

**CITY OF AUSTWELL, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

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**CITY OF AUSTWELL, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor, Members of City Council
City of Austwell, Texas

Opinions

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Austwell, Texas as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Austwell, Texas as of September 30, 2025 and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Management's Responsibility for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Austwell, 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 Responsibility for the Audit of the Financial Statements

My 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 my 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

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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 judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement 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 City of Austwell, 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 my judgement, there are conditions, or events, considered in the aggregate, that raise substantial doubt about City of Austwell, Texas's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Supplementary Information

The supplemental information are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

S. Noel Snedeker II, CPA

S. Noel Snedeker, II
Certified Public Accountant
April 6, 2026

Member: [Association of International Certified Professional Accountants](#)

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

This discussion and analysis of the City of Austwell, Texas,' financial performance is intended to provide an overview and analysis of the City's financial activities for the fiscal year ended September 30, 2025. The reader is encouraged to consider the information presented here in conjunction with the accompanying transmittal letter and the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- As of September 30, 2025, the City of Auswtell's General Fund reported an ending fund balance of \$87,809 in the governmental fund types. (Exhibit C-1, C-3)
- The governmental assets of the City of Austwell exceeded its liabilities at the close of the fiscal year ending September 30, 2025 by \$295,223. (Exhibit A-1, B-1).
- The City of Austell's total net position decreased by \$4,705, as a result of current year operations.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis serve as an introduction to the City of Austwell' basic financial statements. The basic financial statements are comprised of three components: government-wide financial statements, fund financial statements and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

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

The Statement of Net Position presents information on all of the City of Austwell's assets and liabilities, with the difference between the two reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. This statement combines and consolidates governmental funds' current financial resources (short-term spend-able resources) with capital assets and long-term obligations.

Other non-financial factors should be taken into consideration, such as changes in the City's property tax base and the condition on the City's infrastructure (i.e. roads, drainage improvements, storm and sewer lines, etc.), to assess the overall health or financial condition of the City.

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

The Statement of Activities presents information showing how the City's Net Position changed during the most recent fiscal year. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of when cash is received or paid. 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 taxed and earned but not used vacation leave). Both the Statement of Net Position and the Statement of Activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

In the Statement of Net Position and the Statement of Activities, the City is divided into two kinds of activities:

Governmental Activities- Most of the City's basic services are reported here, including the fire, building and inspections, sanitation, code enforcement, parks and recreation and general administration. Property taxes, sales taxes and franchise fee finance most of these activities.

Business-type Activities- The City did not have any business-type activities.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds- not the City as a whole. Some funds are required to be established by state law and by bond covenants.

Governmental Funds- the majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provided a detailed short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

By comparing information presented for governmental activities in the government-wide statements, readers may better understand the long-term effect of the government's near-term operating decisions. The relationships or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statement.

Notes to the Financial Statements

These 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 immediately following the basic financial statements.

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

Other Information

In addition to basic financial statement and accompanying notes, this report presents certain required supplementary information.

The City as a Whole- Government-wide Financial Analysis

The City's Net Position was \$295,223 as of September 30, 2025. (Exhibit A-1). The analysis focuses on the Net Position (Table 1) and changes in general revenues (Table 2) and significant expenses of the City's governmental type-activities.

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

**TABLE I
CITY OF AUSTWELL, TEXAS
CHANGES IN NET POSITION**

	Governmental Activities	
	2025	2024
Current and Other Assets	\$ 96,350	\$ 122,378
Capital Assets	201,197	196,849
Total Assets	<u>297,547</u>	<u>319,227</u>
Current and Other Liabilities	2,324	19,299
Long Term Liabilities		-
Total Liabilities	<u>2,324</u>	<u>19,299</u>

Net Position:

Invested in Capital Assets	201,197	196,849
Restricted	94,026	
Unrestricted		103,079
Total Net Position	<u>\$ 295,223</u>	<u>\$ 299,928</u>

