

**CITY OF IOWA COLONY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**September 30, 2025**





# CITY OF IOWA COLONY, TEXAS

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of City Council of  
City of Iowa Colony, Texas

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

#### ***Opinions***

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

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

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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.

To the Honorable Mayor and  
Members of City Council of  
City of Iowa Colony, Texas

***Auditor’s Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management’s discussion and analysis, general fund budgetary comparison schedule, and pension information, as listed in the table of contents, 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.

To the Honorable Mayor and  
Members of City Council of  
City of Iowa Colony, Texas

**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 combining and individual fund statements and schedules 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 fund statements and schedules 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 March 16, 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 the City's internal control over financial reporting and compliance.

Houston, Texas  
March 16, 2026



**CITY OF IOWA COLONY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Iowa Colony, we offer the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Iowa Colony for the fiscal year ended September 30, 2025.

**Overview of the Financial Statements**

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

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business. The government-wide financial statements include the governmental activities, the business-type activities and the City's discretely presented component unit.

The statement of net position presents financial information on all the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other 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, finance, police, animal control, emergency management, municipal court, public works, parks and recreation, community development, fire marshal/inspections, intergovernmental, and interest on long-term debt. The business-type activities of the City include the Utility fund.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate development authority for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found beginning on page 12 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.

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

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

**CITY OF IOWA COLONY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

The City maintains thirteen (13) individual governmental 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 General Fund, American Rescue Plan Act (ARPA) Fund, Debt Service Fund, and Capital Projects Fund, all of which are considered major funds for reporting purposes. Data from the non-major governmental funds is provided in the form of combining statements found beginning on page 54 of this report. The basic governmental fund financial statements can be found beginning on page 14 of this report.

**Proprietary Funds.** The City maintains one type of proprietary fund. The enterprise fund is 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 Utility operations (water & sewer).

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Utility Fund, which is considered to be a major fund of the City. The basic proprietary fund financial statements can be found beginning on page 18 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 beginning on page 21 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Iowa Colony's general fund budgetary comparisons and required supplementary pension plan information. Required supplementary information can be found beginning on page 49 of this report.

**Government-wide Financial Analysis**

Below is a condensed schedule of Net Position as of September 30, 2025 and 2024:

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
<b>Assets</b>						
Current assets	\$ 16,083,502	\$ 13,873,161	\$ 4,535,085	\$ 2,110,570	\$ 20,618,587	\$ 15,983,731
Capital assets	30,548,448	29,806,684	73,312,932	24,978,559	103,861,380	54,785,243
<b>Total Assets</b>	<b>46,631,950</b>	<b>43,679,845</b>	<b>77,848,017</b>	<b>27,089,129</b>	<b>124,479,967</b>	<b>70,768,974</b>
<b>Deferred Outflows of Resources</b>	<b>243,791</b>	<b>214,571</b>	<b>-</b>	<b>-</b>	<b>243,791</b>	<b>214,571</b>
<b>Liabilities</b>						
Other liabilities	7,303,489	6,658,114	1,659,760	871,856	8,963,249	7,529,970
Long term liabilities	14,243,217	14,681,024	5,477,196	3,483,278	19,720,413	18,164,302
<b>Total Liabilities</b>	<b>21,546,706</b>	<b>21,339,138</b>	<b>7,136,956</b>	<b>4,355,134</b>	<b>28,683,662</b>	<b>25,694,272</b>
<b>Deferred Inflows of Resources</b>	<b>73,528</b>	<b>40,592</b>	<b>-</b>	<b>-</b>	<b>73,528</b>	<b>40,592</b>
<b>Net Position:</b>						
Net investment						
in capital assets	16,557,488	15,254,435	67,982,041	22,102,864	84,539,529	37,357,299
Restricted	2,058,320	880,888	-	-	2,058,320	880,888
Unrestricted	6,639,699	6,379,363	2,729,020	631,131	9,368,719	7,010,494
<b>Total Net Position</b>	<b>\$ 25,255,507</b>	<b>\$ 22,514,686</b>	<b>\$ 70,711,061</b>	<b>\$ 22,733,995</b>	<b>\$ 95,966,568</b>	<b>\$ 45,248,681</b>

Net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$95,966,568 million. Of this amount, \$84,539,529 was invested in capital assets, \$6,639,699 was unrestricted and the balance of \$2,058,320 was restricted.

**CITY OF IOWA COLONY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

Below is a condensed schedule of Changes in Net Position for fiscal year 2025 and 2024:

