
(Increase) Decrease in Prepaid Items	0	-	0
(Increase) Decrease in Pension Outflows	(19,880)	(4,017)	(23,898)
(Increase) Decrease in OPEB Outflows	(1,138)	(427)	(1,565)
Increase (Decrease) in Accounts Payable	54,854	18,634	73,488
Increase (Decrease) in Wages Payable	10,405	2,638	13,043
Increase (Decrease) in Compensated Absences	(11,867)	(215)	(12,082)
Increase (Decrease) in Total Pension Liability	(210,791)	(90,339)	(301,130)
Increase (Decrease) in Customer Deposits	29,736	-	29,736
Increase (Decrease) in Noncurrent Comp. Absences	1,305	3,326	4,631
Increase (Decrease) in Total Pension Inflows	(185,438)	(37,476)	(222,915)
Increase (Decrease) in OPEB Liabilities	21,523	8,071	29,594
Increase (Decrease) in OPEB Inflows	(20,544)	(7,704)	(28,248)
Net Cash Provided by Operating Activities	<u>\$ 2,101,746</u>	<u>\$ 702,858</u>	<u>\$ 2,804,604</u>

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

CITY OF NEDERLAND**NOTES TO THE FINANCIAL STATEMENTS****SEPTEMBER 30, 2025****NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Nederland, Texas (the "City") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following represents the significant accounting policies used by the City.

A. REPORTING ENTITY

The City of Nederland, Texas was incorporated in 1940, and was chartered as a Home Rule City in March 1955. The City operates under a council-manager form of government and provides the following services as authorized by its charter: Public Safety-Police and Fire, Streets, Water and Sewer, Sanitation; Culture-Recreation, Public Improvements, and General Administrative Services.

As required by generally accepted accounting principles, the financial statements present the City of Nederland, Texas and its component unit. The discretely presented component unit is reported in a separate column of the financial statement after a total column for the primary government, to emphasize that it is legally separate from the primary government.

B. DISCRETELY PRESENTED COMPONENT UNIT

The Nederland Economic Development Corporation (NEDC) was created under Section 4B of the Development Corporation Act of 1979, Texas Revised Civil Statutes Annotated Article 5190.6, as amended. The NEDC is governed by a board of directors appointed by the City Council. The NEDC is organized exclusively for the purpose of benefiting and accomplishing public purposes of the City of Nederland, Texas by promoting, assisting, and enhancing economic and community development activities for the City.

The NEDC is funded by one-quarter of one percent City sales and use tax. The City performs all accounting functions for the NEDC. The City tax provided to the Corporation during the year ended September 30, 2025 totaled \$1,044,029. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The notes to the financial statements include disclosures pertaining to the City as the primary government and also the EDC as a component unit. Separately issued financial statements for the EDC are not available.

C. RELATED ORGANIZATIONS

The City's elected officials are also responsible for appointing the members of the various boards and commissions established by City Charter and/or state statutes but the City's accountability for these boards and commissions does not extend beyond making the appointments. The City Council appoints board members of the following: Nederland Economic Development Corporation, Zoning Board of Appeals, Planning and Zoning Commission, Construction Board of Adjustments and Appeals, Parks Advisory Board, Animal shelter advisory committee and the Civil Service Commission. Positions on these boards are appointed in certain instances in entirety, partially, or with City Council members.

CITY OF NEDERLAND

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

D. JOINT VENTURE

Mid-County Dispatch

The City of Nederland and two neighboring cities, Groves and Port Neches, have a contractual agreement to pool resources and share the costs, risks, and rewards of providing a central radio dispatching service and information technology services for the participating cities in compliance with the "Interlocal Cooperation Act". Each of the participating cities has an ongoing financial interest in, and responsibility for the Mid-County Dispatch. Funds shall be provided by each City for dispatch operations based on their population and evenly split for information technology services. Based on the agreement, there is no explicit, measurable equity interest for any of entities in the joint ventures resources. During the year ended September 30, 2025 the City contributed \$676,320 to the joint venture. Fund balance of the joint venture at September 30, 2025 was \$806,217. Separately issued financial statements are not available for this joint venture.

E. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

F. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

CITY OF NEDERLAND

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., both measurable and available to finance expenditures of the fiscal period. Revenues are considered available when they are collectible within the current period or soon enough thereafter to be pay liabilities of the current period. For this purpose, the government considers revenues available if they are collected within 60 days of the end of the current fiscal period. Grant revenue is considered available if collected within twelve months. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when the payment is due.

Property taxes, franchise taxes, sales taxes, industrial payments, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital projects fund* accounts for the purchase of capital assets, including infrastructure acquisitions and construction from general government resources.

The City reports the following major proprietary funds:

The *water and sewer fund* accounts for the activities of the water and sewer utility of the City. This fund operates the water treatment and distribution functions, along with the wastewater collection and treatment and the related revenue collection activity.

The *solid waste fund* accounts for the City's operation of garbage collection and green waste disposal services.

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

The *special revenue funds* account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, interfund services provided and used are not eliminated in the process of consolidation.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

CITY OF NEDERLAND**NOTES TO THE FINANCIAL STATEMENTS****SEPTEMBER 30, 2025****NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd**

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

G. BUDGETARY DATA

The following procedures are utilized in establishing the budgetary data reflected in the basic financial statements:

- a. By August 31st, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1 (except the capital projects funds, which adopt project length budgets). The operating budget includes proposed expenditures and the means of financing them. Funds with legally adopted annual budgets are listed as follows: General fund, Police Narcotics fund, Library fund, Court Technology fund, Hotel/Motel Occupancy Tax fund, Fire Department Special fund, Debt Service fund, Water and Sewer fund, and Solid Waste fund.
- b. A Public hearing is conducted, after proper official journal notification, to obtain taxpayer comments.
- c. Prior to September 30th, the budget is legally enacted through passage of an ordinance.
- d. The City Manager is authorized to transfer budgeted amounts within the departmental categories within any fund. All other budget amendments must be approved by the City Council.
- e. Budget appropriations lapse at year-end and are re-established in the succeeding year.
- f. Budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

H. ENCUMBRANCE ACCOUNTING

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at September 30th, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

I. CASH AND INVESTMENTS

Cash includes amounts in demand and time deposit accounts. Investments are reported at fair value. Short-term investments, such as certificates of deposit and debt securities with a maturity date of less than one year, are reported at cost, which approximates fair value. Securities traded on a national or international exchange, if any, are valued at the last reported sales price or current exchange rates.

For the purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased. All certificates of deposits and investments in other securities and instruments are considered to be investments.

CITY OF NEDERLAND

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Investments

State statutes authorize the city to invest in obligations of the U.S. Treasury, the State of Texas, those unconditionally guaranteed by the United States of America or the State of Texas, agencies thereof, Counties, Cities, and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating firm, and having received a rating of not less than "A" or its equivalent, as well as Certificates of Deposit, fully collateralized direct repurchase agreements purchased through a primary government securities dealer or a bank domiciled in Texas and joint pools of political subdivisions in the State of Texas, such as TexPool which is described in more detail below.

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

GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools states that governmental entities should make certain disclosures concerning their investments, including disclosures about any investments in local government investment pools.

Specifically, the statement directs a governmental entity to disclose "for any investment in an external investment pool that are not SEC-registered, a brief description of any regulatory oversight for the pool and whether the fair-value of the position in the pool is the same value as the value of the pool shares". To facilitate compliance with this disclosure requirement, the following description of TexPool is provided.

The City invests in TexPool, which is a public funds investment pool. The pool was organized in conformity with the Interlocal Cooperation Act and the Public Funds Investment Act of the Texas Government Code. The Comptroller of Public Accounts maintains oversight of the services provided to TexPool by Chase Bank of Texas, N.A. and First Southwest Asset Management, Inc., with additional oversight by the TexPool Advisory Board.

Public funds investment pools ("Pools") in Texas are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the Act), Chapter 2256 of the Texas Government Code.

In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAAM or an equivalent rating by at least on nationally recognized rating service; and 3) maintain the fair value of its underlying investment portfolio within on half of one percent of the value of its shares.

The City's investment in TexPool operates in a manner consistent with the Securities and Exchange Commission's (SEC) Rule 2a7 of the Investment Company Act of 1940. A 2a7-like pool is one which is not registered with the SEC as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

CITY OF NEDERLAND

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

J. PROPERTY TAXES RECEIVABLE

Property appraisal within the City is the responsibility of the Jefferson Central Appraisal District (Appraisal District). The Appraisal District is required under the Property Tax Code to appraise all property within the County on the basis of 100% of its market value. The value of real property within the Appraisal District must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the Appraisal District through various appeals and legal action. Under the Property Tax Code legislation, the City establishes tax rates for property within the City's corporate limits. However, a voter approved tax rate is calculated as the maximum rate allowed by law without voter approval. The voter approved tax rate provides cities with about the same amount of tax revenue it spent the previous year for day to day operations plus an extra three and a half percent.

The City's property taxes are levied annually in October on the basis of the Appraisal District's assessed values as of January 1 of that calendar year. Taxes are applicable to the fiscal year in which they are levied. They become delinquent, with an enforceable lien on property, on February 1 of the subsequent calendar year. The City has contracted with the Jefferson County Tax Assessor-Collector to bill and collect its taxes.

In the governmental fund financial statements, property taxes that are measurable and available (receivable within the current period and collected within the current period or within 60 days thereafter to be used to pay liabilities of the current period) are recognized as revenue in the year of levy. Property taxes that are measurable, but not available, are recorded, net of estimated uncollectible amounts, as deferred outflow in the year of levy. Such deferred outflows are recognized as revenue in the fiscal year in which they become available.

K. TAX ABATEMENTS

During the fiscal year ended September 30, 2025, the City did not participate in a tax abatement agreement relating to the property taxes levied for the 2024 tax year levy.

L. RECEIVABLES

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated revenues from the Water and Sewer fund are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.