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

**Table II
CITY OF AUSTWELL, TEXAS
CHANGES IN NET POSITION**

	Governmental Activities	
	2025	2024
Revenues:		
Property Taxes	\$ 33,642	\$ 31,523
Sales Tax	8,855	7,031
Franchise Taxes	4,734	2,772
Licenses and Permits		
Intergovernmental		
Charges for Services	172,709	177,218
Fines and Forfeitures		
Investment Earnings	453	716
Capital Grants	-	-
Grants & Contributions	-	-
Other Revenue	393	-
Total Revenues	<u>220,786</u>	<u>219,260</u>
Expenses:		
General Government	225,491	289,920
Public Safety/Municipal Court	-	-
Public Works/Streets	-	-
Parks, Recreation, and Culture	-	-
Health and Welfare	-	-
Waste/Wastewater	-	-
Sanitation	-	-
Economic Development and Assistance	-	-
Bond Interest	-	-
Depreciation	-	-
Total Expenses	<u>225,491</u>	<u>289,920</u>
Increase (Decrease) in Net Position before transfers and special items	(4,705)	(70,660)
Transfers		
Non-Operating Revenue/(Expenses)		
Net Increase (Decrease)		-
Prior Period Adjustment (Note 13)		
Net Position at beginning	<u>299,928</u>	<u>370,588</u>
Net Position at ending	<u>\$ 295,223</u>	<u>\$ 299,928</u>

**CITY OF AUSTWELL, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025**

Government Fund Activities

The assessed value of the property in the City was 18.3 million. In addition to ad valorem property taxes, the City collects sales taxes and utility franchise taxes.

**Table III
GENERAL FUND REVENUES
At September 30**

	<u>2025</u>	<u>2024</u>	<u>Increase (Decrease)</u>
Taxes	\$ 42,497	\$ 32,425	\$ 10,072
Licenses and Permits	-		-
Intergovernmental		-	-
Charges for Services	172,709	177,218	(4,509)
Interest Income	453	716	(263)
Other	5,127	9,803	(4,676)
Total General Revenue	<u>\$ 220,786</u>	<u>\$ 220,162</u>	<u>\$ 624</u>

The most significant governmental expense for the City was General Government with \$225,491. (Exhibit C-3)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2025 the City of Austwell had nearly \$1,232,122 invested in a broad range of capital assets, including building, land, park facilities, roads, bridges, vehicles, and water and sewer lines, before depreciation and an accumulated depreciation of \$1,030,925.

Debt

None

THE CITY’S FUNDS

At the close of the City’s fiscal year on September 30, 2025, the governmental funds of the City reported a combined fund balance of \$87,809. This ending balance includes a decrease in the General Fund balance of (\$14,383) from operations.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2025-2026 budget, tax rates and fees that will be charged for the business-type activities. The total growth of the City's commercial development and revenues remain on target. Property tax valuations continue to increase; thus the property tax revenues were held flat by adopting the no new revenue rate. Water and sewer utility rates were raised to provide adequate revenue to cover the cash expenses of the Utility fund and to accumulate operating reserves. The City set the tax rate at \$.1889 for the M&O for the 2024-2025 fiscal year and maintained the 65 & older exemption.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives from all sources. If you have questions about this report or need additional financial information, contact the City Secretary.

