

ANNUAL FINANCIAL REPORT

of the

City of Aledo, Texas

For the Year Ended September 30, 2025

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City of Aledo, Texas
ANNUAL FINANCIAL REPORT
September 30, 2025

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the City Council and Management
City of Aledo, Texas

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5–12, the general fund budgetary comparison information on page 51 and the pension & OPEB tables on pages 52–57 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's basic financial statements. The accompanying combining and individual nonmajor fund financial statements on pages 60-61 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2026, on our consideration of the City'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'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's internal control over financial reporting and compliance.

Vail + Park, P.C.

Tom Bean, Texas
January 15, 2026

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City of Aledo, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2025

Management's discussion and analysis (MD&A) of the City of Aledo's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2025. The MD&A should be read in conjunction with the accompanying financial statements and the notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources at the close of the 2025 fiscal year by \$47,365,336. Of this amount, \$11,665,238 is restricted for specific purposes and \$8,630,222 represents unrestricted net position that may be used to meet the City's ongoing obligations to citizens and creditors. As required by GASB Statement No. 34, net position also reflects \$27,069,876 that is the net investment in capital assets.
- In contrast to the government-wide statements, the governmental fund statements report combined fund balances at year-end of \$16,609,284, of which \$8,532,750 represents restricted fund balance for Economic Development, infrastructure/public improvements, debt service, and other legislative purposes. The General Fund unassigned fund balance is \$8,076,534.
- The City's debt in the business-type activities increased by \$26,750,074. The increase is related to a new debt issuance of \$27,775,000 combined with paying the principal portion of scheduled annual debt service payments due in fiscal year 2025 and amortization of the related bond premium. The City's debt in the governmental activities decreased \$1,926 as a result of amortization of the bond premium.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) 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's finances in a manner similar to private sector business. They present the financial picture of the City from an economic resource measurement focus using the accrual basis of accounting. These statements include all assets of the City (excluding infrastructure purchased or donated prior to October 1, 2003) as well as all liabilities.

City of Aledo, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2025

Additionally, certain eliminations have occurred as prescribed by GASB Statement No. 34 in regard to interfund activity, payables, and receivables.

The statement of net position presents information on all the City'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.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other business 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 Administration, Public Works, City Streets, Municipal Court, Parks and Recreation, and the Community Center. The business-type activity of the City is Water and Sewer Operations and contracting for solid waste services. All governmental and business-type activities included in the government-wide financial statements are functions of the City (known as the primary government). The government-wide financial statements can be found on pages 15-17 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into 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. Unlike the government-wide financial statements, however, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

City of Aledo, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2025

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

The City maintains eight governmental funds, the general fund, the economic development corporation fund, the grant fund, the capital projects fund, the debt service fund, the TIRZ fund, and court security and technology funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the capital projects fund, and the debt service fund. All other nonmajor funds are aggregated and presented as Other Governmental Funds.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement (original versus final) has been provided in this report to demonstrate compliance with this budget. The governmental fund financial statements can be found on pages 18-21 of this report.

Proprietary funds - Proprietary funds can be further classified into two different types of funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among a government's various functions. The City allocates costs directly to the operating departments and accordingly does not account or report any internal service funds.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements can be found on pages 22-24 of this report.

Notes to the basic 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 25-48 of this report.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning pension and OPEB benefits. The required supplementary information can be found on page 51-57 of this report.

City of Aledo, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2025

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$47,365,336 as of September 30, 2025.

The table below provides a summary of the City's net position on September 30, 2025 and 2024.

	Summary of Net Position					
	Governmental Activities		Business-type Activity		Total	
	FY 2024-25	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25	FY 2023-24
Current and other assets	\$ 18,362,984	\$ 25,762,783	\$ 36,688,876	\$ 10,322,317	\$ 55,051,860	\$ 36,085,100
Net pension asset	82,451	46,269	88,029	49,399	170,480	95,668
Capital assets, net	25,629,026	14,880,026	29,101,910	28,568,856	54,730,936	43,448,882
Total Assets	44,074,461	40,689,078	65,878,815	38,940,572	109,953,276	79,629,650
Deferred Outflows of						
Resources	68,836	125,227	479,711	573,763	548,547	698,990
Other liabilities	1,874,847	822,995	1,420,859	2,474,796	3,295,706	3,297,791
Long-term liabilities	18,586,653	18,588,579	41,131,362	14,381,288	59,718,015	32,969,867
Total Liabilities	20,461,500	19,411,574	42,552,221	16,856,084	63,013,721	36,267,658
Deferred Inflows of						
Resources	43,149	140,223	79,617	140,843	122,766	281,066
Net Position:						
Net investment in capital assets	13,087,259	11,910,286	13,982,617	14,218,081	27,069,876	26,128,367
Restricted	8,532,750	2,984,228	3,132,488	2,997,525	11,665,238	5,981,753
Unrestricted	2,018,639	6,367,994	6,611,583	5,301,802	8,630,222	11,669,796
Total Net Position	\$ 23,638,648	\$ 21,262,508	\$ 23,726,688	\$ 22,517,408	\$ 47,365,336	\$ 43,779,916

A large portion of the City's net position (57%) reflects its investment in capital assets (land, building, infrastructure, machinery, and equipment, etc.) less any related debt used to acquire those assets that is still outstanding. The City uses those assets to provide services to the 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. An additional \$11,665,238 or 25% of the City's net position represents resources that are subject to external restrictions on how they may be used. The majority of the restricted assets of the City are being held for capital improvements, debt service requirements on the City's outstanding debt, and economic development. The remaining portion of the City's net position (\$8,630,222, or 26%) may be used to meet the City's ongoing obligations to citizens and creditors.

City of Aledo, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2025

The table below provides a summary of the City's changes in net position for the years ended September 30, 2025 and 2024.

Summary of Changes in Net Position						
	Governmental Activities		Business-type Activity		Total	
	FY 2024-25	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25	FY 2023-24
Revenues						
Program revenues:						
Charges for services	\$ 521,620	\$ 712,947	\$ 6,275,464	\$ 4,954,995	\$ 6,797,084	\$ 5,667,942
Operating grants and contributions	367,930	-	-	-	367,930	-
Capital grants and contributions	-	-	-	1,236,232	-	1,236,232
General revenues:						
Property taxes	4,146,874	3,073,919	-	-	4,146,874	3,073,919
Sales taxes	1,875,965	2,260,248	-	-	1,875,965	2,260,248
Franchise tax	397,085	365,274	-	-	397,085	365,274
Investment earnings	800,329	1,153,259	930,320	517,517	1,730,649	1,670,776
Disposal of capital assets	(18,517)	-	-	28,000	(18,517)	28,000
Miscellaneous revenue (expense)	204,132	108,397	-	-	204,132	108,397
Total Revenues	8,295,418	7,674,044	7,205,784	6,736,744	15,501,202	14,410,788
Expenses						
Administration	1,998,382	1,771,696	-	-	1,998,382	1,771,696
Public works and city streets	1,220,508	1,458,562	-	-	1,220,508	1,458,562
Court and public safety	781,039	2,984	-	-	781,039	2,984
Parks and recreation	178,057	236,806	-	-	178,057	236,806
Community center	709,159	15,551	-	-	709,159	15,551
Interest on long-term debt	827,133	723,013	1,317,909	-	2,145,042	723,013
Water and sewer operations	-	-	4,883,595	4,489,615	4,883,595	4,489,615
Total Expenses	5,714,278	4,208,612	6,201,504	4,489,615	11,915,782	8,698,227
Change in Net Position						
Before Transfers	2,581,140	3,465,432	1,004,280	2,247,129	3,585,420	5,712,561
Transfers	(205,000)	(262,995)	205,000	262,995	-	-
Total	(205,000)	(262,995)	205,000	262,995	-	-
Change in Net Position	2,376,140	3,202,437	1,209,280	2,510,124	3,585,420	5,712,561
Beginning Net Position	21,262,508	18,060,071	22,517,408	20,007,284	43,779,916	38,067,355
Ending Net Position	\$ 23,638,648	\$ 21,262,508	\$ 23,726,688	\$ 22,517,408	\$ 47,365,336	\$ 43,779,916

In total, the City's total net position increased by \$3,585,420 during the current fiscal year. The City's governmental activities, including transfers, increased net position by \$2,376,140. The total cost of all governmental activities this year was \$5,712,539. The amount that taxpayers paid for these activities through property taxes was \$4,146,874 or 50% of total governmental revenue. The City's business-type activities increased net position by \$1,209,280. The total cost of all business-type activities for fiscal year 2025 was \$6,201,504.

City of Aledo, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2025

Governmental activities – Governmental activities increased the City's net position by \$2,376,140. The key elements of this increase are as follows:

- Increase of property taxes of approximately \$1,072,955.
- Increase in operating grants of approximately \$367,930.
- Increase in other revenues of approximately \$95,735.

Business-type activities – Business-type activities increased the City's net position by \$1,209,280. The key element of this increase was increases in charges for services and investment earnings totaling \$1,320,469 and \$412,803, respectively.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. 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.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$16,609,284, a decrease of \$8,493,511 from the prior year. Unassigned fund balance reported in the general fund of \$8,076,534, an increase of \$1,355,603 over the prior year, represents amounts available for spending at the City's discretion. The key factor in this increase was continued rising of property and sales taxes.