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
<b>Revenues</b>						
Program Revenues:						
Charges for services	\$ 5,998,656	\$ 5,122,604	\$ 7,473,349	\$ 1,131,066	\$ 13,472,005	\$ 6,253,670
Operating grants	1,238,821	118,492	-	-	1,238,821	118,492
Capital grants	1,395,751	-	45,862,835	22,351,043	47,258,586	22,351,043
General revenues:						
Property taxes	3,387,969	3,069,482	-	-	3,387,969	3,069,482
Sales taxes	1,499,467	1,155,331	-	-	1,499,467	1,155,331
Franchise taxes	559,265	567,534	-	-	559,265	567,534
Investment earnings	445,967	608,262	52,993	113,523	498,960	721,785
Other	1,132,599	513,532	68,921	2,812	1,201,520	516,344
<b>Total Revenues</b>	<b>15,658,495</b>	<b>11,155,237</b>	<b>53,458,098</b>	<b>23,598,444</b>	<b>69,116,593</b>	<b>34,753,681</b>
<b>Expenses:</b>						
Administration	1,705,970	1,472,568	-	-	1,705,970	1,472,568
Finance	255,521	213,338	-	-	255,521	213,338
Police	3,071,933	2,061,078	-	-	3,071,933	2,061,078
Animal control	127,335	90,523	-	-	127,335	90,523
Emergency management	41,731	322,612	-	-	41,731	322,612
Municipal court	254,970	235,476	-	-	254,970	235,476
Public works	1,035,921	437,624	-	-	1,035,921	437,624
Parks and recreation	250,819	187,903	-	-	250,819	187,903
Community development	3,554,640	3,159,410	-	-	3,554,640	3,159,410
Fire marshal/inspections	598,427	504,518	-	-	598,427	504,518
Interest	621,755	641,863	-	-	621,755	641,863
Utilities	-	-	6,879,684	864,449	6,879,684	864,449
<b>Total Expenses</b>	<b>11,519,022</b>	<b>9,326,913</b>	<b>6,879,684</b>	<b>864,449</b>	<b>18,398,706</b>	<b>10,191,362</b>
Change in net position	2,740,821	1,828,324	47,977,066	22,733,995	50,717,887	24,562,319
<b>Beginning Net Position</b>	<b>22,514,686</b>	<b>20,686,362</b>	<b>22,733,995</b>	<b>-</b>	<b>45,248,681</b>	<b>20,686,362</b>
<b>Ending Net Position</b>	<b>\$ 25,255,507</b>	<b>\$ 22,514,686</b>	<b>\$ 70,711,061</b>	<b>\$ 22,733,995</b>	<b>\$ 95,966,568</b>	<b>\$ 45,248,681</b>

**Governmental Activities.** The net position of the governmental activities increased by approximately \$2.7 million during the current fiscal year. This increase was mostly due to revenues for community development and property taxes exceeding the current period expenses.

**Business-type Activities.** The net position of the business-type activities increased by approximately \$48.0 million during the current fiscal year due to contribution of capital assets due to a conveyance agreement with Brazoria County Municipal Utility District No. 31.

**CITY OF IOWA COLONY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

As shown below, revenues generated by the City's programs are not sufficient to cover the costs. The City relies on property taxes, sales taxes, investment income and other general revenues to cover the costs associated with the various programs.

Program:	Expenses		Program Revenues		Net (Cost) of Services	
	2025	2024	2025	2024	2025	2024
Administration	\$ 1,705,970	\$ 1,472,568	\$ 1,308,535	\$ 853,393	\$ (397,435)	\$ (619,175)
Finance	255,521	213,338	-	-	(255,521)	(213,338)
Police	3,071,933	2,061,078	1,089,811	433,285	(1,982,122)	(1,627,793)
Animal control	127,335	90,523	-	-	(127,335)	(90,523)
Emergency management	41,731	322,612	-	-	(41,731)	(322,612)
Municipal court	254,970	235,476	-	-	(254,970)	(235,476)
Public works	1,035,921	437,624	1,763,988	96,837	728,067	(340,787)
Parks and recreation	250,819	187,903	334,924	-	84,105	(187,903)
Community development	3,554,640	3,159,410	4,135,970	3,857,581	581,330	698,171
Fire marshal/inspections	598,427	504,518	-	-	(598,427)	(504,518)
Interest	621,755	641,863	-	-	(621,755)	(641,863)
	<u>\$ 11,519,022</u>	<u>\$ 9,326,913</u>	<u>\$ 8,633,228</u>	<u>\$ 5,241,096</u>	<u>\$ (2,885,794)</u>	<u>\$ (4,085,817)</u>

**Financial Analysis of the Government's Funds**

As noted earlier, the City used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund reported an ending fund balance of \$6,372,766, an increase in fund balance from current year activity of \$311,036. The increase in fund balance was planned due to the expected continued growth within the City and conservative budgetary strategies.

The American Rescue Plan Act (ARPA) Fund reported revenues and expenditures of \$900,751 with an ending fund balance of \$0. All funds in this account were previously received in advance and all funds have been expended as of the end of the fiscal year.

The Debt Service Fund reported an ending fund balance of \$1,201,262, an increase in fund balance from current year activity of \$707,252 due to property tax collections exceeding debt service payments.

The Capital Projects Fund reported an ending fund balance of \$197,025, an increase from the previous fiscal year of \$197,025 due to investment income earned on the residual bond funds. The funds will continue to be restricted for future capital projects.

**Capital Assets and Debt Administration**

**Capital Assets.** The City's investment in capital assets for its governmental activities as of September 30, 2025 amounted to \$30,548,448 (net of accumulated depreciation/amortization). This investment in capital assets includes land, buildings, building improvements, park facilities, machinery and equipment, infrastructure, utility system, construction in progress, and the intangible right-to-use assets.

Additional information on the City's capital assets can be found in Note 8 to the basic financial statements of this report.