BASIC FINANCIAL STATEMENTS

CITY OF AUSTWELL, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

EXHIBIT A-1

	Primary Government
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 88,925
Taxes Receivable, Net	1,083
Accounts Receivable, Net	6,343
Capital Assets:	
Buildings, Net	116,045
Furniture and Equipment, Net	62,153
Construction in Progress	22,998
Total Assets	297,547
LIABILITIES	
Accounts Payable	1,616
Wages and Salaries Payable	708
Total Liabilities	2,324
NET POSITION	
Net Investment in Capital Assets	201,197
Unrestricted	94,026
Total Net Position	\$ 295,223

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

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

EXHIBIT B-1

Net (Expense)
Revenue and
Changes in Net
Position

Primary Gov.
Governmental
Activities

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions		
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
Financial Administration	\$ 225,491	\$ 172,709	\$ -	\$ (52,782)
TOTAL PRIMARY GOVERNMENT	\$ 225,491	\$ 172,709	\$ -	(52,782)

General Revenues:

Taxes:		
Property Taxes, Levied for General Purposes	33,642	
General Sales and Use Taxes	8,855	
Franchise Tax	4,734	
Miscellaneous Revenue	393	
Investment Earnings	453	
Total General Revenues	48,077	
Change in Net Position	(4,705)	
Net Position-- Beginning	299,928	
Net Position - Ending	\$ 295,223	

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

CITY OF AUSTWELL, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

	General Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 88,925
Taxes Receivable	1,274
Allowance for Uncollectible Taxes (credit)	(191)
Accounts Receivable, Net	6,343
	<hr/>
Total Assets	\$ 96,351
	<hr/> <hr/>
LIABILITIES	
Accounts Payable	\$ 1,616
Wages and Salaries Payable	708
Unearned Revenues	5,135
	<hr/>
Total Liabilities	7,459
	<hr/>
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue - Property Taxes	1,083
	<hr/>
Total Deferred Inflows of Resources	1,083
	<hr/>
FUND BALANCE	
Unassigned Fund Balance	87,809
	<hr/>
Total Fund Balance	87,809
	<hr/>
Total Liabilities, Deferred Inflows & Fund Balance	\$ 96,351
	<hr/> <hr/>

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

CITY OF AUSTWELL, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

Total Fund Balances - Governmental Funds	\$	87,809
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.		196,848
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2025 capital outlays and debt principal payments is to increase (decrease) net position.		22,998
The 2025 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(18,650)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		6,218
Net Position of Governmental Activities	\$	295,223

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

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

EXHIBIT C-3

	General Fund
<hr/>	
REVENUES:	
Taxes:	
Property Taxes	\$ 33,447
General Sales and Use Taxes	8,855
Franchise Tax	4,734
Charges for Services	167,574
Investment Earnings	453
Other Revenue	393
Total Revenues	<u>215,456</u>
EXPENDITURES:	
Current:	
General Government:	
Financial Administration	<u>229,839</u>
Total Expenditures	<u>229,839</u>
Net Change in Fund Balance	(14,383)
Fund Balance - October 1 (Beginning)	<u>102,192</u>
Fund Balance - September 30 (Ending)	<u><u>\$ 87,809</u></u>

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

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

Total Net Change in Fund Balances - Governmental Funds	\$	(14,383)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2025 capital outlays and debt principal payments is to increase (decrease) the change in net position.		22,998
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.		(18,650)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) the change in net position.		5,330
Change in Net Position of Governmental Activities	<u>\$</u>	<u>(4,705)</u>

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

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

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 32,000	\$ 32,000	\$ 33,447	\$ 1,447
General Sales and Use Taxes	7,000	7,000	8,855	1,855
Franchise Tax	-	-	4,734	4,734
Charges for Services	219,000	219,000	167,574	(51,426)
Investment Earnings	400	400	453	53
Other Revenue	93,645	93,645	393	(93,252)
Total Revenues	<u>352,045</u>	<u>352,045</u>	<u>215,456</u>	<u>(136,589)</u>
EXPENDITURES:				
Current:				
General Government:				
Financial Administration	325,783	325,783	229,839	95,944
Total Expenditures	<u>325,783</u>	<u>325,783</u>	<u>229,839</u>	<u>95,944</u>
Net Change	26,262	26,262	(14,383)	(40,645)
Fund Balance - October 1 (Beginning)	<u>102,192</u>	<u>102,192</u>	<u>102,192</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 128,454</u>	<u>\$ 128,454</u>	<u>\$ 87,809</u>	<u>\$ (40,645)</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF AUSTWELL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