M. SHORT-TERM INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due to/from other funds" on the balance sheet.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont’d

N. INVENTORIES AND PREPAID ITEMS

Inventories are valued at cost using the first in/first out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. The reserve for the inventory is equal to the amount of inventory to indicate that a portion of the fund balance is not available for future expenditure. Inventories in the Enterprise Fund consist of repair materials, spare parts and water meters, and water treatment and wastewater treatment chemicals. Generally, enterprise funds value inventory at cost or average cost and expense supply inventory as it is consumed, known as the consumption method of accounting. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are recorded using the consumption method.

O. RESTRICTED ASSETS

Certain proceeds of general obligation and revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. A restricted asset is shown on the balance sheet related to TMRS. The use of this asset is limited to pension benefits. Restricted assets also include interest accrued on unexpended bond proceeds and cash received for customer utility deposits.

P. CAPITAL ASSETS

Capital assets which include property, plant, equipment and infrastructure assets (e.g. streets and waterlines, 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 \$5,000 or more 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 reported at acquisition value at the date of donation. The City reports major general infrastructure for assets acquired beginning in 1980.

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. When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

Property, plant and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20 - 25
Improvements other than buildings	5 - 20
Equipment	5 -7
Infrastructure	20 - 50

CITY OF NEDERLAND

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Q. LEASES

Leases are recognized in accordance with GASB Statement No. 87 Leases.

A lessor is required to recognize a lease receivable and a deferred inflow of resources. A lease receivable is recognized at the net present value of the leased asset at a borrowing rate either explicitly described in the agreement or implicitly determined by the City, and is reduced by principal payments received. The deferred inflow of resources is recognized in an amount equal to the sum of the lease receivable and any payments relating to a future period which were received prior to the lease commencement. The deferred inflow of resources is amortized equal to the amount of the annual payments.

A lessee is required to recognize a lease payable and a right-to-use leased asset. A lease payable is recognized at the net present value of future lease payments, and is adjusted over time by interest and payments. Future lease payments include fixed payments, variable payments based on index or rate, and reasonably certain residual guarantees. The right-to-use leased asset is initially recorded at the amount of the lease liability plus prepayments less any lease incentives received prior to lease commencement, and is subsequently amortized over the life of the lease.

In the government-wide and proprietary fund financial statements, deferred inflows related to leases and any respective right-to-use assets are reported in the Statement of Net Position. In the governmental fund financial statements, the present value of lease payments is reported as other financing sources. Under modified accrual accounting, lease payments are considered capital outlay and proceeds of lease contracts, and thereafter are recorded as principal and interest payments.

R. LONG-TERM OBLIGATIONS

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

S. FUND EQUITY

Beginning with fiscal year 2011, the City of Nederland, Texas implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Non-spendable Fund Balance – includes the portion of net resources that cannot be spent because of their form or because they must remain in-tact. As such, the inventory and prepaid items have been properly classified in the Governmental Funds Balance Sheet.

CITY OF NEDERLAND

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont’d

Restricted Fund Balance – includes the portion of net resources on which limitations are imposed by creditors, grantors, contributors, or by laws or regulations of other governments (i.e. externally imposed limitations). Amounts can be spent only for the specific purposes stipulated by external resource providers or as allowed by law through constitutional provisions or enabling legislation. Examples include grant awards and bond proceeds.

Committed Fund Balance – includes the portion of net resources upon which the City Council has imposed limitations on use. Amounts that can be used only for the specific purposes determined by a formal action of the City Council, commitments may be changed or lifted only by the Council taking the same formal action that originally imposed the constraint. The formal action must be approved before the end of the fiscal year in which the commitment will be reflected on the financial statements. The amount subject to the constraint may be determined in the subsequent period (i.e. the Council may approve the calculation or formula for determining the amount to be committed). The City establishes (and modifies or rescinds) fund balance commitments by passage of a resolution.

Assigned Fund Balance- includes the portion of net resources for which an intended use has been established by the City Council or the City Official authorized to do so by the City Council. The City Council by resolution has authorized the City Manager as the City Official responsible for the assignment of fund balance to a specific purpose. Assignments generally only exist temporarily. Additional action does not normally have to be taken for the removal of an assignment. A portion of fund balance has been assigned for street maintenance.

Unassigned fund balance – includes the amounts in the general fund in excess of what can properly be classified in one of the other four categories of fund balance. It is the residual net resources as a positive balance within the general fund only. Classification of the general fund includes all amounts not contained in other classifications.

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

Minimum Unassigned Fund Balance - The City’s goal is to achieve and maintain an unassigned fund balance in the general fund equal to 50% of expenditures. The City considers a balance of less than 25% to be cause for concern, barring unusual or deliberate circumstances. In the event that the unassigned fund balance is calculated to be less than the policy stipulates, the City shall plan to adjust budget resources in subsequent fiscal years to restore the balance.

Replenishment of Minimum Fund Balance Reserves - If unassigned fund balance unintentionally falls below 25% or if it is anticipated that at the completion of any fiscal year the projected unassigned fund balance will be less than the minimum requirement, the City Manager shall prepare and submit a plan to restore the minimum required level as soon as economic conditions allow. The plan shall detail the steps necessary for the replenishment of fund balance as well as an estimated timeline for achieving such. These steps may include, but are not limited to, identifying new, nonrecurring, or alternative sources of revenue; increasing existing revenues, charges and/or fees; use of year end surpluses; and/or enacting cost saving measures such as holding capital purchases, reducing departmental operating budgets, freezing vacant positions, and/or reducing the workforce. The replenishment of fund balance to the minimum level shall be accomplished within a three-year period. If restoration of the reserve cannot be accomplished within such a period without severe hardship to the City, then the Council shall establish an extended time line for attaining the minimum balance.

CITY OF NEDERLAND

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Appropriation of Unassigned Fund Balance - Appropriation from the minimum unassigned fund balance shall require the approval of the Council and shall be utilized only for one-time expenditures, such as capital purchases, and not for ongoing expenditures unless a viable revenue plan designed to sustain the expenditure is simultaneously adopted. The Council may appropriate unassigned fund balances for emergency purposes, as deemed necessary, even if such use decreases the fund balance below the established minimum.

T. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has the following items that qualify for reporting in this category:

- a. 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.
- b. Pension and OPEB contributions made after the measurement date. These contributions are deferred and recognized in the following fiscal year.
- c. Difference in projected and actual earnings on pension assets and OPEB liability. This is the difference deferred and amortized over a closed five year period.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has the following items that qualify for reporting in this category:

- a. A deferred inflow which arises under the accrual basis of accounting and reported in the statement of financial position. The deferred inflow is the difference in the expected and actual pension and OPEB experience and is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- b. A deferred inflow 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 property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

U. 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 be reported as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

CITY OF NEDERLAND**NOTES TO THE FINANCIAL STATEMENTS****SEPTEMBER 30, 2025****NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd**

As of September 30, 2025, Restricted for Other Funds included these balances:

Public Safety:		
Police Narcotics	\$	77,742
Court Technology		6,629
Fire Department		62,310
		<u>146,681</u>
Culture and Recreation:		
Library	\$	64,226
Hotel/Motel		77,904
		<u>142,130</u>
Total Restricted for Other Funds	\$	<u>288,811</u>

V. 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.

W. COMPENSATED ABSENCES

The City's employees earn vacation and sick leave, all of which may either be taken or accumulated, up to certain amounts, until paid upon voluntary termination or retirement. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

X. INTERFUND TRANSACTIONS

Interfund transactions that would be treated as revenues, expenditures, or expenses if they involved organizations external to the city are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from it which are properly applicable to another fund are recorded as expenditures or expenses (as appropriate) in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed. These transfers are reported in the "Other Financing Sources (Uses)" section in the Statement of Revenues, Expenditures, and Changes in Fund Balances (governmental funds) and in the "Transfers" section in the Statement of Revenues, Expenses, and Changes in Fund Net Position (proprietary fund).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Y. GRANTS FROM OTHER GOVERNMENTAL AGENCIES

Federal and State governmental agencies represent an important source of supplementary funding to finance activities beneficial to the community. These funds, primarily in the form of grants, are recorded in the General, Special Revenue and Enterprise Funds. A grant receivable is recorded when the City has a right to reimbursement under the related grant. The grants normally specify the purpose for which the funds may be used and are subject to audit by the granting agency or its representative.

Z. PENSIONS

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

AA. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the City has evaluated events and transactions for potential recognition for disclosure through March 23, 2026, the date that the financial statements were available to be issued.

BB. OTHER POST-EMPLOYMENT BENEFITS

In the fiscal year ended September 30, 2018, the City implemented the following standard: GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* ("GASB 75") establishes accounting and financial reporting standards for other post-employment benefits (OPEB) that are provided to the employees of state and local governmental employers through plans that are administered through trusts or similar arrangements that meet certain criteria. The Statement establishes standards for measuring and recognizing liabilities, deferred outflow of resources, deferred inflow of resources and expense/expenditures. Implementation is reflected in the financial statements, notes to the financial statements and required supplementary information.

CC. SUBSCRIPTIONS-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)

The City entered into contracts that conveys control of the right to use another party's information technology (IT) software. The City recognizes a SBITA liability and an intangible right-to-use SBITA asset in the government-wide financial statements. The SBITA liability is initially measured at the present value of payments expected to be made during the lease term. Subsequently, the SBITA liability is reduced by the principal portion of payments made. The SBITA asset is measured as the initial amount of the SBITA liability, adjusted for payments made at or before the subscription term, plus capitalizable implementation costs, less any incentives received. The SBITA asset is amortized on a straight-line basis over its useful life.

The City used its estimated incremental borrowing rate as the discount rate. The SBITA term includes the noncancellable period of the lease. Lease payments included in the measurement of the SBITA liability are the fixed payments and purchase option price that the City is reasonably certain to exercise.

CITY OF NEDERLAND

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont’d

The City monitors changes in circumstances that would require a remeasurement of its SBITAs and will remeasure the SBITA assets and liabilities if certain changes occur that are expected to significantly affect the amount of the SBITA liabilities. SBITA assets are reported with non-current assets and SBITA liabilities are reported with long-term liabilities on the statement of net position.