GENERAL FUND BUDGETARY HIGHLIGHTS

Adjustments made to the 2024 – 2025 General Fund annual budget during the year are highlighted on page 51.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The City's investments in total capital assets for its governmental and business-type activities as of September 30, 2025, amount to \$54,730,936 (net of accumulated depreciation). Investments in capital assets related to governmental activities of \$ 25,629,026, includes land, construction in progress, buildings and improvements, motor vehicles, machinery and equipment, City streets, storm water drainage, and other improvements.

City of Aledo, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2025

The City's investments in capital assets related to business-type activities of \$29,101,910, includes land, construction in progress, buildings and improvements, motor vehicles, machinery and equipment, and the water and sewer systems.

	Governmental Activities		Business-type Activities		Total	
	FY 2024-25	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25	FY 2023-24
Land	\$ 569,625	\$ 569,625	\$ 419,604	\$ 419,604	\$ 989,229	\$ 989,229
Construction in progress	15,825,974	4,749,909	3,247,780	2,086,911	19,073,754	6,836,820
Water and sewer system	-	-	37,912,101	37,334,672	37,912,101	37,334,672
Buildings and improvements	698,731	498,351	3,210	3,210	701,941	501,561
City streets	13,636,812	13,636,812	-	-	13,636,812	13,636,812
Storm water drainage	1,604,895	1,604,895	-	-	1,604,895	205,866
Motor vehicles	516,711	279,967	370,417	370,417	887,128	1,975,312
Machinery and equipment	205,866	205,866	353,321	390,431	559,187	670,398
Other improvements	1,064,629	943,958	-	-	1,064,629	943,958
Accumulated depreciation	(8,494,217)	(7,609,357)	(13,204,523)	(12,036,389)	(21,698,740)	(19,645,746)
Total	\$ 25,629,026	\$ 14,880,026	\$ 29,101,910	\$ 28,568,856	\$ 54,730,936	\$ 43,448,882

Additional information on the City's capital assets can be found in Note 4 of this report.

Long-term debt - At the end of the current fiscal year, the City had total debt outstanding of \$59,660,000. In total, the City's long-term debt increased by \$26,749,226 during the current fiscal year.

	Governmental Activities		Business-type Activities		Total	
	FY 2024-25	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25	FY 2023-24
Certificates of obligation	\$18,558,595	\$18,559,999	\$33,817,824	\$ 6,360,000	\$52,376,419	\$24,919,999
General obligation refunding	-	-	7,283,581	7,990,775	7,283,581	7,990,775
Total	\$18,558,595	\$18,559,999	\$41,101,405	\$14,350,775	\$59,660,000	\$32,910,774

State statutes limit the total property tax rate to \$2.50 per \$100 assessed valuation. The City's total property tax rate for 2024-25 was \$0.390082 per \$100 assessed valuation, of which \$0.131800 was for annual debt service. Additional information on the City's long-term debt can be found in Note 5 of this report.

City of Aledo, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2025

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The annual budget is developed to provide efficient, effective and economic uses of the City's resources, as well as, a means to accomplish the highest priority objectives. Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities.

In considering the Fiscal Year 2026 budget, City Council and management considered the following factors:

- The FY2026 adopted property tax rate was \$0.355353 per \$100 assessed valuation.
- The major expenditure categories, and items that are taking place:
 - Development and implementation of a police department which will be fully operational in fiscal year 2026.
 - City Hall is in progress and expected to be complete in fiscal year 2026.
 - Project for the wastewater treatment with which will be funded with debt proceeds.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and investors with a general overview of the City finances and to show the City's accountability for the money it receives. If you have questions about this report or need any additional financial information, please contact the City Secretary at: 104 Maverick Street, PO Box 1, Aledo TX 76008.

BASIC FINANCIAL STATEMENTS

City of Aledo, Texas
STATEMENT OF NET POSITION
As of September 30, 2025

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
Assets			
Cash and investments	\$ 17,542,084	\$ 35,311,131	\$ 52,853,215
Receivables (net of allowances)	583,116	906,354	1,489,470
Restricted assets:			
Cash and cash equivalents	237,784	471,391	709,175
Net pension asset	82,451	88,029	170,480
Capital assets (net of acc. depreciation)			
Non-depreciable	16,395,599	3,667,384	20,062,983
Net depreciable capital assets	9,233,427	25,434,526	34,667,953
Total Assets	44,074,461	65,878,815	109,953,276
Deferred Outflows of Resources			
Deferred charges on refunding	-	406,217	406,217
Deferred outflows - pension	66,473	70,971	137,444
Deferred outflows - OPEB	2,363	2,523	4,886
Total Deferred Outflows of Resources	68,836	479,711	548,547
Liabilities			
Accounts payable	1,019,498	284,075	1,303,573
Escrow payable	649,787	616,337	1,266,124
Accrued liabilities	52,464	73,871	126,335
Customer deposits	-	288,170	288,170
Interest payable	103,411	132,553	235,964
Compensated absences	49,687	25,853	75,540
Noncurrent liabilities:			
Total OPEB liability	28,058	29,957	58,015
Debt due within one year	15,000	1,194,370	1,209,370
Debt due in more than one year	18,543,595	39,907,035	58,450,630
Total Liabilities	20,461,500	42,552,221	63,013,721
Deferred Inflows of Resources			
Deferred charges on refunding	-	33,547	33,547
Deferred inflows - pension	38,627	41,241	79,868
Deferred inflows - OPEB	4,522	4,829	9,351
Total Deferred Inflows of Resources	43,149	79,617	122,766
Net Position			
Net investment in capital assets	13,087,259	13,982,617	27,069,876
Restricted	8,532,750	3,132,488	11,665,238
Unrestricted	2,018,639	6,611,583	8,630,222
Total Net Position	\$ 23,638,648	\$ 23,726,688	\$ 47,365,336

City of Aledo, Texas
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2025

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and Contributions	Grants and Contributions
Primary Government:				
Governmental activities:				
Administration	\$ 1,998,382	\$ 403,486	\$ 367,930	\$ -
Public works	544,312	-	-	-
City streets	676,196	-	-	-
Municipal court and public safety	781,039	1,680	-	-
Parks and recreation	178,057	109,114	-	-
Community center	709,159	7,340	-	-
Interest and charges on long-term debt	827,133	-	-	-
Total governmental activities	5,714,278	521,620	367,930	-
Business-type activities:				
Water and sewer	6,201,504	6,275,464	-	-
Total business-type activities	6,201,504	6,275,464	-	-
Total primary government	\$ 11,915,782	\$ 6,797,084	\$ 367,930	\$ -

General Revenues and Transfers:

Property taxes
Sales taxes
Franchise taxes
Unrestricted investment earnings
Loss on disposal of capital assets
Other revenue
Transfers in (out)

Total General Revenues and Transfers

Change in Net Position

Beginning Net Position

Ending Net Position

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,226,966)		\$ (1,226,966)
(544,312)		(544,312)
(676,196)		(676,196)
(779,359)		(779,359)
(68,943)		(68,943)
(701,819)		(701,819)
(827,133)		(827,133)
<u>(4,824,728)</u>		<u>(4,824,728)</u>
-	\$ 73,960	73,960
-	73,960	73,960
<u>(4,824,728)</u>	<u>73,960</u>	<u>(4,750,768)</u>
3,328,678	-	3,328,678
2,694,161	-	2,694,161
397,085	-	397,085
800,329	930,320	1,730,649
(18,517)	-	(18,517)
204,132	-	204,132
(205,000)	205,000	-
<u>7,200,868</u>	<u>1,135,320</u>	<u>8,336,188</u>
2,376,140	1,209,280	3,585,420
21,262,508	22,517,408	43,779,916
<u>\$ 23,638,648</u>	<u>\$ 23,726,688</u>	<u>\$ 47,365,336</u>

City of Aledo, Texas

BALANCE SHEET

GOVERNMENTAL FUNDS

As of September 30, 2025

	General Fund	Capital Projects Fund	Debt Service Fund	EDC (Type A) Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and investments	\$ 8,055,228	\$ 6,016,828	\$ -	\$ 3,079,481	\$ 390,547	\$ 17,542,084
Receivables: (net)						
Property taxes	15,130	-	8,517	-	-	23,647
Sales taxes	309,040	-	-	154,520	-	463,560
Court	-	-	-	-	-	-
Other	95,909	-	-	-	-	95,909
Restricted cash	-	-	237,784	-	-	237,784
Total Assets	<u>8,475,307</u>	<u>6,016,828</u>	<u>246,301</u>	<u>3,234,001</u>	<u>390,547</u>	<u>18,362,984</u>
Liabilities						
Accounts payable	331,186	668,468	550	19,294	-	1,019,498
Retainage payable	-	649,787	-	-	-	649,787
Accrued liabilities	48,752	-	-	3,712	-	52,464
Total Liabilities	<u>379,938</u>	<u>1,318,255</u>	<u>550</u>	<u>23,006</u>	<u>-</u>	<u>1,721,749</u>
Deferred Inflows of Resources						
Unavailable revenue - property taxes	18,835	-	8,516	4,600	-	31,951
Total Deferred Inflows of Resources	<u>18,835</u>	<u>-</u>	<u>8,516</u>	<u>4,600</u>	<u>-</u>	<u>31,951</u>
Fund Balances						
Restricted for:						
Capital projects	-	4,698,573	-	-	-	4,698,573
Debt service	-	-	237,235	-	-	237,235
Economic development	-	-	-	3,206,395	-	3,206,395
Public improvements	-	-	-	-	387,317	387,317
Court technology	-	-	-	-	1,620	1,620
Court security	-	-	-	-	1,610	1,610
Unassigned	8,076,534	-	-	-	-	8,076,534
Total Fund Balances	<u>8,076,534</u>	<u>4,698,573</u>	<u>237,235</u>	<u>3,206,395</u>	<u>390,547</u>	<u>16,609,284</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 8,475,307</u>	<u>\$ 6,016,828</u>	<u>\$ 246,301</u>	<u>\$ 3,234,001</u>	<u>\$ 390,547</u>	<u>\$ 18,362,984</u>

City of Aledo, Texas

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

As of September 30, 2025

Fund Balances - Total Governmental Funds	\$ 16,609,284
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Adjustments for the Statement of Net Position

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

Capital assets - non-depreciable	16,395,599
Capital assets - net depreciable	9,235,166

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.