1. REPORTING ENTITY

The City of Austwell, Texas, (the “City”) was incorporated in 1914 under the provisions of the laws for the State of Texas. The City operates under a charter under a **General Law City**, which was adopted on October 1, 1914, and provides the following Services: streets, drainage, drinking water, sanitary sewer, social services, culture-recreation, public improvements, planning and zoning, and general administration services. The City operates with an Aldermanic type of government where the Mayor and two Aldermen are elected on a rotating schedule on a city election basis with 3 members for the place system. In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered financially accountable. Blended component units, (park fund) although legally separate entities are, in substance, part of the City operations and so data from these units are combined with data from the City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City complies with Generally Accepted Accounting Principles (GAAP). The City’s reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Enterprise funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Government-wide and fund financial statements

The government-wide financial statements (the statement of Net Position and the statement of activities) report information on all of the activities of the City. The effect of inter-fund activity, within the governmental and business-type activities columns, has been removed from these statements. However, any inter-fund services provided and used are not eliminated in the process of consolidation. 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.

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

CITY OF AUSTWELL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Fund Financial Statements:

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balances of current financial resources. The City has presented the following major governmental funds:

GASB 87

The City implemented GASB 87 for reporting leases during the reporting period. A right-to-use lease is defined as a contract that conveys control of another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. To be accounted for as a lease, the lease must meet the definition of a "long-term" lease provided in GASB 87 and must meet the capitalization level set by the Board. The right-to-use lease liability is reported in the government-wide statements. The lease liability is calculated as the present value of the reasonably certain expected payments to be made over the term of the lease and the interest included in the lease payment is recorded as an expense.

With GASB 87, the initial measure of a new right-to-use lease arrangement is reported in government fund types as another financial source during the current period. Monthly payments are reported as principal and interest payments during the reporting period of the fund level statements. The right-to-use lease asset capitalization level is determined by the Board of Trustees. The term of the lease must be the noncancelable period during which the District has the right to use the tangible assets of another entity plus any periods in which either the lessee or the lessor has the sole option to extend the lease if it is reasonably certain the option will be exercised, plus any periods in which either the lessee or the lessor has the sole option to terminate the lease if it is reasonably certain the option will not be exercised by that party and must not meet the definition of a short-term lease under GASB 87. If the lease is in a governmental fund, the full amount of the lease asset will be reported as an expenditure in the fund level statements the year the agreement is made. This statement had no significant impact to the City.

General Fund-

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

CITY OF AUSTWELL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of Net Position and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers revenue as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. However, debt services expenditures, except for interest payable accrued at the debt issuance date for which cash is received with the debt proceeds, as well as expenditures related to compensated absences are recorded only when payment has matured and will be payable shortly after year-end.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year-end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received, as they are deemed immaterial.

3. FINANCIAL STATEMENT AMOUNTS

a. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation is not utilized by the City’s accounting system. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditure or liabilities until the commitments are honored by inclusion in the subsequent year’s budget. There are no significant encumbrances outstanding at September 30, 2025.

b. Cash and Investments

The City can legally invest in certificates of deposit, obligations of the U.S. Government and its Agencies or instrumentalities, State obligations, local government investment pools or certain money market funds.

**CITY OF AUSTWELL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

c. Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

d. Inventories

The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

e. Inter-fund Receivables and Payables

None

f. Transactions Between Funds

None

g. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental -type activities columns in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on capital assets. Assets capitalized have an original cost of \$5,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	10-50 Years
Water and Sewer System	5-50 Years
Infrastructure	10-50 Years
Machinery and Equipment	3-10 Years
Improvements	10-50 Years
Vehicles	3-10 Years

**CITY OF AUSTWELL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

h. Compensated Absences

None

i. Use of Estimates

The preparation of basic financial statements in conformance with GAAP requires management to make estimates and assumptions that affect the amount reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

4. Reconciliation of Government-wide and fund financial statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of Net Position.