**CITY OF IOWA COLONY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Debt Administration.** At the end of the current fiscal year, the City had total certificates of obligation and general obligation bonds outstanding of \$13,110,000.

**General Fund Budgetary Highlights**

During the 2025 fiscal year, the City's final amended budget planned for \$9,637,600 in revenues and \$7,839,890 in expenditures. Actual revenues were greater than estimated revenues by \$960,263 and total expenditures were greater than appropriations by \$2,446,937 resulting in an ending fund balance of \$6,372,766 which was less than anticipated.

**Economic Factors and Next Year's Budgets and Rates**

The city has adopted a General Fund operating budget for the 2026 fiscal year as follows:

	<u>Fiscal Year</u>
	<u>2026</u>
General Fund:	
Revenues	\$ 13,547,529
Expenditures	<u>(13,547,529)</u>
Revenues Over/(Under) Expenditures	<u>\$ -</u>

The 2026 budget includes property tax rates of \$0.234209 for maintenance and operations (M&O) and \$0.285000 for the interest and sinking fund (I&S) per \$100 of value on real and personal property within the City limits, for a total tax rate of \$0.519209. This was no change, in total, from the 2025 fiscal year tax rate of \$0.519209 per \$100 of value on real and personal property within the City limits.



## **BASIC FINANCIAL STATEMENTS**

**CITY OF IOWA COLONY, TEXAS**

**STATEMENT OF NET POSITION**

September 30, 2025

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		ICDA
<b>Assets</b>				
Cash and cash equivalents	\$ 15,071,247	\$ 3,666,155	\$ 18,737,402	\$ 3,927,897
Investments	145,000	-	145,000	-
Restricted cash and cash equivalents	-	146,305	146,305	-
Internal balances	138,290	(138,290)	-	-
Receivables:				
Accounts receivable, net	280,327	860,915	1,141,242	-
Due from other governments	124,338	-	124,338	-
Other receivables	9,426	-	9,426	-
Prepaid items	314,874	-	314,874	-
Capital assets not being depreciated:				
Non-depreciable	5,052,338	-	5,052,338	-
Depreciable, net	25,496,110	73,312,932	98,809,042	-
<b>Total Assets</b>	<b>46,631,950</b>	<b>77,848,017</b>	<b>124,479,967</b>	<b>3,927,897</b>
<b>Deferred Outflows of Resources</b>				
Deferred outflows - pension	243,791	-	243,791	-
<b>Total Deferred Outflows of Resources</b>	<b>243,791</b>	<b>-</b>	<b>243,791</b>	<b>-</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	1,122,732	371,217	1,493,949	1,238
Unearned revenue	2,012,779	885,232	2,898,011	-
Developer deposits	3,854,825	-	3,854,825	-
Customer deposits	-	403,311	403,311	-
Accrued interest payable	313,153	-	313,153	684,128
Noncurrent liabilities:				
Due within one year - bonds, leases, financing arrangements	358,540	-	358,540	1,055,000
Due in more than one year - bonds, leases, financing arrangements	13,829,445	5,477,196	19,306,641	40,221,683
Net pension liability	55,232	-	55,232	-
<b>Total Liabilities</b>	<b>21,546,706</b>	<b>7,136,956</b>	<b>28,683,662</b>	<b>41,962,049</b>
<b>Deferred Inflows of Resources</b>				
Deferred inflows - pension	73,528	-	73,528	-
<b>Total Deferred Inflows of Resources</b>	<b>73,528</b>	<b>-</b>	<b>73,528</b>	<b>-</b>
<b>Net Position</b>				
Net investment in capital assets	16,557,488	67,982,041	84,539,529	-
Restricted for:				
Public safety	791,001	-	791,001	-
Debt service	906,898	-	906,898	-
Grants	25,497	-	25,497	-
Parkland improvements	334,924	-	334,924	-
Unrestricted	6,639,699	2,729,020	9,368,719	(38,034,152)
<b>Total Net Position</b>	<b>\$ 25,255,507</b>	<b>\$ 70,711,061</b>	<b>\$ 95,966,568</b>	<b>\$ (38,034,152)</b>