Property taxes	31,951
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Deferred outflows (inflows) of resources, represent a consumption (acquisition) of net position that applies to a future period(s) and is not recognized as an outflow of resources

Pension outflows	66,473
Pension inflows	(38,627)
OPEB outflows	2,363
OPEB inflows	(4,522)

Some liabilities, including bonds payable, accrued interest payable, and pension and OPEB liabilities are not reported as liabilities in the governmental funds.

Accrued interest	(103,411)
Net pension liability	82,451
Total OPEB liability	(28,058)
Compensated absences	(49,687)
Long-term debt due in one year	(15,000)
Long-term debt due in more than one year	(18,543,595)

Net Position of Governmental Activities	<u>\$ 23,640,387</u>
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City of Aledo, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Year Ended September 30, 2025

	General Fund	Capital Projects Fund	Debt Service Fund	EDC (Type A) Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Taxes:						
Property taxes	\$ 2,194,520	\$ -	\$ 1,119,480	\$ -	\$ -	\$ 3,314,000
Sales taxes	1,668,241	-	-	818,196	207,724	2,694,161
Franchise taxes	397,085	-	-	-	-	397,085
Interest	345,877	352,993	13,324	88,135	-	800,329
Licenses and permits	403,486	-	-	-	-	403,486
Contributions and grants	367,930	-	-	-	-	367,930
Other	135,386	-	-	75,816	-	211,202
Development fees	109,114	-	-	-	-	109,114
Community center rental	7,340	-	-	-	-	7,340
Court fines	1,595	-	-	-	85	1,680
Total Revenues	<u>5,630,574</u>	<u>352,993</u>	<u>1,132,804</u>	<u>982,147</u>	<u>207,809</u>	<u>8,306,327</u>
Expenditures						
Current:						
Administration	1,955,661	-	-	105,643	1,325	2,062,629
Public safety	715,005	-	-	-	-	715,005
Public works	527,332	-	-	-	-	527,332
City streets	391,582	-	-	-	-	391,582
Parks	44,933	-	-	331,017	-	375,950
Community center	30,566	-	-	-	-	30,566
Court	3,790	-	-	-	-	3,790
Capital outlays	645,168	11,014,279	-	-	-	11,659,447
Debt service:						
Interest and fiscal charges	-	-	828,537	-	-	828,537
Total Expenditures	<u>4,314,037</u>	<u>11,014,279</u>	<u>828,537</u>	<u>436,660</u>	<u>1,325</u>	<u>16,594,838</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,316,537</u>	<u>(10,661,286)</u>	<u>304,267</u>	<u>545,487</u>	<u>206,484</u>	<u>(8,288,511)</u>
Other Financing Sources (Uses)						
Transfers in	-	200,000	-	-	-	200,000
Transfers out	(200,000)	-	(205,000)	-	-	(405,000)
Total Other Financing Sources (Uses)	<u>(200,000)</u>	<u>200,000</u>	<u>(205,000)</u>	<u>-</u>	<u>-</u>	<u>(205,000)</u>
Net Change in Fund Balances	1,116,537	(10,461,286)	99,267	545,487	206,484	(8,493,511)
Beginning Fund Balances	6,959,997	15,159,859	137,968	2,660,908	184,063	25,102,795
Ending Fund Balances	<u>\$ 8,076,534</u>	<u>\$ 4,698,573</u>	<u>\$ 237,235</u>	<u>\$ 3,206,395</u>	<u>\$ 390,547</u>	<u>\$ 16,609,284</u>

City of Aledo, Texas

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

For the Year Ended September 30, 2025

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

Net changes in fund balances - total governmental funds **\$ (8,493,511)**

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	11,659,447
Depreciation expense	(882,757)
Loss on sale of capital assets	(25,951)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred property taxes	14,678
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	35,487
Pension and OPEB expense	69,082

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) 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. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Amortization of premium	<u>1,404</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 2,377,879</u></u>
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City of Aledo, Texas
STATEMENT OF NET POSITION
PROPRIETARY FUND
As of September 30, 2025

	Water and Sewer Fund
Assets	
Current Assets:	
Cash and investments	\$ 35,311,131
Receivables (net of allowances for uncollectible):	
Accounts	906,354
Total Current Assets	36,217,485
Noncurrent Assets:	
Restricted cash and cash equivalents	471,391
Net pension asset	88,029
Capital assets:	
Non-depreciable	3,667,384
Net depreciable capital assets	25,434,526
Total Noncurrent Assets	29,661,330
Total Assets	65,878,815
Deferred Outflows of Resources	
Deferred outflows - bond refunding	406,217
Deferred outflows - pension	70,971
Deferred outflows - OPEB	2,523
Total Deferred Outflows of Resources	479,711
Liabilities	
Current Liabilities:	
Accounts payable	284,075
Escrow payable	616,337
Accrued liabilities	70,107
Interest payable	132,553
Customer deposits	288,170
Sales tax payable	3,764
Compensated absences	25,853
Current portions of long-term debt	1,194,370
Total Current Liabilities	2,615,229
Noncurrent Liabilities:	
Bonds and certificates of obligation payable (net)	39,907,035
Total OPEB liability	29,957
Total Noncurrent Liabilities	39,936,992
Total Liabilities	42,552,221
Deferred Inflows of Resources	
Deferred charges on refunding	33,547
Deferred inflows - pension	41,241
Deferred inflows - OPEB	4,829
Total Deferred Inflows of Resources	79,617
Net Position	
Net investment in capital assets	13,982,617
Restricted for system upgrade and expansion	3,132,488
Unrestricted	6,611,583
Total Net Position	\$ 23,726,688

City of Aledo, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUND

For the Year Ended September 30, 2025

	Water and Sewer Fund
Operating Revenues	
Water and sewer service	\$ 5,449,516
Connection and impact fees	704,212
Other revenues	88,110
Meter box and credit card fees	33,626
Total Operating Revenues	6,275,464
Operating Expenses	
Supplies and maintenance	1,677,491
Depreciation	1,205,244
Personnel services	939,484
Purchased water	570,028
Professional and contract services	272,297
Utilities	103,862
Other operating expenses	115,189
Total Operating Expenses	4,883,595
Operating Income (Loss)	1,391,869
Nonoperating Revenues (Expenses)	
Interest income	930,320
Interest expense and fiscal charges	(1,317,909)
Total Nonoperating Revenues (Expenses)	(387,589)
Income before Capital Contributions and Transfers	1,004,280
Transfers in (out)	205,000
Total Transfers	205,000
Change in Net Position	1,209,280
Beginning Net Position	22,517,408
Ending Net Position	\$ 23,726,688

City of Aledo, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended September 30, 2025

	Water and Sewer Fund
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 6,058,325
Cash Payments to Suppliers for Goods and Services	(3,711,186)
Cash Payments to Employees for Services	(1,026,362)
Net Cash Provided (Used) by Operating Activities	<u>1,320,777</u>
Cash Flows from Non-capital and Related Financing Activities:	
Transfers from Other Funds	205,000
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	<u>205,000</u>
Cash Flows from Capital and Related Financing Activities:	
Proceeds from Bond Issuance	27,775,000
Cost of bond issuance	(607,703)
Principal and interest paid	(1,655,145)
Acquisition or Construction of Capital Assets	(1,797,664)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>23,714,488</u>
Net Increase (decrease) in Cash, Cash Equivalents and Restricted Cash	25,240,265
Cash, Cash Equivalents and Restricted Cash at Beginning of the Year	
Unrestricted Cash and Investments	10,053,666
Restricted Cash	471,391
	<u>10,525,057</u>
Cash, Cash Equivalents and Restricted Cash at End of the Year	
Unrestricted Cash and Investments	35,311,131
Restricted Cash	471,391
	<u>\$ 35,782,522</u>
Reconciliation of Operating Income to Net Cash	
 Provided by Operating Activities:	
Operating Income (Loss)	1,391,869
Depreciation and Amortization	1,205,244
 Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	(216,039)
Decrease (Increase) in Deferred Outflows of Resources	94,052
Decrease (Increase) in Net Pension Asset	(38,630)
Increase (Decrease) in Accounts Payable	(859,073)
Increase (Decrease) in Escrow Payable	(297,701)
Increase (Decrease) in Deferred Inflows of Resources	(61,226)
Increase (Decrease) in Accrued Liabilities	117,060
Increase (Decrease) in Customer Deposits	(1,100)
Increase (Decrease) in Accrued Compensated Absences	(13,123)
Increase (Decrease) in Total OPEB Liability	(556)
Total Adjustments	<u>(71,092)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,320,777</u>

City of Aledo, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Aledo, Texas (the City) was incorporated in 1963 and operates under a Council-City Manager form of government. The City provides: administration, public works and streets, public safety, water and sewer, municipal court, parks and recreation, and community center. The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. General accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units. The more significant accounting policies of the City are described below:

A. The Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements include the primary government and organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's government body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

City of Aledo, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

Some organizations are included as component units because of the fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by the primary government. The following entity was found to be a component unit of the City and is included in the accompanying financial statements:

Aledo Economic Development Corporation – On May 10, 2008, the voters approved the creation of the Aledo Economic Development Corporation (EDC) for the purpose of projects and improvements that promote economic development within the City. Funding for the EDC is generated from 0.50% sales tax. There are seven directors appointed by City Council, the first of whom is also the Mayor. At least three of the directors must not be employees, officers, or members of the City Council. The EDC is authorized to sell bonds or other forms of indebtedness. Upon dissolution, the assets of the EDC shall be distributed to the City. The EDC is reported as a governmental activity in the government-wide financial statements and as a Special Revenue Fund in the governmental fund financial statements.