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the Net Position for governmental activities as reported in the government-wide statement of Net Position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets at the Beginning of the year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Change in Net Position</u>
Land		-	-	
Buildings	369,537	(241,478)	128,059	
Improvements		-	-	
Furniture & Fixtures	839,587	(770,798)	68,789	
Machinery & Equipment		-		
Infrastructure/Construction in Progress		-	-	
Change in Net Position	<u>1,209,124</u>	<u>(1,012,276)</u>		<u>\$ 196,848</u>
<u>Long-term Liabilities at the Beginning of the year</u>				
Bonds and Loans Payable				
Comp. Absences & Other	-			
Deferred Amounts	-			
Total Long-term Liabilities				<u>\$ -</u>
Net Adjustment to Net Position				<u>\$ 196,848</u>

**CITY OF AUSTWELL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

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

Exhibit C-4 provides reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in Net Position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in Net Position.

The details of this adjustment are as follows:

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

Adjustments to Revenue and Unearned Revenue	Amount	Change in Net position	To Net Position
Taxes Collected from Prior Year Levy	\$ 1,083	\$ 1,083	\$ 1,083
Customer Utilites paid in advance	5,135	5,135	5,135
Uncollected Taxes (assumed collectible) from Current Year Levy	-	\$ (888)	-
Uncollected Taxes (assumed collectible) from Prior Year Levy	-	-	-
Total	\$-	\$ 5,330	\$ 6,218

5. Stewardship, Compliance and Accountability

a. CASH AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Texas Government Code Charter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. Agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers' acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial Compliance with the requirements of the Act and with local policies.

**CITY OF AUSTWELL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

b. Cash Deposits

At September 30, 2025, the carrying amount of the City’s deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$88,925 and the bank balance was \$89,230. The City’s cash deposits at September 30, 2025 and during the period ended September 30, 2025, were entirely covered by FDIC insurance or by pledged collateral held by the City’s agent bank in the City’s name.

c. Investments

As of September 30, 2025, the City had the following investments and the securities to be priced in the portfolio were:

	Level 1	Level 2	Level 3	Total
Money Markets	\$0	0	0	\$0
U.S. Gov’t Agencies	0	0	0	0
Total Fair Value	\$0	0	0	\$0

d. Additional policies and contractual provisions governing deposits and investments for the City are specified below:

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the City limits investments in (list investments covered by the district's credit risk policy, such as commercial paper, corporate bonds, mutual bond funds) to the top (or top 2 or 3) ratings issued by nationally recognized statistical rating organizations (NRSROs). As of September 30, 2025, the City's investments in were rated 1 and invested in certificate of deposits.

Custodial Credit Risk for Investments To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the City requires counterparties to register the securities in the name of the district and hand them over to the City or its designated agent. This includes securities in securities lending transactions. All of the securities are in the City's name and held by the City or its agent.

Concentration of Credit Risk To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the City limits investments to less than 5% of its total investments. The City further limits investments in a single issuer when they would cause investment risks to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. The City uses an investment limitation of 20%.

CITY OF AUSTWELL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the City requires investments to be less than one year. Interest Rate Risk- In accordance with state law and City policy, the City does not purchase any investments with maturities greater than 10 years. Credit Risk- In accordance with state law and the City’s investment policy, investments in mutual funds and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, countries, etc. must be rated at least A. The City’s investments in investment pools were rated AAA when utilized.

Concentration of Credit Risk- the City does not place a limit on the amount the City may invest in any one issuer. The City does not have a concentration of credit risk.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a custodial credit risk.