DD. CHANGE IN ACCOUNTING PRINCIPLE

GASB statement No. 96, *Subscription-Based Information Technology Arrangements* was adopted effective October 1, 2022. GASB Statement No. 96 establishes uniform accounting and financial reporting requirement for SBITAs; improves the comparability of government’s financial statements; and enhances the understandability, reliability, relevance, and consistency of information about SBITAs.

The City implemented GASB statement No. 100 “Accounting Changes and Error Corrections.” As required by GASB 100, the city must disclose in these notes any change in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity. The impact of these changes will be presented in the financial statements as an Adjustment and/or Restatement of the beginning net position, fund balance, or fund net position as applicable at the earliest period presented.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

Explanation of Reclassification Required on the Government-Wide Statement of Net Position

When governmental activities report debt that financed the acquisition of capital assets that business- type activities report, that debt is not considered to be capital-related debt of the governmental activities. Such debt should not be part of the calculation of net investment in capital assets. However, when the total reporting entity is presented as the reporting unit, the debt is related to the capital assets within that reporting unit. Thus, a reconciliation is necessary as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net Investment in Capital Assets	\$ 49,293,651	\$ 20,591,954	\$ 69,885,605
Restricted for:			
Debt Service	76,076	149,496	225,572
Other Funds	288,811	-	288,811
Unrestricted	<u>33,708,377</u>	<u>20,456,996</u>	<u>54,165,373</u>
Total Net Position	<u>\$ 83,366,915</u>	<u>\$ 41,198,446</u>	<u>\$ 124,565,361</u>

NOTE 3 – CASH AND INVESTMENTS

Cash Deposits

At year-end, the City’s carrying amount of deposits (including NEDC) was \$7,736,995 and the bank balance was \$7,740,448. Of the bank balance, \$250,000 was covered by federal depository insurance. The remaining bank balance was collateralized by securities held by the City or by the City’s agent in name of the City.

CITY OF NEDERLAND

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

NOTE 3 – CASH AND INVESTMENTS, Cont'd

Investments – The City has a written investment policy regarding the investment of its funds. The investments of the City are in compliance with the investment policy, the City Charter, the Public Funds Investment Act (Chapter 2256 of the Government Code, as amended) and all other state and local statutes governing the investment of public funds. The City is authorized to invest in U.S. government obligations and its agencies or instrumentalities, collateralized certificates of deposit, fully collateralized repurchase agreements, no load money market mutual funds and approved government investment pools. As of September 30, 2025, the City of Nederland (including NEDC) had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
TexPool	\$ 66,363,919	N/A
First Public - Lone Star	2,251,254	N/A
Certificates of Deposit	<u>551,332</u>	6 months - 1 year
	<u>\$ 69,166,505</u>	

Investment rate risk: In accordance with the investment policy, the city manages exposure to declines in fair value by avoiding an over-concentration of assets in specific instruments other than U.S. Treasury Securities and Insured or Collateralized Certificates of Deposits.

Credit risk. It is the policy of the City to limit its investment in commercial paper and corporate bonds to those having received a top rating of "A" or its equivalent from a nationally recognized investment rating firm. Standard & Poor's rated TexPool AAAM as of September 30, 2025. Standard & Poor's rated First Public – Lone Star AAA as of September 30, 2025.

Concentration of credit risk. The City will minimize credit risk by limiting investments to the safest types of securities.

Custodial credit risk. 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. Both the City and the NEDC, a discretely presented component unit, require that all deposits and investments be secured by pledged collateral. In order to anticipate market changes and provide a level of security for all funds, the collateralization level is required to be 100% of the fair value of the principal and interest, less an amount insured by the FDIC or FSLIC. Additionally, the collateral pledged shall be held by the Federal Reserve Bank or an institution not affiliated with the firm pledging the collateral.

Local government Investment Pools are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (PFIA), Chapter 2236 of the Texas Government Code. In addition to other provisions of the PFIA designed to promote liquidity and safety of principle, the (PFIA) requires Pools to (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least on nationally recognized rating service; and (3) maintain the fair value of its underlying investment portfolio within one half of one percent of the value of its shares. In addition, the Texas State Comptroller of Public Accounts exercises oversight responsibility over TexPool.

The City's investments in a 2a7-like pool are reported at share value. A 2a7-like pool is one that is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

CITY OF NEDERLAND**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025****NOTE 4 – RECEIVABLES**

In the fund financial statements, property taxes that are measurable and available (receivable within the current period and collected within the current period or within 60 days thereafter to be used to pay liabilities of the current period) are recognized as revenue in the year of levy. Property taxes that are measurable, but not available, are recorded, net of estimated uncollectible amounts, as unavailable revenues in the year of levy. Such unavailable revenues are recognized as revenue in the fiscal year in which they become available.

The balance of property taxes receivable and property tax assessments included in unavailable revenues as of September 30, 2025 are as follows:

	<u>General Fund</u>	<u>Debt Service</u>	<u>Total</u>
Property Taxes Receivable:			
Gross Receivables	\$ 358,642	\$ 146,115	\$ 504,757
Less: Allowance for Doubtful Accounts	<u>(60,969)</u>	<u>(24,840)</u>	<u>(85,809)</u>
Net Property Taxes Receivable	<u>\$ 297,673</u>	<u>\$ 121,275</u>	<u>\$ 418,948</u>
Unavailable Property Taxes	<u>297,673.00</u>	<u>121,275.00</u>	<u>\$ 418,948</u>

Other Receivables as of September 30, 2025 for the City are as follows:

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Funds</u>	<u>Total</u>
Accounts Receivable	861,116	\$ -	\$ -	\$ 19,753	\$ 880,869
Due from Other Governments	6,997	2,093	653,623	-	662,713
Due from Others	94,317	-	-	-	94,317
Due from Other Funds	<u>1,411,223</u>	-	-	-	<u>1,411,223</u>
Gross Receivables	2,373,653	2,093	653,623	19,753	3,049,122
Less: Allowance for Uncollectibles	<u>(298,225)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(298,225)</u>
Net Total Receivables	<u>\$ 2,075,428</u>	<u>\$ 2,093</u>	<u>\$ 653,623</u>	<u>\$ 19,753</u>	<u>\$ 2,750,897</u>

CITY OF NEDERLAND**NOTES TO THE FINANCIAL STATEMENTS****SEPTEMBER 30, 2025****NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the governmental activities for the year ended September 30, 2025 is described in the table below.

Governmental Activities:	Beginning Balance	Current Year		Ending Balance
		Increases	Decreases	
Capital assets not being depreciated:				
Land	\$ 3,087,044	\$ 163,620	\$ -	\$ 3,250,664
Construction in progress	6,830,309	3,102,285	(1,650,641)	8,281,953
Total capital assets not being depreciated	9,917,353	3,265,905	(1,650,641)	11,532,617
Capital assets being depreciated:				
Buildings	15,791,514	142,782	13,125	15,947,421
Machinery and equipment	9,167,770	1,340,761	(65,997)	10,442,534
Infrastructure	54,176,769	250,092	1,637,516	56,064,377
Right-to-Use - Equipment	33,922	-	-	33,922
SBITA	249,000	-	-	249,000
Total capital assets being depreciated	79,418,975	1,733,635	1,584,644	82,737,254
Less accumulated depreciation:				
Buildings	(8,385,121)	(683,784)	-	(9,068,905)
Machinery and equipment	(6,783,936)	(553,211)	65,997	(7,271,150)
Infrastructure	(22,605,658)	(1,843,429)	-	(24,449,087)
Right-to-Use - Equipment	(12,437)	(6,461)	(6,461)	(25,359)
SBITA	(166,610)	(49,300)	-	(215,910)
Total accumulated depreciation	(37,953,762)	(3,136,185)	59,536	(41,030,411)
Total capital assets being depreciated, Net	41,465,213	(1,402,550)	1,644,180	41,706,843
Governmental activities capital assets, Net	<u>\$ 51,382,566</u>	<u>\$ 1,863,355</u>	<u>\$ (6,461)</u>	<u>\$ 53,239,460</u>

Depreciation expense of the governmental activities was charged to functions/programs as follows:

General Government	312,210
Public Safety	691,707
Public Works	1,648,479
Culture & Recreation	483,789
Total Depreciation Expense - Governmental Activities	<u>\$ 3,136,185</u>

Construction in progress consisted of payments made towards drainage improvements, concrete and HMAC road reconstruction projects, and park improvements.

CITY OF NEDERLAND

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 5 – CAPITAL ASSETS, Cont'd

Capital asset activity for the business-type activities for the year ended September 30, 2025 is described in the table below.

Business-Type Activities:	Beginning Balance	Current Year		Ending Balance
		Increases	Decreases	
Capital assets not being depreciated:				
Construction in progress	\$ 587,567	\$ -	\$ -	\$ 587,567
Total capital assets not being depreciated	587,567	-	-	587,567
Capital assets being depreciated:				
Buildings	21,450,340	694,121	-	22,144,461
Improvements other than buildings	40,846,798	696,412	-	41,543,210
Machinery and equipment	6,912,065	657,390	-	7,569,455
Total capital assets being depreciated	69,209,203	2,047,923	-	71,257,126
Less accumulated depreciation:				
Buildings	(12,519,310)	(471,621)	-	(12,990,931)
Improvements other than buildings	(24,084,703)	(1,259,068)	-	(25,343,771)
Machinery and equipment	(4,493,425)	(637,018)	-	(5,130,443)
Total accumulated depreciation	(41,097,438)	(2,367,707)	-	(43,465,145)
Total capital assets being depreciated, Net	28,111,765	(319,784)	-	27,791,981
Business-type activities capital assets, Net	\$ 28,699,332	\$ (319,784)	\$ -	\$ 28,379,548

Depreciation expense of the business-type activities was charged to functions/programs as follows:

Water & Sewer	2,024,732
Solid Waste	342,975
Total Depreciation Expense - Business-Type Activities	<u>\$ 2,367,707</u>

Construction included the wastewater treatment plant rehabilitation, Hodgson Road Lift Station repairs, and installation of generators for lift stations.