Separate financial statements of this component have not been prepared.

B. Basis of Presentation

Government-wide Statements:

The statement of net position and the statement of activities include the financial activities of the overall government. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

City of Aledo, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

Fund Financial Statements:

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major Governmental funds:

The **General Fund** is the City's primary operating fund. This fund is used to account for all financial resources not reported 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.

The **Capital Projects Fund** is used to account for the proceeds from issuance of bonds payable and the expenditure of those funds for capital projects and improvements throughout the City.

The **Debt Service Fund** is used to account for and report financial resources restricted, committed, or assigned to expenditure for principal and interest on the City's debt.

The **Economic Development Corporation** is used to account for and report financial resources restricted, committed, or assigned to expenditure for projects and improvements that promote economic development within the City.

The City reports the following major Enterprise fund:

The **Water and Sewer Fund** reports for revenues and expenses associated with water and sewer services for the citizens of the City. Activities of the fund include administration, operations, and maintenance of the water, sewer and sanitation system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for enterprise debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

City of Aledo, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using 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.

Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes, interest revenue, charges for services, franchise taxes and sales tax revenues are susceptible to accrual. Fines and permits revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

D. Budgetary Control

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for general fund. The appropriated budget is prepared by fund and department. The budget, as formally adopted by the City Council, establishes the maximum authorization of operating funds to be expended by any fund. Any subsequent amendment thereto must be approved by the Council. The legal level of budget control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year.

E. Excess of Expenditures Over Appropriations

For the year ended September 30, 2025, the General Fund exceeded appropriations at the legal level of control in the amount of \$761,561. The City has implemented procedures to monitor budget and ensure compliance.

City of Aledo, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

F. Cash and Cash Equivalents

For 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.

G. Capital Assets

Capital assets purchased or constructed are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are capitalized along with other capital assets.

Capital assets are defined by the City as assets with an initial individual cost of \$3,000 or more and an estimated useful life in excess of one year. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and improvements	15 – 30 years
Motor vehicles	3 – 15 years
Machinery and equipment	3 – 15 years
Water and sewer system	5 – 40 years
City streets	15 years
Storm water drainage	40 years
Other improvements	3 – 15 years

H. Accrued Compensated Absences

The City Council has adopted a policy whereby employees are paid lump sum payments for unused vacation and sick time if they leave City employment. Upon termination, up to 20 days of vacation and a portion of sick leave (maximum of 50 hours) if the employee meets the prescribed conditions for each.

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds Balance Sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

City of Aledo, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

J. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and 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.

Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS' consulting agency, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Pension liabilities are generally liquidated with resources of the general fund and enterprise fund.

K. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on the City's actuary report. For this purpose, OPEB expense recognized each fiscal year is equal to the employer's yearly contributions for retirees. Information regarding the City's OPEB liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

OPEB liabilities are generally liquidated with resources of the general fund and enterprise fund.

L. Fund Balance and Net Position

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent.

City of Aledo, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

The classifications used in the governmental fund financial statements are as follows:

- a. Non-spendable: This classification includes amounts that cannot be spent because they are either (a) not in the spendable form or (b) are legally or contractually required to be maintained intact. Non spendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- b. Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- c. Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by board resolution of the City Council, the City's highest level of decision-making authority. These 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 that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council.
- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

In circumstances where expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be extended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly unassigned fund balance.

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

In circumstances where an expense is to be made for a purpose for which amounts are available in multiple net position classifications, restricted position will be fully utilized first followed by unrestricted as necessary.

City of Aledo, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

M. Use of Estimates

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

N. Upcoming and Newly Implemented Accounting Pronouncements

In 2025, the City implemented GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2023, with earlier application encouraged. The impact of implementing statement is disclosed on the financial statements.

GASB issued Statement No. 102, "Certain Risk Disclosures," that clarifies the definitions & disclosure guidance for risks due to concentration or constraint. The Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow or outflow of resources and a constraint as a limitation imposed by an external party or formal action of the government's highest level of decision-making authority. The Statement requires the government to assess whether a concentration or constraint makes the primary reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of substantial impact, and whether an event associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin within the 12 months after the date the financial statements are issued. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2024. The City is evaluating the impact that adoption of this Statement will have on its financial statements.

GASB issued Statement No. 103, "Financial Reporting Model Improvements," that attempts to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement expands requirements for the management discussion & analysis, presentation of proprietary fund statement of revenues, expenses & changes in fund net position, and information related to major component units & budgetary comparisons. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2025. The City is evaluating the impact that adoption of this Statement will have on its financial statements.

City of Aledo, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

GASB issued Statement No. 104, "Disclosure of Certain Capital Assets," to clarify the disclosure requirements related to capital assets. This Statement requires separate disclosure of capital assets arising from leases, public-private & public-public partnerships & availability payment arrangements, and subscription-based information technology arrangements, and additional disclosures for capital assets held for sale. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2025. The City is evaluating the impact that adoption of this Statement will have on its financial statements.

NOTE 2. CASH AND INVESTMENTS

Cash and investments as of September 30, 2025 consist of the following:

	<u>Cash Deposits</u>	<u>Texstar</u>
Governmental activities		
General fund	\$ 58,381	\$ 7,996,847
Capital projects fund	3,683,873	2,332,955
Debt service fund	601,784	-
Non-major funds	512,422	2,593,606
Business-type activities		
Water and sewer fund	<u>29,527,290</u>	<u>6,255,232</u>
Total	<u>\$ 34,383,750</u>	<u>\$ 19,178,640</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates.

One of the ways that the City manages its exposure to interest rate risk is by investing in investment pools which purchase a combination of shorter term investments with an average maturity of less than 30 days thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

As of September 30, 2025, the City had investments in TexStar totaling \$19,178,640 which had a weighted average maturity of 26 days.

As of September 30, 2025, the City was not invested in any securities which are highly sensitive to interest rate fluctuation.

City of Aledo, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The minimum rating required by (where applicable) the Public Funds Investment Act, the City's investment policy, or debt agreements, is AAA. The actual rating as of September 30, 2025 for TexStar was AAAM.

Concentration of Credit Risk

In accordance with the City's Investment policy, the City limits their exposure of concentration of credit risk by restricting investments in the following investment instruments:

	Maximum Percentage of Portfolio
U.S. Treasury Obligations	100%
U.S. Government Agency Securities and Instrumentalities of Government-Sponsored Corporations	80%
Authorized Local Government Investment Pools	100%
Fully Collateralized Certificates of Deposit	50%
Fully Collateralized Repurchase Agreements	10%
SEC-Regulated No-Load Money Market Mutual Funds	50%

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transactions, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The Public Funds Investment Act and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times. At September 30, 2025, the carrying amount of the City's cash on hand and deposits were \$34,276,359 and the bank balance was \$35,653,960.

City of Aledo, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

\$750,000 of the bank balance was covered by depository insurance under the Federal Depository Insurance Corporation (FDIC insured), with the remaining balance secured with securities held by pledging financial institutions.

Investment in State Investment Pools

The City is a voluntary participant in the TexStar external investment pool. The State Comptroller of Public Accounts exercises responsibility over TexStar. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexStar and other persons who do not have a business relationship with TexStar. TexStar uses net asset value rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexStar is the same as the value of TexStar shares. The City, at its option, can withdraw funds within a twenty-four hour period from TexStar.

Investments Measured at Fair Value

The City measures and reports investments at fair value using the valuation input hierarchy established by Generally Accepted Accounting Principles (GAAP), as follows:

- a. Level 1: Quoted prices in active markets for identical assets or liabilities;
- b. Level 2: Quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable
- c. Level 3: Unobservable inputs for an assets or liability

As of September 30, 2025, the City had recurring fair value measurements as detailed below.

	Carrying Amount	Fair Value	Rating Standard & Poors	Weighted Average Maturity
<u>Primary Government</u>				
Investment not subject to categorization:				
Government sponsored investment pool (TexStar)	\$ 18,105,465	\$ 18,105,465	AAAm	26 days
Restricted government sponsored investment pool (TexStar)	1,073,175	\$ 1,073,175	AAAm	26 days
	<u>\$ 19,178,640</u>			

City of Aledo, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

NOTE 3. PROPERTY TAXES

Taxes assessed on valuations as of January 1 each year are levied during the subsequent fiscal year beginning October 1. Property taxes attach as an enforceable lien on property at the time levied. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Property tax revenues are considered available when they become due or past due and receivable within the current period and when they are expected to be collected during a 60 day period after the close of the fiscal year. The City has its property taxes collected by the Parker County Tax Assessor/Collector. Property taxes that are deemed uncollectible are presented as a reserve against revenues and property taxes receivable.