6. CAPITAL ASSETS

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

	<u>Balances October 1st</u>	<u>Addition/ Completion</u>	<u>Retirements/ Adjustments</u>	<u>Balances September 30th</u>
Governmental Activities:				
Capital Assets not being depreciated:				
Land		\$ -		\$ -
Construction in Progress		22,998		22,998
Total Capital assets not being depreciated			-	22,998
Capital Asset being depreciated:				
Buildings and Improvements	369,537	-	-	369,537
Equipment	839,587	-	-	839,587
Infrastructure		-	-	-
Total capital assets being depreciated	1,209,124	-	-	1,209,124
Less accumulated depreciation for:				
Buildings and Improvements	241,478	12,014	-	253,492
Equipment	770,797	6,636	-	777,433
Vehicles	-	-	-	-
Infrastructure	-	-	-	-
Total accumulated depreciation	1,012,275	18,650	-	1,030,925
Total capital assets being depreciated, net	196,849	(18,650)	-	178,199
Governmental activities capital assets, net	196,849	(18,650)	-	201,197

**CITY OF AUSTWELL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

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

Governmental Activities:	
General government and administration	18,650
Parks and Recreation	
Total depreciation expense - Governmental activities	\$ 18,650

7. LONG-TERM DEBT

None

8. INTERFUND TRANSACTIONS AND BALANCES

None

9. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2025, were as follows:

	Property Taxes	Other Governments	Due From Other Funds	Other	Total Receivables
Governmental Activities:					
General Fund	\$ 1,274		\$ -	\$ 6,343	\$ 7,617
Major Governmental Funds		-		-	-
Non-major Governmental Funds	-	-	-	-	-
Total - Governmental Activities	\$ 1,274	\$ -	\$ -	\$ 6,343	\$ 7,617

Payables at September 30, 2025, were as follows:

	Accounts	Loans, Leases and Bonds Payable- Current Year	Salaries and Benefits	Due to Other Funds	Due to Other Governments	Other	Total Payables
Governmental Activities:							
General Fund	\$ 1,616		\$ 708		\$ -	\$ -	\$ 2,324
Major Gov. Fund	-	-	-	-	-	-	-
Non-major Gov. Funds		-	-	-	-	-	-
Total - Gov. Activities	\$ 1,616	\$ -	\$ 708	\$ -	\$ -	\$ -	\$ 2,324

**CITY OF AUSTWELL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

10. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Property taxes are levied on October 1 based on 100% of appraise value of property as listed on the previous January 1. Appraised values are determined by the Refugio County Appraisal District; approved by the Refugio County Appraisal Review Board; and certified by the Chief Appraiser. Property taxes are due upon receipt of the tax bill and are delinquent if not paid before February of the year following the year in which imposed. The City does offer a discount or early payment of taxes of 3% if paid in October, 2% in November and 1% if paid in December. The City's taxes are billed and collected by the City during the current fiscal year and will be billed and collected by the Refugio County Tax Assessor Collector in future years. Ad valorem taxes of \$32,762 were assessed on property values totaling \$18,221,970 using a tax rate of \$.1889 per \$100 assessed value.

11.PENSION PLAN

The City of Austwell provides no pension plan.

12. COMMITMENTS AND CONTINGENT LIABILITIES

There are no claims and/or lawsuits pending against the City that were required to be disclosed. The City has not accrued any potential liability pending its lawsuits.

13. PRIOR PERIOD ADJUSTMENTS

None

**CITY OF AUSTWELL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

14. SUBSEQUENT EVENTS

The City of Austwell has no reportable litigation pending that is not covered by insurance and therefore, no liability is reflected in the financial statements for the September 30, 2025, fiscal year as necessary.

The Council has evaluated subsequent events through April 6, 2026, the date on which the financial statements were available to be issued.

On February 18, 2026 the City entered into a contract (grant) for \$556,688.50 with Matagorda Bay Mitigation Trust to replace its aging wastewater treatment plant.