**CITY OF IOWA COLONY, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2025**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	ICDA
<b>Primary Government:</b>								
Governmental Activities:								
Administration	\$ 1,705,970	\$ 982,550	\$ 325,985	\$ -	\$ (397,435)	\$ -	\$ (397,435)	\$ -
Finance	255,521	-	-	-	(255,521)	-	(255,521)	-
Police	3,071,933	545,212	49,599	495,000	(1,982,122)	-	(1,982,122)	-
Animal control	127,335	-	-	-	(127,335)	-	(127,335)	-
Emergency management	41,731	-	-	-	(41,731)	-	(41,731)	-
Municipal court	254,970	-	-	-	(254,970)	-	(254,970)	-
Public works	1,035,921	-	863,237	900,751	728,067	-	728,067	-
Parks and recreation	250,819	334,924	-	-	84,105	-	84,105	-
Community development	3,554,640	4,135,970	-	-	581,330	-	581,330	-
Fire marshal/inspections	598,427	-	-	-	(598,427)	-	(598,427)	-
Interest	621,755	-	-	-	(621,755)	-	(621,755)	-
<b>Total Governmental Activities</b>	<b>11,519,022</b>	<b>5,998,656</b>	<b>1,238,821</b>	<b>1,395,751</b>	<b>(2,885,794)</b>	<b>-</b>	<b>(2,885,794)</b>	<b>-</b>
Business-type Activities:								
Utilities	6,879,684	7,473,349	-	45,862,835	-	46,456,500	46,456,500	-
<b>Total business-type Activities:</b>	<b>6,879,684</b>	<b>7,473,349</b>	<b>-</b>	<b>45,862,835</b>	<b>-</b>	<b>46,456,500</b>	<b>46,456,500</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 18,398,706</b>	<b>\$ 13,472,005</b>	<b>\$ 1,238,821</b>	<b>\$ 47,258,586</b>	<b>(2,885,794)</b>	<b>46,456,500</b>	<b>43,570,706</b>	<b>-</b>
<b>Component Unit</b>								
ICDA	\$ 10,843,279	\$ -	\$ -	\$ -				(10,843,279)
<b>General Revenues:</b>								
Taxes:								
Property taxes					3,387,969	-	3,387,969	3,875,421
Sales taxes					1,499,467	-	1,499,467	-
Franchise taxes					559,265	-	559,265	-
Unrestricted investment earnings					445,967	52,993	498,960	83,700
Miscellaneous					1,132,599	68,921	1,201,520	-
Transfers					(1,398,652)	1,398,652	-	-
<b>Total General Revenues</b>					<b>5,626,615</b>	<b>1,520,566</b>	<b>7,147,181</b>	<b>3,959,121</b>
Change in net position					2,740,821	47,977,066	50,717,887	(6,884,158)
<b>Net Position - beginning</b>					<b>22,514,686</b>	<b>22,733,995</b>	<b>45,248,681</b>	<b>(31,149,994)</b>
<b>Net Position - ending</b>					<b>\$ 25,255,507</b>	<b>\$ 70,711,061</b>	<b>\$ 95,966,568</b>	<b>\$ (38,034,152)</b>

**CITY OF IOWA COLONY, TEXAS**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**September 30, 2025**

	General Fund	American Rescue Plan Act (ARPA) Fund	Debt Service Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Current assets:						
Cash and cash equivalents	\$ 12,771,801	\$ -	\$ 886,388	\$ 197,025	\$ 1,216,033	\$ 15,071,247
Investments	145,000	-	-	-	-	145,000
Due from other funds	218,002	-	-	-	-	218,002
Property taxes receivable	38,375	-	18,789	-	-	57,164
Sales tax receivable	143,394	-	-	-	63,771	207,165
Fines and forfeitures receivable	15,998	-	-	-	-	15,998
Due from other governments	-	-	-	-	124,338	124,338
Prepaid interest	-	-	314,874	-	-	314,874
Other receivables	9,426	-	-	-	-	9,426
<b>Total Assets</b>	<b>\$ 13,341,996</b>	<b>\$ -</b>	<b>\$ 1,220,051</b>	<b>\$ 197,025</b>	<b>\$ 1,404,142</b>	<b>\$ 16,163,214</b>
<b>Liabilities</b>						
Accounts payable	\$ 939,057	\$ -	\$ -	\$ -	\$ 72,079	\$ 1,011,136
Accrued expenses	108,196	-	-	-	3,400	111,596
Due to other funds	-	-	-	-	79,712	79,712
Developer deposits	3,854,825	-	-	-	-	3,854,825
Unearned revenue	2,012,779	-	-	-	-	2,012,779
<b>Total Liabilities</b>	<b>6,914,857</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>155,191</b>	<b>7,070,048</b>
<b>Deferred Inflows of Resources</b>						
Unavailable revenue - property taxes	38,375	-	18,789	-	-	57,164
Unavailable revenue - fines	15,998	-	-	-	-	15,998
<b>Total Deferred Inflows of Resources</b>	<b>54,373</b>	<b>-</b>	<b>18,789</b>	<b>-</b>	<b>-</b>	<b>73,162</b>
<b>Fund Balances</b>						
Restricted:						
Public safety	-	-	-	-	791,001	791,001
Debt Service	-	-	1,201,262	-	-	1,201,262
Capital projects	-	-	-	197,025	-	197,025
Grants	-	-	-	-	25,497	25,497
Parkland improvements	-	-	-	-	334,924	334,924
Assigned:						
Park Reserves	-	-	-	-	97,529	97,529
Capital improvements	1,190,519	-	-	-	-	1,190,519
Unassigned	5,182,247	-	-	-	-	5,182,247
<b>Total Fund Balances</b>	<b>6,372,766</b>	<b>-</b>	<b>1,201,262</b>	<b>197,025</b>	<b>1,248,951</b>	<b>9,020,004</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 13,341,996</b>	<b>\$ -</b>	<b>\$ 1,220,051</b>	<b>\$ 197,025</b>	<b>\$ 1,404,142</b>	<b>\$ 16,163,214</b>

**CITY OF IOWA COLONY, TEXAS**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**September 30, 2025**

**Total Fund Balance, Governmental Funds** \$ 9,020,004

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. 30,548,448

Uncollected adjudicated fines and outstanding property taxes that are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. 73,162

Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds.