NOTE 4. CAPITAL ASSETS

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

	Beginning Balances	Increases	Decreases/ Reclasses	Ending Balances
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 569,625	\$ -	\$ -	\$ 569,625
Construction in progress	4,749,909	11,076,065	-	15,825,974
Total capital assets not being depreciated	5,319,534	11,076,065	-	16,395,599
Capital assets, being depreciated				
Buildings and improvements	498,351	200,380	-	698,731
City streets	13,636,812	-	-	13,636,812
Storm water drainage	1,604,895	-	-	1,604,895
Motor vehicles	279,967	262,331	(25,587)	516,711
Machinery and equipment	205,866	-	-	205,866
Other improvements	943,957	120,672	-	1,064,629
Total capital assets being depreciated	17,169,848	583,383	(25,587)	17,727,644
Less accumulated depreciation:				
Buildings and improvements	269,513	16,564	-	286,077
City streets	6,011,962	708,810	-	6,720,772
Storm water drainage	364,936	40,073	-	405,009
Motor vehicles	265,542	34,297	(25,587)	274,252
Machinery and equipment	176,530	7,347	-	183,877
Other improvements	521,240	102,990	-	624,230
Total accumulated depreciation	7,609,723	910,081	(25,587)	8,494,217
Net capital assets being depreciated	9,560,125	(326,698)	-	9,233,427
Total governmental capital assets	\$14,879,659	\$ 10,749,367	\$ -	\$ 25,629,026

City of Aledo, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

Business-Type Activities	Beginning Balances	Increases	Decreases/ Reclasses	Ending Balances
Capital assets, not being depreciated				
Land	\$ 419,604	\$ -	\$ -	\$ 419,604
Construction in progress	2,086,911	1,160,869	-	3,247,780
Total capital assets not being depreciated	<u>2,506,515</u>	<u>1,160,869</u>	<u>-</u>	<u>3,667,384</u>
Capital assets, being depreciated				
Water and sewer system	37,334,671	577,430	-	37,912,101
Buildings and improvements	3,210	-	-	3,210
Motor vehicles	370,417	-	-	370,417
Machinery and equipment	390,430	-	(37,109)	353,321
Total capital assets being depreciated	<u>38,098,728</u>	<u>577,430</u>	<u>(37,109)</u>	<u>38,639,049</u>
Less accumulated depreciation				
Water and sewer system	11,660,386	1,112,061	-	12,772,447
Buildings and improvements	1,420	107	-	1,527
Motor vehicles	108,628	65,605	-	174,233
Machinery and equipment	265,955	27,470	(37,109)	256,316
Total accumulated depreciation	<u>12,036,389</u>	<u>1,205,243</u>	<u>(37,109)</u>	<u>13,204,523</u>
Net capital assets being depreciated	<u>26,062,339</u>	<u>(627,813)</u>	<u>-</u>	<u>25,434,526</u>
Total business-type capital assets	<u>\$28,568,854</u>	<u>\$ 533,056</u>	<u>\$ -</u>	<u>\$ 29,101,910</u>

Depreciation was charged to departments of the government as follows:

Governmental activities	
Administration	\$ 49,453
Public works	7,334
City streets	748,883
Parks and recreation	102,990
Total Governmental Activities Depreciation Expense	<u>\$ 908,660</u>
Business-type activities	
Water	\$ 621,640
Sewer	583,603
Total Business-type Activities Depreciation Expense	<u>\$ 1,205,243</u>

City of Aledo, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

NOTE 5. LONG-TERM DEBT

At September 30, 2025, the City's bonds payable consisted of the following:

	Business-type Activities	Governmental Activities
\$205,000 Series 2012 Revenue Certificates of Obligation due in annual installments through 2042, bearing interest at a rate ranging between 0.3 - 4.45%	\$ 1,085,000	\$ -
\$9,125,000 Series 2017 General Obligation Refunding Bonds due in annual installments through 2042, bearing interest at a rate ranging between 2 - 4%	5,865,000	-
\$1,255,000 Series 2020 General Obligation Refunding Bonds due in annual installments through 2038, bearing interest at a rate of 3%	970,000	-
2020 Revenue Certificates of Obligation due in annual installments through 2051, bearing interest at a rate ranging between 0.0 - 0.34%	3,670,000	-
\$18,515,000 Series 2022 Revenue Certificates of Obligation due in annual installments through 2057, bearing interest at a rate ranging between 4.0 - 5.0%	-	18,515,000
2024 Revenue Certificates of Obligation due in annual installments through 2054, bearing interest at a rate ranging between 1.61 - 2.87%	1,190,000	-
\$27,775,000 Series 2025 Combination Tax & Revenue Bonds due in annual installments through 2055, bearing interest from 1.57% - 3%	27,775,000	-
	<u>\$ 40,555,000</u>	<u>\$18,515,000</u>

During the year ended September 30, 2025, the following changes occurred in liabilities reported as governmental and business-type activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	\$18,515,000	\$ -	\$ -	\$ 18,515,000	\$ 15,000
	<u>18,515,000</u>	<u>-</u>	<u>-</u>	<u>18,515,000</u>	<u>15,000</u>
Bond premium	44,999	-	(1,404)	43,595	-
Total OPEB liability	28,580	-	(522)	28,058	-
Accrued compensated absences	85,174	-	(35,487)	49,687	49,687
Total Governmental Activities:	<u>\$18,673,753</u>	<u>\$ -</u>	<u>\$ (37,413)</u>	<u>\$ 18,636,340</u>	<u>\$ 64,687</u>

City of Aledo, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Business-Type Activities:					
Certificates of obligation	\$ 6,360,000	\$ 27,775,000	\$ (415,000)	\$ 33,720,000	\$ 570,000
General obligation bonds	7,400,000	-	(565,000)	6,835,000	580,000
	<u>13,760,000</u>	<u>27,775,000</u>	<u>(980,000)</u>	<u>40,555,000</u>	<u>1,150,000</u>
Bond premium	590,775	-	(44,370)	546,405	44,370
Total OPEB liability	30,513	-	(556)	29,957	-
Accrued compensated absences	38,976	-	(13,123)	25,853	25,853
Total Business-Type Activities:	<u>\$ 660,264</u>	<u>\$ 27,775,000</u>	<u>\$ (1,038,049)</u>	<u>\$ 41,157,215</u>	<u>\$ 1,220,223</u>

The annual requirements to amortize all bonds payable outstanding as of September 30, 2025 are as follows:

Governmental Activities:

Certificates of Obligation			
Year	Principal	Interest	Total
2026	\$ 15,000	\$ 827,288	\$ 842,288
2027	75,000	826,538	901,538
2028	135,000	822,788	957,788
2029	205,000	816,038	1,021,038
2030	275,000	805,788	1,080,788
2031-2035	1,955,000	3,785,340	5,740,340
2036-2040	2,410,000	3,325,465	5,735,465
2041-2045	3,005,000	2,736,252	5,741,252
2046-2050	3,705,000	2,033,252	5,738,252
2051-2055	4,590,000	1,145,149	5,735,149
2056-2057	2,145,000	149,850	2,294,850
Total	<u>\$ 18,515,000</u>	<u>\$ 13,945,497</u>	<u>\$ 22,020,497</u>

Business Type Activities:

Year	Certificates of Obligation			General Obligation Refunding Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 570,000	\$ 85,673	\$ 655,673	\$ 580,000	\$ 258,500	\$ 838,500
2027	575,000	83,276	658,276	600,000	241,100	841,100
2028	590,000	80,853	670,853	615,000	217,750	832,750
2029	960,000	78,228	1,038,228	280,000	193,800	473,800
2030	970,000	759,961	1,729,961	295,000	183,300	478,300
2031-2035	5,120,000	3,541,189	8,661,189	1,640,000	742,150	2,382,150
2036-2040	5,610,000	3,021,938	8,631,938	2,005,000	406,800	2,411,800
2041-2045	6,005,000	2,335,704	8,340,704	820,000	47,200	867,200
2046-2050	6,620,000	1,544,980	8,164,980	-	-	-
2051-2055	6,700,000	613,744	7,313,744	-	-	-
Total	<u>\$ 33,720,000</u>	<u>\$ 12,145,546</u>	<u>\$ 45,865,546</u>	<u>\$ 6,835,000</u>	<u>\$ 2,290,600</u>	<u>\$ 9,125,600</u>

City of Aledo, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

NOTE 6. PENSION PLAN

Plan Description

The City of Aledo participates as one of 938 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for 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 *tms.com*

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

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.

Plan provisions for the City were as follows:

Employee deposit rate	7.0%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Updated service credit	50% repeating
Annuity increase (to retirees)	70% of CPI repeating
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20

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	13
Inactive employees entitled to but not yet receiving benefits	29
Active employees	<u>19</u>
Total	<u><u>61</u></u>

City of Aledo, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of 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 benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City of Aledo were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City of Aledo were 10.97% and 10.01% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025 were \$142,330, and were equal to the required contributions.

Net Pension Asset

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

Actuarial Assumptions

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

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

Salary increases were based on a service related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements subject to the 3% floor.