On March 10, 2026 The Austwell City Council passed a resolution authorizing a Notice of Intent to issue Certificates of Obligation for wastewater treatment plant construction and decommissioning the current wastewater treatment plant in the amount of \$1,000,000.

15. FUND EQUITY - GASB 54 NOTE

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the government funds. The classifications are as follows:

Non-spendable - The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of inter-fund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the City of Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process.

**CITY OF AUSTWELL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Constraints imposed on the use of committed amounts are imposed by City Council separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the City Council or state statute.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

16. Fund Balance - GASB 54 Compliance

By a majority vote in a scheduled meeting of the City Council, the Council may commit fund balances and it may modify or rescind these commitments. The City Council may also delegate authority to persons or parties to assign fund balances in specific circumstances. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows.

Fund Balance Classification	Amount
Restricted	
Federal/State Grants	
Assigned Fund Balances	
Undesignated/Unassigned	-
Unassigned Fund Balance	102,192
Total Fund Balances	\$ 102,192

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF AUSTWELL
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 BUDGET (GAAP BASIS) AND ACTUAL
 YEAR ENDED SEPTEMBER 30, 2025

Revenues:	Actual	Budget	Variance Favorable (Unfavorable)
Permit Income	\$ 715	\$ -	\$ 715
Rental Income	1,504	2,095	(591)
Interest	453	400	53
Property Taxes	33,447	32,000	1,447
Sales Tax Income	8,855	7,000	1,855
Water & Sewer Fee Income	161,219	219,000	(57,781)
Utility Franchise Income	4,734	4,500	234
Fees / Other	4,529	87,050	(82,521)
Total Revenues	215,456	352,045	(136,589)
 Expenditures:			
Advertising	395	200	(195)
Animal Control	-	2,131	2,131
Insurance	13,748	10,500	(3,248)
Water & Sewer Operator	-	61,000	61,000
Appraisal Services	1,207	1,032	(175)
Bank Fees/Service Charge	20	20	0
Dues & Subscriptions	77	200	123
Freight & Postage	693	1,000	307
Lab Fees	8,100	7,500	(600)
Repair and Maintenance	35,262	72,500	37,238
Office Expense	880	3,000	2,120
Payroll Expense	849	800	(49)
Professional Fees	61,535	30,000	(31,535)
Elections Admin.	-	3,200	3,200
Salaries	77,532	17,000	(60,532)
TCEQ Permit Fees	1,450	1,450	0
License, Permits & Fees	21	6,250	6,229
Telephone	953	800	(153)
Electricity	18,959	18,000	(959)
Sewer Debt Service	-	80,000	80,000
Other	6,230	6,050	(180)
Water & Sewer Supplies	1,928	2,500	572
Training/ Education/ Travel	-	650	650
Total Expenditures	229,839	325,783	95,944
Excess of Revenues over (under) expenditures	(14,383)	26,262	
Fund Balance October 1, 2024	102,192	102,192	
Prior Period Adjustment	-	-	
Fund Balance September 30, 2025	\$ 87,809	\$ 128,454	

See accompany auditor's report

CITY OF AUSTWELL, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2025

BUDGETARY DATA

Annual budgets are legally adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the capital projects fund. City Secretary is authorized to transfer budgeted amounts within departments; however, any revisions that alter the total expenditures of a department must be approved by the City Council. Budgeted amounts reported in the 2024-2025 financial statements present the original and final amended budget approved by the Council. All unencumbered budget appropriations except project budgets, lapse at the end of each fiscal year. The following procedures are used by the City in establishing the budgetary date reflected in the financial statements:

1. Prior to August 6th each year, the City Secretary submits a proposed budget to the City Council. The operating budget includes proposed expenditures and the means of financing them.
2. Advertised public hearings are conducted.
3. The budget is required to be approved by September 20th.
4. The tax rates are approved after the budget has been approved.
5. The budget may be amended as considered necessary. The budget and tax rates are enacted through the passage of ordinances.