Certificates of obligation	(13,110,000)
Premium on bonds	(1,070,131)
Leases payable	(7,854)
Net pension asset/(liability)	(55,232)
Accrued interest payable on long-term debt	(313,153)

Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings and contributions subsequent to the measurement date for the postretirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows of resources on the statement of net position.

Deferred outflows - pension related	243,791
Deferred inflows - pension related	(73,528)

**Net Position of Governmental Activities** \$ 25,255,507

**CITY OF IOWA COLONY, TEXAS**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**For the Year Ended September 30, 2025**

	General Fund	American Rescue Plan Act (ARPA) Fund	Debt Service Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property taxes	\$ 1,696,412	\$ -	\$ 1,696,882	\$ -	\$ -	\$ 3,393,294
Sales taxes	1,045,300	-	-	-	454,167	1,499,467
Franchise taxes	559,265	-	-	-	-	559,265
License and permits	4,135,970	-	-	-	334,924	4,470,894
Intergovernmental	325,985	900,751	-	-	912,836	2,139,572
Charges for services - Intergovernmental	982,550	-	-	-	-	982,550
Fines and forfeitures	519,563	-	-	-	25,352	544,915
Investment earnings	200,219	-	-	209,978	35,770	445,967
Miscellaneous revenue	1,132,599	-	-	-	-	1,132,599
<b>Total Revenues</b>	<b>10,597,863</b>	<b>900,751</b>	<b>1,696,882</b>	<b>209,978</b>	<b>1,763,049</b>	<b>15,168,523</b>
<b>Expenditures</b>						
Current:						
Administration	1,577,027	-	-	12,953	3,513	1,593,493
Finance	259,521	-	-	-	-	259,521
Police	2,053,184	-	-	-	381,718	2,434,902
Animal control	129,335	-	-	-	-	129,335
Emergency management	41,731	-	-	-	-	41,731
Municipal court	257,970	-	-	-	-	257,970
Public works	992,943	-	-	-	-	992,943
Parks and recreation	250,819	-	-	-	-	250,819
Community development	2,902,835	-	-	-	-	2,902,835
Fire marshal/inspections	601,427	-	-	-	-	601,427
Debt service:						
Principal	3,401	-	345,000	-	-	348,401
Interest and fees	389	-	644,630	-	-	645,019
Capital outlay	1,216,245	900,751	-	-	1,030,538	3,147,534
<b>Total Expenditures</b>	<b>10,286,827</b>	<b>900,751</b>	<b>989,630</b>	<b>12,953</b>	<b>1,415,769</b>	<b>13,605,930</b>
Changes in Fund Balance	311,036	-	707,252	197,025	347,280	1,562,593
<b>Fund Balances - Beginning</b>	<b>6,061,730</b>	<b>-</b>	<b>494,010</b>	<b>-</b>	<b>901,671</b>	<b>7,457,411</b>
<b>Fund Balances - Ending</b>	<b>\$ 6,372,766</b>	<b>\$ -</b>	<b>\$ 1,201,262</b>	<b>\$ 197,025</b>	<b>\$ 1,248,951</b>	<b>\$ 9,020,004</b>

**CITY OF IOWA COLONY, TEXAS**

**GOVERNMENTAL FUNDS**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2025**

**Net Change in Fund Balances - Total Governmental Funds:** \$ 1,562,593

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

Capital outlay	3,147,534
Contributed capital	495,000
Transfer of capital assets to business-type activities	(1,398,652)
Depreciation/amortization	(1,502,118)

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

Property taxes	(5,325)
Fines and forfeitures	297

Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal paid on bonds	345,000
Principal paid on leases	3,401

Some expenses reported in the statement of activities do not require the use of current resources and these are not reported as expenditures in governmental funds:

Accrued interest on long-term debt	7,401
Amortization of bond premiums and discounts	15,863
Changes in pension liabilities and related deferred outflows and inflows of resources	69,827

**Change in net financial net position of governmental activities** \$ 2,740,821

**CITY OF IOWA COLONY, TEXAS**  
**PROPRIETARY FUND**  
**STATEMENT OF NET POSITION**  
*For the Year Ended September 30, 2025*

	<u>Business-type Activities</u>
	<u>Utility Fund</u>
<b>Assets</b>	
Current Assets:	
Cash and cash equivalents	\$ 3,666,155
Restricted cash and cash equivalents	146,305
Receivables:	
Accounts receivable, net	860,915
Due from other governments	-
Total Current Assets	<u>4,673,375</u>
Noncurrent Assets:	
Capital assets:	
Infrastructure	74,942,485
Less accumulated depreciation	<u>(1,629,553)</u>
Total capital assets	<u>73,312,932</u>
Total Noncurrent Assets	<u>73,312,932</u>
<b>Total Assets</b>	<u>77,986,307</u>
<b>Liabilities</b>	
Current Liabilities:	
Accounts payable and accrued expenses	371,217
Due to other funds	138,290
Unearned revenue	885,232
Customer deposits	<u>403,311</u>
Total Current Liabilities	<u>1,798,050</u>
Noncurrent liabilities:	
Financing arrangement	<u>5,477,196</u>
Total Noncurrent liabilities	<u>5,477,196</u>
<b>Total Liabilities</b>	<u>7,275,246</u>
<b>Net Position</b>	
Net investment in capital assets	67,982,041
Unrestricted	<u>2,729,020</u>
<b>Total Net Position</b>	<u>\$ 70,711,061</u>