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2025, is as follows:

	Payable Fund					Total
	Debt Service	Capital Projects	Other funds	Water & Sewer	General Fund	
Receivable Fund						
General Fund	\$ 117,474	\$ 775,812	\$ 5,000	\$ 512,937	\$ -	\$ 1,411,223
Component Unit	-	-	-	-	78,513	78,513
	<u>\$ 117,474</u>	<u>\$ 775,812</u>	<u>\$ 5,000</u>	<u>\$ 512,937</u>	<u>\$ 78,513</u>	<u>\$ 1,489,736</u>

CITY OF NEDERLAND**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025****NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS, Cont'd**

The outstanding balances between funds resulted mainly from a time lag between the dates (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Certain transfers occur among funds to allocate appropriate costs related to the operations of the funds as follows:

	Transfers In					Total
	General Fund	Debt Service	Capital Projects	Water & Sewer	Solid Waste	
Transfers Out						
General Fund	\$ -	\$ -	\$ 975,000	\$ -	\$ -	\$ 975,000
Capital Projects	-	-	-	537,170	-	537,170
Water & Sewer	375,000	1,522,400	-	293,439	-	2,190,839
Solid Waste	110,000	-	-	-	781,536	891,536
	<u>\$ 485,000</u>	<u>\$ 1,522,400</u>	<u>\$ 975,000</u>	<u>\$ 830,609</u>	<u>\$ 781,536</u>	<u>\$ 4,594,545</u>

Transfers are used to (1) move revenues from the fund with collection authorization to the Debt Service Fund as debt service principal and interest payments become due; (2) move unrestricted water and sewer revenues and solid waste revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs; (3) to move monies into the appropriate capital projects fund; and (4) transfer capital assets between departments.

NOTE 7 – LEASES

The City is involved in leasing arrangements for equipment. The NEDC is involved, as lessor, in leasing arrangements for land and buildings. With the implementation of GASB Statement No. 87 Leases, effective for the fiscal year ended September 30, 2022, all existing and newly acquired leases during the current fiscal year were analyzed and classified for both lessor and lessee positions. With this implementation, a respective receivable, right-to-use asset, lease payable, or deferred inflow related to rental income is recognized.

Governmental Activities lessee lease payable

The City has 4 lease agreements as the lessee for equipment. Interest rates are 2.16%. Annual payments for the current year range from \$590 and \$1,800.

Lease payables currently outstanding as of September 30, 2025 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One year
Governmental Activities:					
Equipment	\$ 21,884	\$ -	\$ (6,431)	\$ 15,453	\$ 6,572
	<u>\$ 21,884</u>	<u>\$ -</u>	<u>\$ (6,431)</u>	<u>\$ 15,453</u>	<u>\$ 6,572</u>

CITY OF NEDERLAND
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 7 – LEASES, Cont'd

Future annual lease commitments as of September 30, 2025 are as follows:

<u>Fiscal Year</u>	
2025	\$ 6,572
2025	5,094
2026	3,493
2027	294
2028	-
	<u>\$ 15,453</u>

NOTE 8 – LONG-TERM DEBT

The City issues general obligation bonds and certificates of obligation to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and certificates of obligation are direct obligations and pledge the full faith and credit of the government.

General obligation bonds and certificates of obligation payable at September 30, 2025, are summarized as follows:

<u>Date of Issue</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Annual Installments</u>	<u>% Rate</u>	<u>Outstanding Debt</u>
2013	\$ 2,600,000	2033	\$80,000 to \$185,000	3.75% - 4.50%	\$ 1,290,000
2017	4,975,000	2027	\$100,000 to \$680,000	3.00% - 4.00%	1,335,000
2018	9,695,000	2038	\$340,000 to \$655,000	2.00% - 3.50%	7,030,000
2020	2,410,000	2031	\$15,000 to \$285,000	5.00%	1,500,000
2021	4,170,000	2036	\$190,000 to \$330,000	1.375% - 4.00%	3,275,000
2023	4,540,000	2038	\$300,000 to \$305,000	5.00%	3,930,000
2024	7,875,000	2044	\$260,000 to \$565,000	4.00% to 5.00%	7,635,000
					<u>\$ 25,995,000</u>

Annual debt service requirements to maturity for the bonds are as follows:

<u>Fiscal Year</u>	<u>Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 2,275,000	\$ 1,021,925	\$ 3,296,925
2027	2,355,000	923,125	3,278,125
2028	1,735,000	832,275	2,567,275
2029	1,785,000	765,775	2,550,775
2030	1,845,000	690,188	2,535,188
2031-2035	8,485,000	2,376,206	10,861,206
2036-2040	5,375,000	935,575	6,310,575
2041-2044	2,140,000	218,000	2,358,000
	<u>\$ 25,995,000</u>	<u>\$ 7,763,069</u>	<u>\$ 33,758,069</u>

CITY OF NEDERLAND**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025****NOTE 8 – LONG-TERM DEBT, Cont'd**Changes in long-term debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable					
General obligations bonds	\$ 20,310,000	\$ -	\$ (1,950,000)	\$ 18,360,000	\$ 2,275,000
Add: Premium on bonds	<u>1,267,577</u>	<u>329,007</u>	<u>(240,012)</u>	<u>1,356,572</u>	<u>207,821</u>
Total Bonds	<u>21,577,577</u>	<u>329,007</u>	<u>(2,190,012)</u>	<u>19,716,572</u>	<u>2,482,821</u>
Notes Payable					
Tax Notes	<u>140,000</u>	<u>-</u>	<u>-</u>	<u>140,000</u>	<u>-</u>
Total governmental long-term debt	<u>\$ 21,717,577</u>	<u>\$ 329,007</u>	<u>\$ (2,190,012)</u>	<u>\$ 19,856,572</u>	<u>\$ 2,482,821</u>
Business-Type Activities:					
Bonds Payable					
General obligations bonds	\$ -	\$ 7,875,000	\$ (240,000)	\$ 7,635,000	\$ 260,000
Add: Premium on bonds	<u>-</u>	<u>329,007</u>	<u>(22,954)</u>	<u>306,053</u>	<u>28,375</u>
Total Bonds	<u>-</u>	<u>8,204,007</u>	<u>(262,954)</u>	<u>7,941,053</u>	<u>288,375</u>
Total business type long-term debt	<u>\$ -</u>	<u>\$ 8,204,007</u>	<u>\$ (262,954)</u>	<u>\$ 7,941,053</u>	<u>\$ 288,375</u>

Arbitrage Rebate Liability

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury for investment income received at yields that exceed the issuer's tax exempt borrowing rates. The Treasury requires payment for each issue every five years. The City had no arbitrage liability as of September 30, 2025.

NOTE 9 – 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. During fiscal year 2024-2025, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (TML). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance.

The City continues to carry commercial insurance for the risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

CITY OF NEDERLAND

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 9 – OTHER INFORMATION, Cont’d

B. Contingent Liabilities

Amounts received or receivable from grantor 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 amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any to be immaterial.

From time to time the City is a defendant in legal proceedings relating to its operations. Although the outcome of the legal proceedings is not presently determinable, in the opinion of the City's counsel, the legal proceedings are without merit. Counsel believes there is little, if any, adverse exposure to the City.

NOTE 10 – DEFINED BENEFIT PENSION PLAN

Plan Description

The City participates as one of 919 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at www.tmr.com.

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

Benefits Provided

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

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

CITY OF NEDERLAND

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

NOTE 10 – DEFINED BENEFIT PENSION PLAN, Cont’d

A summary of plan provisions for the City are as follows:

Employee deposit rate	7%
City deposit rate	7.50% for calendar year 2024 and 7.17% for 2023
Years required for vesting	10 years
Service retirement eligibility	20 years at any age, 10 years at age 60 and above
Updated service credit	Last adopted 2000 - Annually reaperting - 100%
Cost of living adjustment (COLA) for retirees	Last adopted 1984 - 30%
Military service credit	Yes, adopted 3 - 1982
Restricted prior service credit	Yes, adopted 1 - 2000
Buy back last adopted	12 - 1983
SDB for employees	Not elected
SDB for retirees	Not elected

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	131
Inactive employees entitled to but not yet receiving benefits	39
Active employees	<u>130</u>
	300

Contributions

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

Employees for The City were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 7.50% and 7.17% in calendar years 2025 and 2024, respectively. The City’s contributions to TMRS for the year ended September 30, 2025, were \$603,346, and were equal to the required contributions.

Total pension Liability

The City’s Net Pension Liability (NPL) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the Total pension Liability was determined by an actuarial valuation as of that date. An amount due within one year cannot be estimated and therefore has not been presented.