City of Aledo, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

The actuarial assumptions used were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rate (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 by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in fiscal year 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.10%
Core Fixed Income	6.0%	5.00%
Non-Core Fixed Income	6.0%	6.80%
Hedge Funds	5.0%	6.40%
Private Equity	13.0%	8.50%
Private Debt	13.0%	8.20%
Real Estate	12.0%	6.70%
Infrastructure	6.0%	6.00%
Other Private Markets	4.0%	7.30%
Total	100%	

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 Aledo, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 12/31/2023	\$ 1,808,828	\$ 1,904,496	\$ (95,668)
Changes for the year:			
Service Cost	252,327	-	252,327
Interest	127,603	-	127,603
Difference between expected and actual experience	2,419	-	2,419
Changes of assumptions	-	-	-
Contributions - employer	-	158,991	(158,991)
Contributions - employee	-	101,453	(101,453)
Net Investment income	-	198,016	(198,016)
Benefit payments, including refunds of emp. contributions	(89,146)	(89,146)	-
Administration expense	-	(1,269)	1,269
Other changes	-	(30)	30
Net Changes	293,203	368,015	(74,812)
Balance at 12/31/2024	<u>\$ 2,102,031</u>	<u>\$ 2,272,511</u>	<u>\$ (170,480)</u>

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

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

1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
\$ 138,173	\$ (170,480)	\$ (419,747)

Pension Plan Fiduciary Net Position

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

Related to Pensions

For the year ended September 30, 2025, the City recognized pension income of \$139,704.

City of Aledo, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between projected and actual investment earnings	\$ -	\$ (43,982)
Difference in changes of assumptions	-	(7,757)
Difference between expected and actual economic experience	-	(28,129)
Contributions subsequent to the measurement date	137,444	-
Total	\$ 137,444	\$ (79,868)

\$137,444 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability (Asset) for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended September 30:</u>	Deferred Outflow (Inflow) of Resources
2026	\$ (50,569)
2027	13,404
2028	(28,812)
2029	(13,891)
2030	-
Thereafter	-
	<u>\$ (79,868)</u>

NOTE 7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The City participates in a single employer, defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF) administered by the Texas Municipal Retirement System (TMRS). The SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan.

City of Aledo, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of \$7,500.

Employees Covered by Benefit Terms

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

	2024
Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	7
Active employees	19
Total	<u>36</u>

OPEB Liability

The City's OPEB liability of \$58,015 was measured as of December 31, 2024 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The OPEB liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5% per year
Overall payroll growth	3.60% to 11.85% including inflation
Discount rate	4.08 %

City of Aledo, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

Salary increases were based on a service related table. Mortality rates for pre-retirement were based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables and based on the size of the City, rates are multiplied by an additional factor of 100%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied for males and females respectively, to reflect the impairment for younger members who may become disabled. The rates are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements subject to the 3% floor.

Discount Rate

The discount rate used to measure the OPEB liability was 4.08%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of the valuation date.

Changes in the OPEB Liability

	Total OPEB Liability
Balance at 12/31/2023	\$ 59,093
Changes for the year:	
Service cost	2,899
Interest on Total OPEB Liability	2,241
Change of benefit terms	-
Difference between expected and actual experience	(920)
Changes of assumptions or other inputs	(3,124)
Benefit payments	(2,174)
	<u>Net changes</u>
	\$ (1,078)
Balance at 12/31/2024	<u>\$ 58,015</u>

City of Aledo, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

Sensitivity of the OPEB Liability to Changes in the Discount Rate

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

1% Decrease	Current Discount Rate	1% Increase
3.08%	4.08%	5.08%
\$ 69,283	\$ 58,015	\$ 49,249

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

For the year ended September 30, 2025, the City recognized OPEB income of \$1,078.

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference in assumptions	\$ -	\$ (412)
Differences between expected and actual experience	-	(8,939)
Contributions made subsequent to measurement date	4,886	-
	<u>\$ 4,886</u>	<u>\$ (9,351)</u>

\$4,886 was reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date and will be recognized as a reduction of the OPEB liability for the year ended September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30:	Deferred Outflows (Inflows) of Resources
2026	\$ (6,489)
2027	(2,830)
2028	64
2029	(96)
2030	-
Thereafter	-
	<u>\$ (9,351)</u>

City of Aledo, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

NOTE 8. COMMITMENTS AND CONTINGENCIES

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and collectability of any related receivable may be impaired.

In the opinion of the City, there were no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statement for such contingencies.

NOTE 9. INTERFUND ACTIVITY

The City reported transfers during the year ended September 30, 2025 as follows:

	Transfers To Other Funds	Transfers From Other Funds	Net Transfers
Governmental Funds:			
General	\$ 200,000	\$ -	\$ (200,000)
Capital Projects	-	200,000	200,000
Nonmajor	-	-	-
Debt Service	205,000	-	(205,000)
	<u>\$ 405,000</u>	<u>\$ 200,000</u>	<u>\$ (205,000)</u>
Proprietary Funds:			
Water and Sewer	\$ -	\$ 205,000	\$ 205,000
	<u>\$ -</u>	<u>\$ 205,000</u>	<u>\$ 205,000</u>

The City reported no interfund balances at September 30, 2025

NOTE 10. INTERLOCAL AGREEMENTS

The City is authorized to provide assistance for economic development under Chapter 380 of the Texas Local Government Code. The economic development must serve the purpose of promoting state or local economic development by stimulating business or commercial activity within the City. The assistance may be in the form of loans, grants, tax rebates, and use of City personnel and services. The City has entered into Chapter 380 Economic Development Program Agreements with companies and has agreed to provide grants and rebates of sales tax.

The City entered into an economic development agreement dated February 15, 2023 with a retailer to reimburse 25% of the collected sales tax up to a maximum of \$250,000 for seven years, plus a cash grant upon certain restrictions being met.

City of Aledo, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

The City entered into an economic development agreement dated June 21, 2023 with a retailer to reimburse 75% of the collected sales tax up to a maximum of \$225,000 for seven years, plus an initial cash grant and an additional cash grant upon certain restrictions being met.

NOTE 11. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City insures its buildings and contents, law enforcement liability, public officials' liability, general liability and auto liability under a renewable one year policy with the Texas Municipal League. The City insures its workers compensation risk by participating in the Texas Municipal League Intergovernmental Risk Pool which is a self-insurance policy mechanism for political subdivisions in Texas. Rates are set by the State Insurance Board. Each participant's contribution to the pool is adjusted based on its workers' compensation history. The City is responsible only to the extent of premiums paid and contributions made to Texas Municipal League and the Intergovernmental Risk Pool. There have been no significant changes in insurance coverage as compared to last year and settlements have not exceeded coverage in each of the past three fiscal years.

NOTE 12. TAX ABATEMENTS

The City has entered into agreements with Daynes BBQ, Press Café, and Jake's Burgers under Chapter 380 of the Texas Local Government Code and as codified in Chapter 312 of the Texas Tax Code.

Under the terms of the sales tax abatement agreements with these parties, the City will make annual grant payments to Daynes BBQ, Press Café, and Jake's Burgers equal to the sum of the sales tax grants. These grant amounts range from 20% to 100% of the Sales Tax Grant Base amounts as defined by the Agreements. The City abated \$60,958 of taxes to the specified parties for the fiscal year 2025.

NOTE 13. SUBSEQUENT EVENTS

The City has evaluated all events and transactions that occurred after September 30, 2025 through the date these financial statements were available to be issued. Management has determined that there are no subsequent events to disclose.

REQUIRED SUPPLEMENTARY INFORMATION

City of Aledo, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GENERAL FUND - BUDGET TO ACTUAL

For the Year Ended September 30, 2025

	<u>Budgeted Amounts</u>		<u>Variance with</u>
	<u>Original</u>		<u>Final Budget</u>
	<u>and</u>		<u>Positive</u>
	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues			
Property taxes	\$ 1,913,165	\$ 2,194,520	\$ 281,355
Sales taxes	1,434,000	1,668,241	234,241
Franchise taxes	241,295	397,085	155,790
Interest	75,500	345,877	270,377
Licenses and permits	305,577	403,486	97,909
Contributions and grants	-	367,930	367,930
Other	73,729	111,116	37,387
Development fees	80,366	109,114	28,748
Community center rental	5,000	7,340	2,340
Fines	6,798	1,595	(5,203)
Total Revenues	<u>4,135,430</u>	<u>5,606,304</u>	<u>1,470,874</u>
Expenditures			
Current:			
Administration	1,725,655	1,937,894	(212,239)
Public safety	770,279	715,005	55,274
Public works	461,296	545,099	(83,803)
City streets	420,400	391,582	28,818
Community center	31,256	30,566	690
Parks	62,950	44,933	18,017
Court	5,550	3,790	1,760
Capital outlays	75,000	645,168	(570,168)
Total Expenditures	<u>3,552,386</u>	<u>4,314,037</u>	<u>(761,651)</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	583,044	1,292,267	709,223
Other Financing Sources (Uses)			
Proceeds from the sale of capital assets	-	7,070	7,070
Transfers out	(477,000)	(200,000)	277,000
Total Other Financing Sources (Uses)	<u>(477,000)</u>	<u>(192,930)</u>	<u>284,070</u>
Net Change in Fund Balances	106,044	1,099,337	\$ 993,293
Beginning Fund Balances	6,959,997	6,959,997	
Ending Fund Balances	<u>\$ 7,066,041</u>	<u>\$ 8,059,334</u>	

City of Aledo, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS) Last Ten Measured Years