**CITY OF IOWA COLONY, TEXAS**  
**PROPRIETARY FUND**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**For the Year Ended September 30, 2025**

	<u>Business-type Activities</u>
	<u>Utility Fund</u>
<b>Operating revenues:</b>	
Charges for services:	
Water	\$ 4,052,001
Sewer	1,270,455
Garbage	1,045,945
Inspection fees	629,736
Other fees and charges	475,212
Miscellaneous	68,921
<b>Total operating revenues</b>	<u>7,542,270</u>
<b>Operating expenses:</b>	
Contractual services	537,350
Materials and supplies	3,265,186
Utilities and insurance	1,327,342
Depreciation	1,456,526
<b>Total operating expenses</b>	<u>6,586,404</u>
<b>Operating income (loss)</b>	<u>955,866</u>
<b>Other nonoperating revenues (expenses):</b>	
Investment earnings	52,993
Capital contributions	47,261,487
Interest expense	(276,780)
Debt issuance costs	(16,500)
<b>Total other nonoperating revenues (expenses):</b>	<u>47,021,200</u>
Increase (decrease) in net position	47,977,066
<b>Net position - beginning of year</b>	<u>22,733,995</u>
<b>Net position - end of year</b>	<u>\$ 70,711,061</u>

**CITY OF IOWA COLONY, TEXAS**  
**PROPRIETARY FUND**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended September 30, 2025**

	<u>Business-type Activities</u>
	<u>Utility Fund</u>
<b>Cash Flows from Operating Activities</b>	
Receipts from customers and users	\$ 8,185,371
Other receipts	68,921
Payments to suppliers and service providers	<u>(5,444,516)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>2,809,776</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Acquisition and construction of capital assets	(2,529,412)
Proceeds from financing arrangements	2,156,022
Principal paid on financing arrangements	(162,104)
Interest paid on financing arrangements	(276,780)
Payment of debt issuance costs	<u>(16,500)</u>
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(828,774)</u>
<b>Cash Flows from Investing Activities</b>	
Interest on investments	<u>52,993</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>52,993</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	2,033,995
<b>Beginning Cash and Cash Equivalents</b>	<u>1,778,465</u>
<b>Ending Cash and Cash Equivalents</b>	<u>\$ 3,812,460</u>
<b>Reconciliation to the Statement of Net Position - Proprietary Funds</b>	
Unrestricted cash and cash equivalents	\$ 3,666,155
Restricted cash and cash equivalents	<u>146,305</u>
	<u>\$ 3,812,460</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>	
Operating income (loss)	\$ 955,866
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	1,456,526
(Increase) decrease in assets:	
Accounts receivable, net	(528,810)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(314,638)
Due to other funds	138,290
Unearned revenue	864,326
Customer deposits	<u>238,216</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 2,809,776</u>

**CITY OF IOWA COLONY, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**Note 1 - Organization**

The City of Iowa Colony, Texas (the "City") is a political subdivision incorporated in 1972 through the State of Texas operating as a type B, general law city. In 2005, a resolution was passed to change to a type A, general law city. In 2020, the City adopted a Home Rule Charter and became a home rule municipality with the Council-Manager form of government. The City is governed by an elected Mayor and six-member Council. The Mayor and Council appoint a Manager to oversee the daily operations and manage all personnel.

The City provides the following services: (i) General Government – Administration and Finance, (ii) Public Safety – Police, Animal Control, Emergency Management, and Municipal Court, (iii) Public Works, (iv) Parks and Recreation, (v) Community Development, and (vi) Fire Marshal/Inspections.

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the City have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**A. Reporting Entity**

The City Council is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a primary government as defined by GAAP.

In March 2010, City Council formed the City of Iowa Colony Development Authority (ICDA) and the City of Iowa Colony Tax Increment Reinvestment Zone No. 2 (TIRZ 2) to facilitate development in connection with a residential neighborhood. The objective of the Zone is to facilitate quality mixed-use development with a self-sustaining tax base for the City of Iowa Colony, Brazoria County, and any other participating taxing entity. All financial activity of ICDA and TIRZ 2 is reflected as a discretely presented component unit under the ICDA caption. Separate financial statements are available for the ICDA through the City Secretary's office.

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

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information about the City as a whole. These statements include all activities of the primary government. All activities of the City are classified as governmental activities, as they are supported primarily by taxes and non-exchange revenues.

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

**CITY OF IOWA COLONY, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 2 - Summary of Significant Accounting Policies (continued)**

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Franchise tax and sales tax revenues are recognized, for external reporting purposes, when the underlying sales or transaction occurs. Sales tax revenues are collected by individual commercial enterprises and filed with the State of Texas. The State of Texas remits the City's and Crime Control District's portion of the sales tax on a monthly basis, two months after the sales are reported. Interest is recorded when earned. 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 if they are collectible within the current period or soon enough to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. As a practical matter, there is no material difference in the recognition of revenues between the government-wide and governmental fund financial statements. Expenditures for governmental funds are recorded when the related liability is incurred.