Actuarial assumptions:

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

Inflation	2.5% per year
Overall payroll growth	2.75% per year, Report down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

CITY OF NEDERLAND**NOTES TO THE FINANCIAL STATEMENTS****SEPTEMBER 30, 2025****NOTE 10 – DEFINED BENEFIT PENSION PLAN, Cont'd**

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. The assumptions were adopted in 2019 and first used in the December 31, 2019, 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 percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2024 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	35.0%	7.7%
Core-Fixed Income	6.0%	4.9%
Non-Core Fixed Income	20.0%	8.7%
Other Public and Private Markets	12.0%	8.1%
Real Estate	12.0%	5.8%
Hedge Funds	5.0%	6.9%
Private Equity	10.0%	11.8%
Total	<u>100.0%</u>	

Discount Rate

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

CITY OF NEDERLAND

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 10 – DEFINED BENEFIT PENSION PLAN, Cont'd

Changes in the Total pension Liability (Asset)

	TOTAL			Primary Government		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 12/31/2023	\$ 67,578,068	\$ 68,862,891	\$ (1,284,823)	\$ 66,429,241	\$ 67,692,222	\$ (1,262,981)
Changes for year:						
Service cost	1,688,313	-	1,688,313	1,659,612	-	1,659,612
Interest	4,466,458	-	4,466,458	4,390,528	-	4,390,528
Difference between expected and actual experience	324,169	-	324,169	318,658	-	318,658
Changes in assumptions	-	-	-	-	-	-
Contributions - employer	-	823,298	(823,298)	-	809,302	(809,302)
Contributions - employee	-	768,413	(768,413)	-	755,350	(755,350)
Net investment income	-	7,125,548	(7,125,548)	-	7,004,414	(7,004,414)
Benefit payments, including refunds of employee contr.	(4,504,961)	(4,504,961)	-	(4,428,377)	(4,428,377)	-
Administrative expense	-	(45,889)	45,889	-	(45,109)	45,109
Other changes	-	(1,074)	1,074	-	(1,056)	1,056
Net change	<u>1,973,979</u>	<u>4,165,335</u>	<u>(2,191,356)</u>	<u>1,940,421</u>	<u>4,094,524</u>	<u>(2,154,103)</u>
Balance at 12/31/2024	<u>\$ 69,552,047</u>	<u>\$ 73,028,226</u>	<u>\$ (3,476,179)</u>	<u>\$ 68,369,662</u>	<u>\$ 71,786,746</u>	<u>\$ (3,417,084)</u>
Plan fiduciary net position as a percentage of the total pension liability			105.00%			105.00%
Covered-employee payroll			\$ 10,977,326			\$ 10,790,711
Total Pension liability/(asset) as a percentage of Covered-employee payroll			-31.67%			-31.67%

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

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

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
Primary government's Total Pension liability (asset)	\$ 4,838,738	\$ (3,417,083)	#####
Nonmajor component unit Total Pension liability (asset)	83,681	(59,095)	(178,299)

CITY OF NEDERLAND**NOTES TO THE FINANCIAL STATEMENTS****SEPTEMBER 30, 2025****NOTE 10 – DEFINED BENEFIT PENSION PLAN, Cont'd****Pension Plan Fiduciary Net Position**

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

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

For the year ended September 30, 2025, the City recognized pension expense of:

	<u>Pension Expense</u>
Governmental Activities	\$ 665,392
Business-Type Activities	290,307
Nonmajor Component Unit	<u>16,528</u>
	<u>\$ 972,226</u>

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

	<u>Primary Government</u>		<u>Nonmajor Component Unit</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 246,070	\$ -	\$ 4,256	\$ -
Changes in actuarial assumptions	-	-	-	-
Difference between projected and actual investment earnings	-	1,948,149	-	33,692
Contributions subsequent to the measurement date	-	-	-	-
	<u>603,346</u>	<u>-</u>	<u>10,375</u>	<u>-</u>
Total	<u>\$ 849,417</u>	<u>\$ 1,948,149</u>	<u>\$ 14,630</u>	<u>\$ 33,692</u>

Deferred outflows of resources of \$603,346 related to employer contributions subsequent to the measurement date and will be recognized as a reduction of the total pension asset for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF NEDERLAND**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025****NOTE 10 – DEFINED BENEFIT PENSION PLAN, Cont’d**

Year Ending, December 31,	Primary Government	Nonmajor Component Unit
	Net Deferred Outflows/ (Inflows) of Resources	Net Deferred Outflows/ (Inflows) of Resources
2025	\$ 187,287	\$ 3,239
2026	1,002,068	17,330
2027	(1,030,780)	(17,826)
2028	(458,729)	(7,933)
2029	-	-
Thereafter	-	-
	<u>\$ (300,153)</u>	<u>\$ (5,191)</u>

NOTE 11 – DEFERRED COMPENSATED PLAN

The City offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City’s plan was amended effective December 14, 1998 to provide that all assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

The City has delegated administrative and investment responsibilities to a third-party administrator, Mission Square Retirement Corporation, and as such, the plan assets do not meet the requirements for inclusion in the City’s financial statements at September 30, 2025.

NOTE 12 – POST-EMPLOYMENT HEALTH CARE BENEFITS**Plan Description**

The City’s defined benefit OPEB plan provides health care benefits for employees who retire from the City and who are eligible to receive benefits from a City sponsored retirement program (Texas Municipal Retirement System). Benefit provisions are approved by Council and represent a single- employer postemployment benefit plan.

Benefits Provided

Pursuant to approval by the City Council, the policy for eligibility to participate in retiree health and dental insurance plans require a retiree to be age 58 to receive the benefit and must have a minimum of 20 years of service of which 20 years must be with the City of Nederland; for the TMRS retirement option of “10 years of service, at least 60 years of age” and “TMRS Disability” a retiree must have a minimum of 7.5 years of service with the City of Nederland. A retiree would become ineligible for the benefit if they gained full-time employment with an employer that offers medical insurance. A retiree would be ineligible to participate in the City’s retirement insurance plan if there was a disruption in their enrollment or failure to pay their monthly premiums on time.

CITY OF NEDERLAND

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

NOTE 12 – POST-EMPLOYMENT HEALTH CARE BENEFITS, Cont’d

- Employees who retire after July 1, 2012 would receive a one-time flat rate contribution of \$7,675 that would be deposited in an employer-controlled Health Reimbursement Account to be utilized for qualifying medical expenses including health insurance premiums, co-pays, prescriptions, etc. The age requirement is not applicable.
- Employees who retire after July 1, 2015 would receive a one-time flat rate contribution of \$7,900 that would be deposited in an employer-controlled Health Reimbursement Account to be utilized for qualifying medical expenses including health insurance premiums, co-pays, prescriptions, etc.
- Employees who retire after October 1, 2021 would receive a one-time flat rate contribution of \$8,600 that would be deposited in an employer-controlled Health Reimbursement Account to be utilized for qualifying medical expenses including health insurance premiums, co-pays, prescriptions, etc.
- Retirees who retired between January 1, 1997 and July 1, 2012 would receive:
 - i. For those retirees who have remained eligible but have yet to receive the SSB subsidy, they would receive a one-time flat rate contribution of \$7,675 that would be deposited in an employer-controlled Health Reimbursement Account to be utilized for qualifying medical expenses including health insurance premiums, co-pays, prescriptions, etc.
 - ii. For those retirees who have already begun to receive the SSB subsidy, they would receive a one-time flat rate contribution equivalent to \$7,675 minus the calculated SSB subsidy the retiree has already received (i.e. retiree is age 62 and City’s subsidy equaled \$2,000, then the retiree would receive a contribution of \$5,765) that would be deposited in an employer-controlled Health Reimbursement Account to be utilized for qualifying medical expenses including health insurance premiums, co-pays, prescriptions, etc.
 - iii. The age requirement of 58 years old does not apply to these groups of retirees.
 - iv. Retirees who have not remained eligible for the previous “Sliding Scale Benefit” would not receive any additional benefit
- Once a retiree reaches age 65, he/she is no longer eligible to participate in the Health Insurance Plan and coverage is terminated.

Employees Covered by Benefit Term at December 31, 2024

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	80
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	-
Active Plan Members	<u>130</u>
Total Plan Members	210

Total OPEB Liability

The City’s total OPEB liability of \$1,682,446 was measured as of December 31, 2024 for the measurement period January 1, 2024 through December 31, 2024 and was determined by an actuarial valuation as of December 31, 2024. An amount due within one year cannot be estimated and therefore has not been presented.

CITY OF NEDERLAND

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

NOTE 12 – POST-EMPLOYMENT HEALTH CARE BENEFITS, Cont'd

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2024 valuation was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Valuation Date: December 31, 2024

Methods and Assumptions:

Actuarial cost method	Individual Entry-Age Normal
Discount Rate	4.08% as of December 31, 2024
Inflation Rate	2.50%
Salary Increases	3.60% to 11.85%, including inflation
Demographic Assumptions	Based on the 2023 experience study conducted for the Texas Municipal Retirement System (TMRS).
Mortality	For healthy retirees, the gender-district 2019 Municipal Retirees of Texas mortality tables are used, with male rates multiplied by 103% and female rates multiplied by 105%. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP-2021 table to fully account for future mortality improvements.
Health Care Trend Rates	Initial rate of 7.35% declining to an ultimate rate of 4.25% after 14 years.
Participation Rates	75% of pre-65 retirees who are eligible for HRA contributions are assumed to initially maintain health coverage. After the HRA contribution is depleted, 60% of retirees who initially maintained coverage are assumed to discontinue. For those not eligible for the HRA contribution, 30% were assumed to maintain health coverage at their own expense.

Other Information:

Notes The discount rate changed from 3.77% as of December 31, 2023 to 4.08% as of December 31, 2024. Additionally, the health care trend assumption was updated to reflect the plan's anticipated experience.

Discount Rate

For plans that do not have formal assets, the discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For the purpose of this valuation, the municipal bond rate is 4.05% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The discount rate was 1.84% as of the prior measurement date.