	2024	2023	2022	2021
Total pension liability				
Service Cost	\$ 252,327	\$ 198,754	\$ 197,400	\$ 147,178
Interest (on the Total Pension Liability)	127,603	119,848	119,069	107,195
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	2,419	(132,662)	(205,174)	(13,879)
Change of assumptions	-	(22,675)	-	-
Benefit payments, including refunds of employee contributions	(89,146)	(61,160)	(139,718)	(39,677)
Net Change in Total Pension Liability	293,203	102,105	(28,423)	200,817
Total Pension Liability - Beginning	1,808,828	1,706,723	1,735,146	1,534,329
Total Pension Liability - Ending (a)	\$ 2,102,031	\$ 1,808,828	\$ 1,706,723	\$ 1,735,146
Plan Fiduciary Net Position				
Contributions - Employer	158,991	157,189	160,551	127,523
Contributions - Employee	101,453	80,374	79,368	64,744
Net Investment Income	198,016	179,233	(113,866)	162,113
Benefit payments, including refunds of employee contributions	(89,146)	(61,160)	(139,718)	(39,677)
Administrative Expense	(1,269)	(1,141)	(988)	(754)
Other	(30)	(8)	1,179	6
Net Change in Plan Fiduciary Net Position	368,015	354,487	(13,474)	313,955
Plan Fiduciary Net Position - Beginning	1,904,496	1,550,009	1,563,483	1,249,528
Plan Fiduciary Net Position - Ending (b)	\$ 2,272,511	\$ 1,904,496	\$ 1,550,009	\$ 1,563,483
Net Pension Liability - Ending (a) - (b)	\$ (170,480)	\$ (95,668)	\$ 156,714	\$ 171,663
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	108.11%	105.29%	90.82%	90.11%
Covered Payroll	1,449,324	1,148,204	1,133,830	849,757
Net Pension Liability as a Percentage of Covered Payroll	-11.76%	-8.33%	13.82%	20.20%

NOTES TO SCHEDULE:

The information in this schedule has been determined as of the measurement date (December 31) of the City's net pension liability.

2020	2019	2018	2017	2016	2015
\$ 127,981	\$ 115,975	\$ 85,182	\$ 79,713	\$ 80,357	\$ 94,624
92,955	80,477	57,391	58,139	53,899	48,603
-	221,271	-	-	-	-
17,302	(2,798)	9,151	(73,720)	2,827	(20,254)
-	18,061	-	-	-	28,976
(34,053)	(31,670)	(61,094)	(94,781)	(53,121)	(28,157)
204,185	401,316	90,630	(30,649)	83,962	123,792
1,330,144	928,828	838,198	868,847	784,885	661,093
<u>\$ 1,534,329</u>	<u>\$ 1,330,144</u>	<u>\$ 928,828</u>	<u>\$ 838,198</u>	<u>\$ 868,847</u>	<u>\$ 784,885</u>
97,531	50,738	47,317	43,965	40,876	47,067
52,116	47,614	42,140	40,376	40,702	49,028
79,486	131,269	(25,339)	104,418	45,883	915
(34,053)	(31,670)	(61,094)	(94,781)	(53,121)	(28,157)
(518)	(749)	(495)	(547)	(525)	(557)
(21)	(23)	(26)	(28)	(28)	(28)
194,541	197,179	2,503	93,403	73,787	68,268
1,054,987	857,808	855,305	761,902	688,115	619,847
<u>\$ 1,249,528</u>	<u>\$ 1,054,987</u>	<u>\$ 857,808</u>	<u>\$ 855,305</u>	<u>\$ 761,902</u>	<u>\$ 688,115</u>
\$ 284,801	\$ 275,157	\$ 71,020	\$ (17,107)	\$ 106,945	\$ 96,770
81.44%	79.31%	92.35%	102.04%	87.69%	87.67%
744,510	680,207	601,996	576,797	700,400	700,400
38.25%	40.45%	11.80%	-2.97%	15.27%	13.82%

City of Aledo, Texas
SCHEDULE OF CONTRIBUTIONS TO PENSION PLAN
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
Last Ten Fiscal Years

	2025	2024	2023	2022
Actuarially Determined Contribution	\$ 142,330	\$ 160,517	\$ 160,394	\$ 147,806
Contributions in relation to the actuarially determined contribution	142,330	160,517	160,394	147,806
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,740,133	\$ 1,384,190	\$ 1,136,253	\$ 1,028,800
Contributions as a percentage of covered payroll	8.18%	11.60%	14.12%	14.37%

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age, Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 Year smoothed market, market value recognition method, 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.

NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS:

The information in this schedule has been determined as of the City's most recent fiscal year-end.

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 116,381	\$ 85,360	\$ 47,317	\$ 46,999	\$ 43,625	\$ 42,397
<u>116,381</u>	<u>85,360</u>	<u>47,317</u>	<u>44,152</u>	<u>42,682</u>	<u>40,462</u>
\$ -	\$ -	\$ -	\$ 2,847	\$ 943.00	\$ 1,935
\$ 854,087	\$ 680,207	\$ 601,996	\$ 576,797	\$ 700,400	\$ 700,400
13.63%	12.55%	7.86%	7.65%	6.09%	5.78%

City of Aledo, Texas

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS *TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)* Last Ten Measured Years

	2024	2023	2022
Total OPEB liability			
Service Cost	\$ 2,899	\$ 2,641	\$ 6,123
Interest (on the Total OPEB Liability)	2,241	2,057	1,430
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(920)	2,388	(3,507)
Changes in assumptions or other inputs	(3,124)	3,683	(27,167)
Benefit payments	(2,174)	(2,296)	(1,814)
Net Change in Total OPEB Liability	(1,078)	8,473	(24,935)
Total OPEB Liability - Beginning	59,093	50,620	75,555
Total OPEB Liability - Ending (a)	\$ 58,015	\$ 59,093	\$ 50,620
 Covered Payroll	 \$ 1,449,324	 \$ 1,148,204	 \$ 1,133,830
Total OPEB Liability as a Percentage of Covered Payroll	 4.00%	 5.15%	 4.46%

NOTES TO SCHEDULE OF TOTAL OPEB LIABILITY

The information in this schedule has been determined as of the measurement date (December 31) of the City's total OPEB liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision of GASB 75, only periods for which such information is available are presented.

There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.1010 to pay related benefits for the OPEB plan.

2021	2020	2019	2018	2017
\$ 5,014	\$ 3,648	\$ 2,245	\$ 2,468	\$ 2,076
1,384	1,519	1,540	1,296	1,234
-	-	-	-	-
595	(799)	639	2,316	-
2,546	9,814	9,044	(3,307)	3,268
(1,360)	(447)	(408)	(241)	(288)
8,179	13,735	13,060	2,532	6,290
67,376	53,641	40,581	38,049	31,759
<u>\$ 75,555</u>	<u>\$ 67,376</u>	<u>\$ 53,641</u>	<u>\$ 40,581</u>	<u>\$ 38,049</u>
\$ 849,757	\$ 744,510	\$ 680,207	\$ 601,996	\$ 576,797
8.89%	9.05%	7.89%	6.74%	6.60%

OTHER SUPPLEMENTARY INFORMATION

City of Aledo, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2025

	Court Technology Fund	Court Security Fund	TIRZ Fund	Total Nonmajor Governmental Funds
Assets				
Cash and investments	\$ 1,620	\$ 1,610	\$ 387,317	\$ 390,547
Receivables (net):				
Sales taxes	-	-	-	-
Total Assets	<u>1,620</u>	<u>1,610</u>	<u>387,317</u>	<u>390,547</u>
Liabilities				
Accounts payable	-	-	-	-
Accrued liabilities	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources				
Unearned revenue	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Restricted for				
Economic development	-	-	-	-
Court technology	1,620	-	-	1,620
Court security	-	1,610	-	1,610
Committed to:				
Public improvements	-	-	387,317	387,317
Total Fund Balances	<u>1,620</u>	<u>1,610</u>	<u>387,317</u>	<u>390,547</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 1,620</u>	<u>\$ 1,610</u>	<u>\$ 387,317</u>	<u>\$ 390,547</u>

City of Aledo, Texas

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2025

	Court Technology Fund	Court Security Fund	TIRZ Fund	Total Nonmajor Governmental Funds
Revenues				
Taxes				
Property tax	\$ -	\$ -	\$ 207,724	\$ 207,724
Court fines and fees	44	41	-	85
Grant	-	-	-	-
Total Revenues	<u>44</u>	<u>41</u>	<u>207,724</u>	<u>207,809</u>
Expenditures				
Current:				
Administration	-	-	1,325	1,325
Total Expenditures	<u>-</u>	<u>-</u>	<u>1,325</u>	<u>1,325</u>
Revenues Over Expenditures	<u>44</u>	<u>41</u>	<u>206,399</u>	<u>206,484</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>44</u>	<u>41</u>	<u>206,399</u>	<u>206,484</u>
Beginning Fund Balances	1,576	1,569	180,918	184,063
Ending Fund Balances	<u>\$ 1,620</u>	<u>\$ 1,610</u>	<u>\$ 387,317</u>	<u>\$ 390,547</u>

COMPLIANCE SECTION

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

To the City Council and Management
City of Aledo, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Aledo, Texas (the "City"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated January 15, 2026.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Vail + Park, P.C.