The City reports the following major governmental funds:

- The *General Fund* is used to account for all financial transactions that are not accounted for in another fund. The principal sources of revenue of the General Fund include local property taxes, sales and use taxes, franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general administration, public safety, public works, and economic development.
- The *American Rescue Plan Act (ARPA) Fund* is used to account for grant funds received from the American Rescue Plan Act to aid in the recovery from the COVID-19 pandemic.
- The *Debt Service Fund* is used to account for interest and sinking property tax revenue and the debt service payments for outstanding bonds.
- The *Capital Projects Fund* is used to account for the proceeds of capital-related bonds and their related capital spending for major building additions and renovations.

The City reports the following major enterprise fund:

- The *Utility Fund* accounts for the City's water and sewer services.

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

Net Position of the City and its component unit are reported under the following captions:

- Net investment in capital assets - This component of Net Position consists of capital assets, including restricted capital assets, net of accumulated depreciation/amortization and related debt.
- Restricted - This component of Net Position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through contractual provisions or enabling legislation.
- Unrestricted Net Position - This component of Net Position consists of Net Position that do not meet the definition of "restricted" or "investment in capital assets".

**CITY OF IOWA COLONY, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 2 - Summary of Significant Accounting Policies (continued)**

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council has provided otherwise in its commitment or assignment actions.

**D. Investments**

The City's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79, *Certain Investment Pools and Pool Participants*. The City categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**E. Property Taxes**

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt and all taxes not paid prior to February 1 are deemed delinquent and are subject to such penalty and interest set forth by the Property Tax Code. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed. Appraised values are established by the Brazoria County Central Appraisal District (the "CAD"). Taxes are levied by the City Council based on the appraised values received from the CAD. Beginning in tax year 2016, the City began making payments into the City Tax Increment Fund in the Reinvestment Zone Number Two. The City agreed to transfer all Tax Increment received to the Iowa Colony Development Authority. The Zone and the Authority agreed to pay the City an amount equal to thirty percent of each Tax Increment payment.

**F. Receivables**

All receivables are reported at their gross value, with the exception of fines and forfeitures receivables. A provision has been made for an allowance for uncollectible for fines and forfeitures.

**G. Capital Assets**

Capital assets are reported in the applicable governmental activities' column in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of \$5,000. All purchased fixed assets are valued at cost where historical records exist. Donated fixed assets are valued at their estimated fair value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements, including public domain, and equipment are capitalized and depreciated over the remaining useful lives of the related fixed assets using the straight-line method, as applicable. Buildings, improvements and roads have an estimated useful life of 10 – 40 years. Machinery and equipment have an estimated useful life of 5 – 7 years.

**H. Compensated Absences**

It is the City's policy to permit employees to accumulate earned personal and sick leave. Employees can earn up to a maximum number of hours of personal leave equal to two times the employee's current accrual rate at termination and sick leave hours can accrue up to 480 hours. No amounts have been reported for accrued but unpaid compensated absences as they are not material to the financial statements.

**CITY OF IOWA COLONY, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 2 - Summary of Significant Accounting Policies (continued)**

**I. Fund Balance**

As of September 30, 2025, fund balances of the governmental funds are classified as follows:

- *Restricted* - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- *Assigned* - amounts that are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The Council has by resolution authorized the finance director to assign fund balance. The Council may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.
- *Unassigned* - all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. The City has not adopted a minimum fund balance policy for the General Fund.

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

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category, which is the deferred amounts related to pension. This amount represents the differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension changes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet from two sources: property taxes and fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the government-wide financial statements the District reports deferred amounts related to pension.

**K. Pensions and Other Post-Employment Benefits (OPEB)**

For purposes of measuring the Net Pension Liability/(Asset), 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.

The City participates in the Supplemental Death Benefits Fund (SBDF) administered by the Texas Municipal Retirement System (TMRS). Information regarding the City's total OPEB liability is obtained from TMRS through a report prepared for the City by TMRS' consulting actuary, Gabriel Roeder Smith & Company, in compliance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The City does not consider it necessary to record the related net OPEB liability as it is not material to the government-wide financial statements.

**CITY OF IOWA COLONY, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 2 - Summary of Significant Accounting Policies (continued)**

**L. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual amounts could vary from those estimates.

**M. Leases**

The City recognizes lease liabilities with an initial value of \$5,000 or more. At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

**N. Implementation of New Standards**

GASB issued Statement No. 101, *Compensated Absences*, in June 2022. The primary 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 fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The requirements of this statement were evaluated and determined to not be material to the financial statements. The City will evaluate in future years on an annual basis.

GASB issued Statement No. 102, *Certain Risk Disclosures*, in December 2023. The primary objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The requirements of this statement were implemented in fiscal year 2025 and did not impact the financial statements.