Plan Assets

There are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

CITY OF NEDERLAND

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 12 – POST-EMPLOYMENT HEALTH CARE BENEFITS, Cont’d

Changes in OPEB Liability

The changes in the total OPEB liability for the plan are as follows:

Total OPEB Liability	<u>Primary Government</u>	<u>Nonmajor Component Unit</u>
Service cost	\$ 77,622	\$ 9,010
Interest on the total OPEB liability	52,487	6,092
Changes in benefit terms	-	-
Difference between expected and actual experience	73,752	8,560
Changes in assumptions	3,838	446
Benefit payments	<u>(107,261)</u>	<u>(12,452)</u>
Net change	<u>100,438</u>	<u>11,656</u>
Total OPEB liability - Beginning	<u>1,407,035</u>	<u>163,317</u>
Total OPEB liability - Endings	<u>\$ 1,507,473</u>	<u>\$ 174,973</u>
Covered-employee payroll	\$ 9,253,026	\$ 1,074,012
Total OPEB liability as a percentage of Covered-employee payroll	16.29%	16.29%

Sensitivity of the Total OPEB liability to the Discount Rate Assumption

Regarding the sensitivity of the total OPEB liability to changes in the discount rate, the following presents the plan’s total OPEB liability, calculated using a discount rate of 4.08%, as well as what the plan’s total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

	<u>1% Decrease in Discount Rate 3.08%</u>	<u>Current Discount Rate 4.08%</u>	<u>1% Increase in Discount Rate 5.08%</u>
Primary government's OPEB liability	\$ 1,680,030	\$ 1,507,473	\$ 1,360,086
Nonmajor component unit Total Pension liability (asset)	195,004	174,973	157,867

CITY OF NEDERLAND

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

NOTE 12 – POST-EMPLOYMENT HEALTH CARE BENEFITS, Cont’d

Sensitivity of the Total OPEB liability to the Healthcare Cost Trend Rate Assumption

Regarding the sensitivity of the total OPEB liability to changes in the healthcare cost trend rates, the following presents the plan’s total OPEB liability, calculated using the assumed trend rates as well as what the plan’s total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

	Current Healthcare Cost Trend		
	<u>1% Decrease</u>	<u>Rate Assumption</u>	<u>1% Increase</u>
Primary government's OPEB liability	\$ 1,405,701	\$ 1,507,473	\$ 1,627,761
Nonmajor component unit Total Pension liability (asset)	163,162	174,973	188,936

OPEB Expense and Deferred Outflow of Resources and Deferred Inflow of Resources Related to OPEB

For the fiscal year ended September 30, 2025, the City recognized OPEB expense of:

	<u>OPEB Expense</u>
Governmental Activities	\$ 71,139
Business-Type Activities	29,716
Nonmajor Component Unit	11,706
	<u>\$ 112,561</u>

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

	<u>Primary Government</u>		<u>Nonmajor Component Unit</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 96,542	\$ 58,158	\$ 11,206	\$ 6,750
Changes in actuarial assumptions	62,401	187,954	7,243	21,815
Contributions subsequent to the measurement date	59,908	-	6,954	-
Total	<u>\$ 218,852</u>	<u>\$ 246,111</u>	<u>\$ 25,402</u>	<u>\$ 28,566</u>

CITY OF NEDERLAND

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

NOTE 12 – POST-EMPLOYMENT HEALTH CARE BENEFITS, Cont’d

The \$59,908 reported as deferred outflow of resources related to contributions subsequent to the December 31, 2024 measurement date will be recognized as a reduction of the total OPEB liability during the fiscal year ending September 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending, September 30,	Primary	Nonmajor
	Government	Component Unit
	Net Deferred	Net Deferred
	Outflows/ (Inflows) of	Outflows/ (Inflows) of
	Resources	Resources
2026	\$ (20,333)	\$ (2,360)
2027	(33,467)	(3,885)
2028	(39,542)	(4,590)
2029	(13,578)	(1,576)
2030	14,195	1,648
Thereafter	5,557	645
	<u>\$ (87,168)</u>	<u>\$ (10,118)</u>

NOTE 13 – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The City has several arrangements subject to the requirements of GASB Statement No. 96 Subscription-Based Information Technology Arrangements (SBITA's). These arrangements can be described in groups – those related to public works, culture and recreation, and administrative purposes. The City makes annual payments and the agreements are for varying terms. The SBITA liability is the present value of these payments using the district's incremental borrowing rate of 5%. The liability is amortized providing the principal and interest components of the payments over the SBITA term. The SBITA asset is measured as the SBITA liability plus any capitalized expenditures incurred in the initial implementation stage. The SBITA asset is depreciated (amortized) using a straight-line depreciation method over the term of the SBITA arrangement. There were no additional commitments made before the commencement of the SBITA terms. There were no impairments or modifications to be reported during the fiscal year.

SBITA assets and accumulated amortization at September 30, 2025, were as follows:

	Term in Months	Total Asset Amount	Accumulated Amortization	Remaining Value
Governmental Funds				
Public Works	36	\$ 16,263	\$ (10,191)	\$ 6,072
Culture & Recreation	27-36	19,199	(15,551)	3,648
Administrative	28-72	44,328	(20,958)	23,370
		<u>\$ 79,790</u>	<u>\$ (46,700)</u>	<u>\$ 33,090</u>

CITY OF NEDERLAND**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025****NOTE 13 – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS, Cont'd**

SBITA liability activity for the year ended September 30, 2025, was as follows:

	Term in Months	Interest Rate	Beginning Liability	Additions	Reductions	Remaining Value	Due Within One Year
Governmental Funds							
Public Works	36	5%	\$ 16,706	\$ -	\$ (10,397)	\$ 6,309	\$ 6,309
Culture & Recreation	27-36	5%	19,752	-	(15,857)	3,895	3,895
Administrative	28-72	5%	45,932	-	(23,046)	22,886	6,471
			<u>\$ 82,390</u>	<u>\$ -</u>	<u>\$ (49,300)</u>	<u>\$ 33,090</u>	<u>\$ 16,675</u>

Annual principal and interest requirements to maturity for the SBITA liability are as follows:

Year Ended September 30,	SBITA Liabilities		
	Principal	Interest	Total
2025	\$ 16,675	\$ 1,135	\$ 17,810
2026	6,802	666	7,468
2027	7,149	318	7,467
2028	2,464	26	2,490
2029	-	-	-
	<u>\$ 33,090</u>	<u>\$ 2,145</u>	<u>\$ 35,235</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NEDERLAND

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

	FY 2025 Plan Year 2024	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021
A. Total Pension Liability				
Service Cost	\$ 1,688,313	\$ 1,528,879	\$ 1,485,250	\$ 1,434,956
Interest (on the Total Pension Liability)	4,466,458	4,371,361	4,237,503	4,104,309
Changes of Benefit Terms	-	-	-	-
Difference between Expected and Actual Experience	324,169	253,205	345,929	(180,908)
Changes of Assumption	-	(331,743)	-	-
Benefit Payments, Including Refunds of Employee Contributions	(4,504,961)	(4,480,186)	(3,734,652)	(3,085,877)
Net Change in Total Pension Liability	1,973,979	1,341,516	2,334,030	2,272,480
Total Pension Liability - Beginning	67,578,068	66,236,552	63,902,522	61,630,042
Total Pension Liability - Ending	<u>\$ 69,552,047</u>	<u>\$ 67,578,068</u>	<u>\$ 66,236,552</u>	<u>\$ 63,902,522</u>
B. Total Fiduciary Net Position				
Contributions - Employer	\$ 823,298	\$ 726,927	\$ 739,675	\$ 698,036
Contributions - Employee	768,413	709,692	688,527	663,893
Net Investment Income	7,125,548	7,441,350	(5,247,121)	8,498,513
Benefit Payments, Including Refunds of Employee Contributions	(4,504,961)	(4,480,186)	(3,734,652)	(3,085,877)
Administrative Expenses	(45,889)	(47,501)	(45,516)	(39,402)
Other	(1,074)	(332)	54,315	270
Net Change in Total Pension Liability	4,165,335	4,349,950	(7,544,772)	6,735,433
Total Pension Liability - Beginning	68,862,891	64,512,941	72,057,713	65,322,280
Total Pension Liability - Ending	<u>\$ 73,028,226</u>	<u>\$ 68,862,891</u>	<u>\$ 64,512,941</u>	<u>\$ 72,057,713</u>
C. Total Pension Liability (Asset)	<u>\$ (3,476,179)</u>	<u>\$ (1,284,823)</u>	<u>\$ 1,723,611</u>	<u>\$ (8,155,191)</u>
D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability	105.00%	101.90%	97.40%	112.76%
E. Covered-employee Payroll	\$ 10,977,326	\$ 10,138,458	\$ 9,836,096	\$ 9,484,179
F. Total Pension Liability (Asset) as a Percentage of Covered-employee Payroll	-31.67%	-12.67%	17.52%	-85.99%

Note: GASB 68, Paragraph 46, a and b requires that the data in this schedule be presented for the time period Covered-employee by the measurement date rather than the governmental entity's current fiscal year.

Note: There are no assets accumulated in a trust.

Note: Only nine years of data are presented in accordance with GASB 68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement.

EXHIBIT I

FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015
\$ 1,408,909	\$ 1,304,271	\$ 1,262,738	\$ 1,207,336	\$ 1,131,700	\$ 1,107,837
3,909,780	3,742,924	3,664,635	3,534,367	3,440,413	3,369,020
-	-	-	-	-	-
561,380	629,983	(335,625)	38,533	(563,449)	(190,195)
-	83,207	-	-	-	1,086,415
<u>(2,936,482)</u>	<u>(3,745,039)</u>	<u>(3,160,312)</u>	<u>(2,595,771)</u>	<u>(2,713,373)</u>	<u>(2,376,190)</u>
2,943,587	2,015,346	1,431,436	2,184,465	1,295,291	2,996,887
58,686,455	56,671,109	55,239,673	53,055,208	51,759,917	48,763,030
<u>\$ 61,630,042</u>	<u>\$ 58,686,455</u>	<u>\$ 56,671,109</u>	<u>\$ 55,239,673</u>	<u>\$ 53,055,208</u>	<u>\$ 51,759,917</u>
\$ 600,503	\$ 547,036	\$ 536,414	\$ 528,708	\$ 405,945	\$ 462,351
649,694	603,032	583,058	558,213	524,282	525,397
4,723,565	8,690,225	(1,800,508)	7,507,467	3,544,819	79,424
(2,936,482)	(3,745,039)	(3,160,312)	(2,595,772)	(2,713,373)	(2,376,190)
(30,608)	(49,157)	(34,822)	(38,925)	(40,050)	(48,383)
<u>(1,193)</u>	<u>(1,477)</u>	<u>(1,819)</u>	<u>(1,973)</u>	<u>(2,158)</u>	<u>(2,390)</u>
3,005,479	6,044,620	(3,877,989)	5,957,718	1,719,465	(1,359,791)
62,316,801	56,272,181	60,150,170	54,192,452	52,472,987	53,832,778
<u>\$ 65,322,280</u>	<u>\$ 62,316,801</u>	<u>\$ 56,272,181</u>	<u>\$ 60,150,170</u>	<u>\$ 54,192,452</u>	<u>\$ 52,472,987</u>
<u>\$ (3,692,238)</u>	<u>\$ (3,630,346)</u>	<u>\$ 398,928</u>	<u>\$ (4,910,497)</u>	<u>\$ (1,137,244)</u>	<u>\$ (713,070)</u>
105.99%	106.19%	99.30%	108.89%	102.14%	101.38%
\$ 9,281,348	\$ 8,614,739	\$ 8,329,405	\$ 7,974,475	\$ 7,489,760	\$ 7,505,674
-39.78%	-42.14%	4.79%	-61.58%	-15.18%	-9.50%

CITY OF NEDERLAND**SCHEDULE OF EMPLOYER CONTRIBUTIONS – PENSION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	2025	2024	2023	2022
Actuarially Determined Contributions	\$ 880,244	\$ 803,961	\$ 729,693	\$ 755,701
Contributions in Relation to the Actuarially Determined Contributions	<u>(880,244)</u>	<u>(803,961)</u>	<u>(729,693)</u>	<u>(755,701)</u>
Contributions Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee Payroll	\$ 11,368,564	\$ 10,829,593	\$ 10,058,754	\$ 10,106,525
Contributions as a Percentage of Covered-employee Payroll	7.74%	7.42%	7.25%	7.48%

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

Methods and Assumptions Used to Determine Contribution Rates:

Actual 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 vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB (10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information:

Notes: There were no benefit changes during the year.