Tom Bean , Texas
January 15, 2026



AUDIT TAX ADVISORY

Michael G. Vail, CPA
Charlie S. Park, CPA
Matt P. Chen, CPA
Tung V. Pham, CPA

Charles T. Gregg, CPA
Don E. Graves, CPA
Susan K. LaFollett, CPA
Steven R. Huber, CPA
Leslie L. Henson, CPA

Memberships:
American Institute of CPAs (AICPA)
AICPA Governmental Audit Quality Center (GAQC)
AICPA Employee Benefit Plan Audit Quality Center (EBPAQC)
AICPA Private Companies Practice Section (PCPS)
Texas Society of CPAs (TXCPA)
Public Company Accounting Oversight Board (PCAOB)

January 15, 2026

To the Honorable Mayor and City Council of the
City of Aledo, Texas
104 Maverick Street, PO Box 1
Aledo, TX 76008

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Aledo, Texas (the "City") for the year ended September 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 23, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note I to the financial statements. As described in Note I to the financial statements, the City changed accounting policies related to accrued compensated absences by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 101, *Compensated Absences*, in the year ended September 30, 2025. There is no cumulative effect of the accounting change as of the beginning of the year. We noted no transactions entered into by City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the City's financial statements were:

Management's estimate of the allowance for doubtful accounts for utility billing and sanitation services is based on historical collections. Management's estimate of depreciation of capital assets is based on the useful life. We evaluated the methods, assumptions, and data used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of long-term debt in Note V to the financial statements. This disclosure provides details of debt terms, future payments, interest rates, and other information for each debt.

The financial statement disclosures are neutral, consistent, and clear.

Frisco, TX (main office):

11500 State Highway 121, Suite 410, Frisco, TX 75035
Office: 972-234-3333 Fax: 972-234-3331

Dallas, TX:

9330 Lyndon B Johnson Freeway, Suite 280, Dallas, TX 75243
Office: 972-840-1516 Fax: 972-271-6778

Tom Bean, TX:

118 W Cotton Belt Road, Tom Bean, TX 75489
Office: 903-546-6975 Fax: 903-546-6017

www.vailcpas.com

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Attachment I summarizes misstatements detected as a result of audit procedures that were corrected by management. The misstatements detected as a result of audit procedures and not corrected by management are summarized on Attachment II to this letter. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 15, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

See Attachment III for our management recommendation letter.

Other Matters

We applied certain limited procedures to management's discussion & analysis, the general fund budgetary comparison information, and the pension & OPEB tables, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on combining and individual fund statements for nonmajor governmental funds, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Mayor and City Council and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Vail + Park, P.C.

Client: CITY OF ALEDO, TEXAS
Engagement: 2025
Current Period: 09/30/2025
Workpaper: Audit Adjustments

ATTACHMENT I

Account	Description	Debit	Credit	Net Income Effect
AJE #01				
To record proprietary depreciation.				
200-4675-088-00	Depreciation / Amortization Ex	1,205,244.00	0.00	
200-1600-000-00	Accum.Dep.-Buildings	0.00	107.00	
200-1615-000-00	Accum.Dep.-Machinery and Equipment	0.00	27,470.00	
200-1620-000-00	Accum.Dep.-Motor Vehicles	0.00	65,605.00	
200-1630-000-00	Accum.Dep.-Sewer System Improvements	0.00	583,604.00	
200-1660-000-00	Accum.Dep.-Water System Improvements	0.00	528,458.00	
Total		<u>1,205,244.00</u>	<u>1,205,244.00</u>	<u>(1,205,244.00)</u>
AJE #02				
To properly classify capital outlays for governmental assets				
100-4625-180-00	Motor Vehicles	172,331.00	0.00	
100-4445-180-00	Professional Services	0.00	90,000.00	
100-4405-180-00	Motor Vehicle Maintenance	0.00	82,331.00	
Total		<u>172,331.00</u>	<u>172,331.00</u>	<u>0.00</u>
AJE #03				
To record the donation of the library building.				
100-4615-155-00	Capital Improvements	200,380.00	0.00	
100-3295-000-00	Donated Assets	0.00	200,380.00	
997-1500-000-00	Buildings and Improvements	200,380.00	0.00	
997-1600-000-00	Accum.Dep.-Buildings and Improvements	0.00	1,113.00	
997-2815-000-00	Investment in Fixed Assets	0.00	199,267.00	
Total		<u>400,760.00</u>	<u>400,760.00</u>	<u>0.00</u>
AJE #04				
To accrue a FY25 invoice into AP.				
200-4555-240-00	Wholesale Water	59,440.00	0.00	
200-2360-000-00	Fort Worth Water Access Fee Payable	0.00	59,440.00	
Total		<u>59,440.00</u>	<u>59,440.00</u>	<u>(59,440.00)</u>
PBCAJE #01				
To record the pension balances for FY25				
996-2155-000-00	Net Pension Liability	82,451.00	0.00	
996-1800-000-00	Deferred Outflow-Contributions after Valuation Date	66,473.00	0.00	
996-1801-000-00	Deferred Inflow - Difference in Assumption Changes	0.00	3,752.00	
996-1802-000-00	Deferred Outflow-Investment Experience	0.00	13,604.00	
996-2800-000-00	Deferred Inflow- Difference in Expected and Actual experience	0.00	21,271.00	
996-1197-000-00	Amounts Provided for LTD	0.00	110,297.00	
200-1735-000-00	Deferred Outflow Contributions	0.00	2,400.00	
200-1801-000-00	Deferred Inflow - Difference in Assumption Changes	0.00	4,005.00	
200-2800-000-00	Deferred Inflow- Difference in Expected and Actual experience	0.00	22,711.00	
200-4045-230-00	Pension Expense	29,116.00	0.00	
Total		<u>178,040.00</u>	<u>178,040.00</u>	<u>(29,116.00)</u>

PBCAJE #02

To record OPEB balances for FY25.

996-1736-000-00	Deferred Outflow (Inflow)-OPEB Contributions after Valuation	2,363.00	0.00	
996-2190-000-00	Deferred Outflow (Inflow)- OPEB Difference in Expected and Actual experience	0.00	199.00	
996-2150-000-00	Net OPEB Liability	0.00	28,058.00	
996-1740-000-00	Deferred Outflow (Inflow)-OPEB Difference in Assumption Changes	0.00	4,323.00	
996-1197-000-00	Amounts Provided for LTD	30,217.00	0.00	
200-1736-000-00	Deferred Outflow (Inflow)-OPEB Contributions after Valuation	2,523.00	0.00	
200-2191-000-00	Deferred Outflow (Inflow)-OPEB Difference in Expected and Actual experience	0.00	213.00	
200-1741-000-00	Deferred Outflow (Inflow)-OPEB Difference in Assumption Changes	0.00	4,616.00	
200-4050-230-00	TMRS Benefits	1,193.00	0.00	
200-2150-000-00	Net OPEB SDBF Liability	1,113.00	0.00	
Total		<u>37,409.00</u>	<u>37,409.00</u>	<u>(1,193.00)</u>

PBCAJE #03

To record accrued compensated absences for governmental employees.

996-2060-000-00	Accrued Vacation	0.00	28,388.00	
996-2065-000-00	Accrued Sick Time	0.00	21,299.00	
996-1197-000-00	Amounts Provided for LTD	49,687.00	0.00	
Total		<u>49,687.00</u>	<u>49,687.00</u>	<u>0.00</u>

GRAND TOTAL

<u>2,102,911.00</u>	<u>2,102,911.00</u>	<u>(1,294,993.00)</u>
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Client: CITY OF ALEDO, TEXAS
Engagement: 2025
Current Period: 9/30/2025
Workpaper: Passed Audit Adjustments

Attachment II

Account	Description	Debit	Credit	Net Income Effect
PAJE #01				
<i>To reverse an outstanding payment that did not clear in the current or subsequent period.</i>				
100-1099-000-00	Claim on Pooled Cash	15,141.00	0.00	
100-4415-180-00	Office Furniture / Equipment	0.00	15,141.00	
999-1010-000-00	Cash-Operating FFB	15,141.00	0.00	
999-2210-000-00	Due To General Fund	0.00	15,141.00	
Total		<u>30,282.00</u>	<u>30,282.00</u>	<u>15,141.00</u>
GRAND TOTAL		<u>30,282.00</u>	<u>30,282.00</u>	<u>15,141.00</u>

January 15, 2026

To Management & City Council
City of Aledo, Texas

Subject: Management Recommendation Letter

In planning and performing our audit of the financial statements of the City of Aledo, Texas (the City) for the year ended September 30, 2025, we considered the City's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the audited financial statements and not to provide assurance on the internal control structure.

This letter does not affect our report dated January 15, 2026, on the financial statements of the City of Aledo, Texas. These recommendations should in no way be construed as derogatory. However, during our audit we became aware of matters that are opportunities to strengthen internal controls and operating efficiency.

Fiscal Year 2025 Recommendations:

1. Capitalization Policy

We noted the City elects to capitalize all expenditures for assets over \$3,000. We recommend the City increase the capitalization threshold to \$20,000.

2. Construction in Progress

We noted the City does not properly segregate governmental and proprietary additions to construction in process ("CIP"), as certain projects worked on during the year were for both streets and water & sewer infrastructure. We recommend the City maintain a separate CIP detail for the governmental and proprietary capital assets.

3. Investment Policy

We noted that the City does not have a written policy to govern the use of investments, electing instead to simply keep cash at banks that offer interest competitive with investment pool offerings. We recommend that the City review the investment policies of similar municipalities and consider adopting one.

Management's Response: Management agrees with the recommendations and will take steps to implement them during FY26.

The City's response was not subject to the auditing procedures and is presented here only for informational purposes. We will review the status of these comments during our next audit engagement. We will be pleased to discuss them in further detail at your convenience. This management recommendation letter is solely to communicate matters that are opportunities to strengthen internal controls and operating efficiency. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

Vail + Park, P.C.