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 664,995	\$ 590,570	\$ 540,779	\$ 534,340	\$ 496,719	\$ 414,694
<u>(664,995)</u>	<u>(590,570)</u>	<u>(540,779)</u>	<u>(534,340)</u>	<u>(496,719)</u>	<u>(414,694)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 9,344,015	\$ 9,173,167	\$ 8,483,398	\$ 8,231,820	\$ 7,879,026	\$ 7,409,498
7.12%	6.44%	6.37%	6.49%	6.30%	5.60%

CITY OF NEDERLAND

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

	FY 2025 Plan Year 2024	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021
Total OPEB Liability				
Service Cost	\$ 86,632	\$ 75,989	\$ 106,690	\$ 105,171
Interest on the Total OPEB Liability	58,579	60,646	35,760	36,795
Changes of Benefit Terms	-	-	-	-
Difference between Expected and Actual Experience	82,312	34,994	(66,115)	33,461
Changes of Assumption	4,284	(2,022)	(388,000)	36,345
Benefit Payments	(119,711)	(117,402)	(120,689)	(96,903)
Net Change in Total OPEB Liability	112,096	52,205	(432,354)	114,869
Total OPEB Liability - Beginning	1,570,351	1,518,146	1,950,500	1,835,631
Total OPEB Liability - Ending	<u>\$ 1,682,447</u>	<u>\$ 1,570,351</u>	<u>\$ 1,518,146</u>	<u>\$ 1,950,500</u>
Covered-employee Payroll	\$ 10,327,038	\$ 9,987,640	\$ 9,614,418	\$ 9,484,193
Total OPEB Liability as a Percentage of the Covered-employee Payroll	16.29%	15.72%	15.79%	20.57%
Notes the the Schedule:				
Discount Rate	4.08%	3.77%	4.05%	1.84%

Changes of assumptions reflect the effects of changes in the discount rate each period.

The discount rate at the beginning of FYE2018 was 3.81%.

FYE25 - The health care trend assumption was modified.

FYE24 - The demographic and salary assumptions were adapted to reflect the 2023 TMRS Experience Study.

FYE23 - The health care trend assumption was modified.

FYE20 - The demographic assumptions were updated to reflect the 2019 TMRS Experience Study.

FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018
\$ 92,408	\$ 79,410	\$ 86,825
48,206	57,710	57,081
-	-	-
(114,992)	4,977	(132,721)
151,019	144,242	(88,544)
<u>(95,522)</u>	<u>(95,277)</u>	<u>(80,574)</u>
81,119	191,062	(157,933)
<u>1,754,512</u>	<u>1,563,450</u>	<u>1,721,383</u>
<u>\$ 1,835,631</u>	<u>\$ 1,754,512</u>	<u>\$ 1,563,450</u>
\$ 9,281,349	\$ 8,614,734	\$ 8,106,393
19.78%	20.37%	19.29%
2.00%	2.75%	3.71%

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF NEDERLAND
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for the proceeds of specific revenue sources other than expendable trust, or major capital projects that are for specific purposes. Included in this heading are the following individual funds:

Police Narcotics Fund

This fund was established to account for funds awarded to the City by the Courts from money and property seized during operations of the Jefferson County Narcotics Task Force.

Library Fund

This fund was established to account for revenues, including donations and grants, to fund special projects, purchase equipment, books and supplies not ordinarily provided for in the library's operating budget.

Court Technology Fund

This fund accounts for fines allocated to finance the purchase of technological enhancements for the municipal court.

Hotel/Motel Tax Fund

This fund accounts for revenue from hotel and motel occupancy tax. The funds generated by this tax are restricted by State law for disbursements to support convention and meeting facility construction, operation and maintenance, tourism, historical preservation and promotion of the arts.

Fire Department Fund

This fund was established to account for revenues, including donations and grants, to fund special projects, purchase equipment and supplies, not ordinarily provided for in the fire department's operating budget.

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

	Police Narcotics Fund	Library Fund	Court Technology Fund	Hotel/Motel Occupancy Tax Fund
ASSETS				
Cash and Cash Equivalents	\$ (317)	\$ 52,529	\$ 11,629	\$ 95,782
Investments - Current	78,059	58,854	-	-
Accounts Receivable, Net	-	-	-	19,753
Prepays Items	-	-	-	2,757
Total Assets	<u>\$ 77,742</u>	<u>\$ 111,383</u>	<u>\$ 11,629</u>	<u>\$ 118,292</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ 40,388
Due to General Fund	-	-	5,000	-
Unearned Revenues	-	47,157	-	-
Total Liabilities	<u>-</u>	<u>47,157</u>	<u>5,000</u>	<u>40,388</u>
FUND BALANCES				
Other Restricted Fund Balance	<u>77,742</u>	<u>64,226</u>	<u>6,629</u>	<u>77,904</u>
Total Fund Balances	<u>77,742</u>	<u>64,226</u>	<u>6,629</u>	<u>77,904</u>
Total Liabilities and Fund Balances	<u>\$ 77,742</u>	<u>\$ 111,383</u>	<u>\$ 11,629</u>	<u>\$ 118,292</u>

Fire Department Fund	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
\$ 62,310	\$ 221,933	\$ 221,933
-	136,913	136,913
-	19,753	19,753
-	2,757	2,757
<u>\$ 62,310</u>	<u>\$ 381,356</u>	<u>\$ 381,356</u>
\$ -	\$ 40,388	\$ 40,388
-	5,000	5,000
-	47,157	47,157
-	92,545	92,545
<u>62,310</u>	<u>288,811</u>	<u>288,811</u>
<u>62,310</u>	<u>288,811</u>	<u>288,811</u>
<u>\$ 62,310</u>	<u>\$ 381,356</u>	<u>\$ 381,356</u>

CITY OF NEDERLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	Police Narcotics Fund	Library Fund	Court Technology Fund	Hotel/Motel Occupancy Tax Fund
REVENUES:				
Taxes:				
Other Taxes	\$ -	\$ -	\$ -	\$ 150,970
Grants and Private Contributions	5,877	43,951	-	-
Forfeitures	-	-	-	-
Fines and Court Costs	-	-	8,557	-
Investment Earnings	3,879	4,301	219	3,732
Other Revenue	4,821	326	-	-
Total Revenues	<u>14,577</u>	<u>48,578</u>	<u>8,776</u>	<u>154,702</u>
EXPENDITURES:				
Public Safety	31,980	-	-	913
Culture and Recreation	-	35,815	-	189,297
Total Expenditures	<u>31,980</u>	<u>35,815</u>	<u>-</u>	<u>190,210</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(17,403)</u>	<u>12,763</u>	<u>8,776</u>	<u>(35,508)</u>
Net Change in Fund Balances	(17,403)	12,763	8,776	(35,508)
Fund Balance - Beginning	<u>95,145</u>	<u>51,463</u>	<u>(2,147)</u>	<u>113,412</u>
Fund Balance - Ending	<u>\$ 77,742</u>	<u>\$ 64,226</u>	<u>\$ 6,629</u>	<u>\$ 77,904</u>

Fire Department Fund	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ 150,970	\$ 150,970
37,580	87,408	87,408
-	-	-
-	8,557	8,557
1,808	13,939	13,939
-	5,147	5,147
<u>39,388</u>	<u>266,021</u>	<u>266,021</u>
31,292	64,185	64,185
-	225,112	225,112
<u>31,292</u>	<u>289,297</u>	<u>289,297</u>
<u>8,096</u>	<u>(23,276)</u>	<u>(23,276)</u>
8,096	(23,276)	(23,276)
54,214	312,087	312,087
<u>\$ 62,310</u>	<u>\$ 288,811</u>	<u>\$ 288,811</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	Budgeted Amounts		Actual GAAP BASIS (See Note)	Variance With Final Budget Over or (Under)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 1,875,522	\$ 1,875,522	\$ 1,865,739	\$ (9,783)
Penalty and Interest on Taxes	25,000	25,000	24,112	(888)
Investment Earnings	5,000	5,000	9,906	4,906
Total Revenues	<u>1,905,522</u>	<u>1,905,522</u>	<u>1,899,757</u>	<u>(5,765)</u>
EXPENDITURES:				
Debt Service:				
Principal on Debt	2,025,000	2,025,000	2,330,000	(305,000)
Interest on Debt	847,522	847,522	1,037,611	(190,089)
Other Debt Service	3,000	3,000	2,600	400
Total Expenditures	<u>2,875,522</u>	<u>2,875,522</u>	<u>3,370,211</u>	<u>(494,689)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(970,000)</u>	<u>(970,000)</u>	<u>(1,470,454)</u>	<u>488,924</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	<u>970,000</u>	<u>970,000</u>	<u>1,522,400</u>	<u>552,400</u>
Total Other Financing Sources (Uses)	<u>970,000</u>	<u>970,000</u>	<u>1,522,400</u>	<u>552,400</u>
Net Change in Fund Balances	-	-	51,946	51,946
Fund Balance - Beginning	<u>88,198</u>	<u>88,198</u>	<u>88,198</u>	-
Fund Balance - Ending	<u>\$ 88,198</u>	<u>\$ 88,198</u>	<u>\$ 140,144</u>	<u>\$ 51,946</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – POLICE NARCOTICS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	Budgeted Amounts		Actual GAAP BASIS (See Note)	Variance With Final Budget Over or (Under)
	Original	Final		
REVENUES:				
Grants and Private Contributions	\$ -	\$ -	\$ 5,877	\$ 5,877
Forfeitures	15,000	15,000	-	(15,000)
Investment Earnings	3,000	3,000	3,879	879
Other Revenue	1,750	1,750	4,821	3,071
Total Revenues	<u>19,750</u>	<u>19,750</u>	<u>14,577</u>	<u>(5,173)</u>
EXPENDITURES:				
Public Safety	<u>19,750</u>	<u>19,750</u>	<u>31,980</u>	<u>(12,230)</u>
Total Expenditures	<u>19,750</u>	<u>19,750</u>	<u>31,980</u>	<u>(12,230)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>(17,403)</u>	<u>7,057</u>
OTHER FINANCING SOURCES (USES):				
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	-	(17,403)	(17,403)
Fund Balance - Beginning	<u>95,145</u>	<u>95,145</u>	<u>95,145</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 95,145</u>	<u>\$ 95,145</u>	<u>\$ 77,742</u>	<u>\$ (17,403)</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – LIBRARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	Budgeted Amounts		Actual GAAP BASIS (See Note)	Variance With Final Budget Over or (Under)
	Original	Final		
REVENUES:				
Grants and Private Contributions	\$ 50,000	\$ 50,000	\$ 43,951	\$ (6,049)
Investment Earnings	-	-	4,301	4,301
Other Revenue	25,000	25,000	326	(24,674)
Total Revenues	<u>75,000</u>	<u>75,000</u>	<u>48,578</u>	<u>(26,422)</u>
EXPENDITURES:				
Culture and Recreation	75,000	75,000	35,815	39,185
Total Expenditures	<u>75,000</u>	<u>75,000</u>	<u>35,815</u>	<u>39,185</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>12,763</u>	<u>(65,607)</u>
Net Change in Fund Balances	-	-	12,763	12,763
Fund Balance - Beginning	<u>51,463</u>	<u>51,463</u>	<u>51,463</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 51,463</u>	<u>\$ 51,463</u>	<u>\$ 64,226</u>	<u>\$ 12,763</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – COURT TECHNOLOGY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	Budgeted Amounts		Actual GAAP BASIS (See Note)	Variance With Final Budget Over or (Under)
	Original	Final		
REVENUES:				
Fines and Court Costs	\$ 6,000	\$ 6,000	\$ 8,557	\$ 2,557
Investment Earnings	-	-	219	219
Total Revenues	<u>6,000</u>	<u>6,000</u>	<u>8,776</u>	<u>2,776</u>
EXPENDITURES:				
Public Safety	<u>10,500</u>	<u>10,500</u>	-	<u>10,500</u>
Total Expenditures	<u>10,500</u>	<u>10,500</u>	-	<u>10,500</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,500)</u>	<u>(4,500)</u>	<u>8,776</u>	<u>(7,724)</u>
Net Change in Fund Balances	(4,500)	(4,500)	8,776	13,276
Fund Balance - Beginning	<u>(2,147)</u>	<u>(2,147)</u>	<u>(2,147)</u>	-
Fund Balance - Ending	<u>\$ (6,647)</u>	<u>\$ (6,647)</u>	<u>\$ 6,629</u>	<u>\$ 13,276</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – HOTEL/MOTEL OCCUPANCY TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	Budgeted Amounts		Actual GAAP BASIS (See Note)	Variance With Final Budget Over or (Under)
	Original	Final		
REVENUES:				
Other Taxes	\$ 60,000	\$ 60,000	\$ 150,970	\$ 90,970
Investment Earnings	2,000	2,000	3,732	1,732
Total Revenues	<u>62,000</u>	<u>62,000</u>	<u>154,702</u>	<u>92,702</u>
EXPENDITURES:				
Public Safety	-	-	913	(913)
Culture and Recreation	62,800	62,800	189,297	(126,497)
Total Expenditures	<u>62,800</u>	<u>62,800</u>	<u>190,210</u>	<u>(127,410)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(800)</u>	<u>(800)</u>	<u>(35,508)</u>	<u>220,112</u>
Net Change in Fund Balances	(800)	(800)	(35,508)	(34,708)
Fund Balance - Beginning	<u>113,412</u>	<u>113,412</u>	<u>113,412</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 112,612</u>	<u>\$ 112,612</u>	<u>\$ 77,904</u>	<u>\$ (34,708)</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – FIRE DEPARTMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	Budgeted Amounts		Actual GAAP BASIS (See Note)	Variance With Final Budget Over or (Under)
	Original	Final		
REVENUES:				
Grants and Private Contributions	\$ 25,000	\$ 25,000	\$ 37,580	\$ 12,580
Investment Earnings	-	-	1,808	1,808
Total Revenues	<u>25,000</u>	<u>25,000</u>	<u>39,388</u>	<u>14,388</u>
EXPENDITURES:				
Public Safety	<u>25,000</u>	<u>25,000</u>	<u>31,292</u>	<u>(6,292)</u>
Total Expenditures	<u>25,000</u>	<u>25,000</u>	<u>31,292</u>	<u>(6,292)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>8,096</u>	<u>20,680</u>
Net Change in Fund Balances	-	-	8,096	8,096
Fund Balance - Beginning	<u>54,214</u>	<u>54,214</u>	<u>54,214</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 54,214</u>	<u>\$ 54,214</u>	<u>\$ 62,310</u>	<u>\$ 8,096</u>

COMPONENT UNIT – NEDERLAND ECONOMIC DEVELOPMENT CORPORATION
BALANCE SHEET
SEPTEMBER 30, 2025

	General	Total Funds
ASSETS		
Cash and Cash Equivalents	\$ 199,139	\$ 199,139
Investments	7,537,856	7,537,856
Receivables (net of allowances for doubtful accounts)		
Taxes Receivable	81,729	81,729
Due to Other Funds	78,513	78,513
Total Assets	<u>\$ 7,897,237</u>	<u>\$ 7,897,237</u>
LIABILITIES		
Accrued Expenses and Other Liabilities	\$ 484	\$ 484
Unearned Revenues	5,775	5,775
Total Liabilities	<u>6,259</u>	<u>6,259</u>
FUND BALANCES		
Committed Fund Balance	1,872,100	1,872,100
Unassigned Fund Balance	6,018,878	6,018,878
Total Fund Balances	<u>7,890,978</u>	<u>7,890,978</u>
Total Liabilities and Fund Balances	<u>\$ 7,897,237</u>	

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in these funds.

3,457,560

Included in restricted assets is the recognition of the City's proportionate share of the total pension liability (asset) required by GASB 68 in the amount of \$59,096, a Deferred Resource Outflow related to TMRS in the amount of \$14,630, and a Deferred Resource Inflow related to TMRS in the amount of \$33,692. This amount is an increase in Net Position in the amount of \$40,035.

40,035

Included in restricted assets is the recognition of the City's proportionate share of the total OPEB liability (asset) required by GASB 75 in the amount of \$174,974, a Deferred Resource Outflow related to TMRS in the amount of \$25,402, and a Deferred Resource Inflow related to TMRS in the amount of \$28,566. This amount is a decrease in Net Position in the amount of \$178,138.

(178,138)

\$ 11,210,435

COMPONENT UNIT – NEDERLAND ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General	Total Funds
REVENUES		
Sales Tax	\$ 1,237,124	\$ 1,237,124
Interest	316,587	316,587
Other Miscellaneous	34,060	34,060
Sale of Assets	562,527	562,527
Total Revenues	2,150,298	2,150,298
EXPENDITURES		
Current:		
Economic Development	925,258	925,258
Total Expenditures	925,258	925,258
Net Change in Fund Balances	1,225,040	1,225,040
Fund Balance - Beginning	6,665,938	
Fund Balance - Ending	\$ 7,890,978	
The change in capital assets are reflected in the current financial resources of governmental funds, however has no effect on net position.		(463,373)
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 the component unit fund accounting. Conversely, certain items reported as expenditures at the fund level are considered assets in the government- wide statements.		
Change in total pension asset, deferred inflows, and outflows.		(51,305)
Change in total OPEB liability, deferred inflows, and outflows		(86)
Change in Net Position		710,276
Net Position - Beginning		10,500,159
Net Position - Ending		\$ 11,210,435

COMPONENT UNIT – NEDERLAND ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual GAAP BASIS (See Note)	Variance With Final Budget Over or (Under)
	Original	Final		
REVENUES:				
Sales Tax	\$ 932,160	\$ 932,160	\$ 1,237,124	\$ 304,964
Interest	50,000	50,000	316,587	266,587
Other Miscellaneous	11,700	11,700	34,060	22,360
Sale of Assets	-	-	562,527	562,527
Total Revenues	<u>993,860</u>	<u>993,860</u>	<u>2,150,298</u>	<u>1,156,438</u>
EXPENDITURES:				
Economic Development	<u>993,860</u>	<u>993,860</u>	<u>925,258</u>	<u>68,602</u>
Total Expenditures	<u>993,860</u>	<u>993,860</u>	<u>925,258</u>	<u>68,602</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>1,225,040</u>	<u>1,087,836</u>
Net Change in Fund Balances	-	-	1,225,040	1,225,040
Fund Balance - Beginning	<u>6,665,938</u>	<u>6,665,938</u>	<u>6,665,938</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 6,665,938</u>	<u>\$ 6,665,938</u>	<u>\$ 7,890,978</u>	<u>\$ 1,225,040</u>