**CITY OF IOWA COLONY, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 3 - Cash and Temporary Investments (Cash Equivalents)**

**Authorization for Deposits and Investments**

The Texas Public Funds Investment Act (PFIA), as prescribed in Chapter 2256 of the Texas Government Code, regulates deposits and investment transactions of the City. The Council has adopted a written investment policy regarding the investment of City funds as required by the PFIA. Acceptable investments under this policy are limited to (1) fully insured or collateralized certificates of deposit from a bank in the State of Texas and under the terms of a written depository agreement with that bank; (2) obligations of the United States Government, its agencies and instrumentalities and government sponsoring enterprises; and (3) Texas Local Government Investment Pools as by the PFIA and have been authorized by the City Council. The investments of the City are in compliance with the City's investment policy as to form.

**Local Government Investment Pool**

As of September 30, 2025, the City's investments included balances in the TexSTAR Public Funds Investment Pool and Texas CLASS. The investment pool investments are not evidenced by securities that exist in physical or book entry form and, accordingly, do not have custodial risk.

Texas Short Term Asset Reserve Program ("TexSTAR") has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools (including TexSTAR) and authorize eligible governmental entities ("Participants") to invest their public funds and funds under their control through the investment pools. J.P. Morgan Investment Management, Inc. ("JPMIM" or the "investment manager") and First Southwest Asset Management, Inc. ("FSAM") serve as co-administrators for TexSTAR under an agreement with the TexSTAR board of directors (the "Board"). The value of City portions in TexSTAR are the same as the value of the shares. Unlike money market mutual funds which are registered with the Securities and Exchange Commission, TexSTAR does not operate in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940. The external pooled fund uses amortized cost rather than market value to report Net Position to compute share price, because such funds have daily liquidity.

Texas CLASS is a local government investment pool pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code. Per State Code, entities may pool any of their funds, or funds under their control, to preserve principal, maintain the liquidity of the funds and maximize yield. The Texas CLASS and Texas CLASS Government agreement is an agreement of indefinite term regarding the investment, reinvestment, and withdrawal of local government funds. Texas CLASS seeks to maintain a constant net asset value of \$1.00, although this cannot be fully guaranteed. Texas CLASS is rated AAAM and must maintain a dollar weighted average maturity not to exceed 60 days, which is the limit.

**CITY OF IOWA COLONY, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 3 - Cash and Temporary Investments (Cash Equivalents) (continued)**

**Deposit and Investment Amounts**

The following schedule shows the City's recorded cash and investments at year-end:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Petty cash	\$ 300	\$ -	\$ 300
Demand deposits:			
Consolidated	2,916,924	(1,696,131)	1,220,793
Utility billing	-	5,362,286	5,362,286
Bond funds	1,608,084	-	1,608,084
Retainer account	553,140	-	553,140
Certificates of deposit	145,000	-	145,000
Local Government Investment Pools	9,992,799	-	9,992,799
Restricted escrow	-	146,305	146,305
<b>Totals</b>	<b>\$ 15,216,247</b>	<b>\$ 3,812,460</b>	<b>\$ 19,028,707</b>

	<b>Fair Value / Amortized Cost</b>	<b>Percentage of Portfolio</b>	<b>Weighted Average Maturity (days)</b>	<b>S&amp;P Rating</b>
Petty cash	\$ 300	0%	1	N/A
Demand deposits	8,744,303	45%	1	N/A
Certificates of deposit	145,000	1%	92	N/A
Local Government Investment Pools	9,992,799	53%	49	AAAm
Restricted escrow	146,305	1%	1	AAA
<b>Totals</b>	<b>\$ 19,028,707</b>	<b>100%</b>	<b>27</b>	

All bank balances for demand and certificates of deposits for the primary government and the discretely presented component unit at year end was covered by FDIC insurance of \$250,000 and the remaining balance was covered by pledged collateral. The values of certificates of deposit are determined using level 2 inputs as described in Note 2 D of the financial statements.

**Interest Rate Risk and Concentration of Credit Risk**

In accordance with the City's investment policy, the maturity of investments (to include certificates of deposit) shall not exceed one year, or with the approval of City Council, two years. For pooled fund groups, the maximum dollar-weighted average maturity allowed based on the stated maturity date for the portfolio shall not exceed two years. The City's investment policy does not restrict or specify levels of concentration or diversification within the City's portfolio. It does provide that "The City shall diversify its investments in order to minimize the risk of loss resulting from a concentration of assets in a specific maturity, a specific issuer, or a specific type of investment."

**CITY OF IOWA COLONY, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 4 - Receivables**

Amounts recorded as receivables as of September 30, 2025, are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Activities</u>	<u>Utility Fund Business-Type Activities</u>
<b>Receivables:</b>					
Property taxes	\$ 38,375	\$ 18,789	\$ -	\$ 57,164	\$ -
Sales taxes	143,394	-	63,771	207,165	-
Fines and forfeitures	319,950	-	-	319,950	-
Due from other governments	-	-	124,338	124,338	-
Utility Billing:					
Billed receivables	-	-	-	-	179,625
Unbilled receivables	-	-	-	-	681,290
Gross receivables	<u>501,719</u>	<u>18,789</u>	<u>188,109</u>	<u>708,617</u>	<u>860,915</u>
Less: allowance for uncollectibles	(303,952)	-	-	(303,952)	-
<b>Net total receivables</b>	<u><u>\$ 197,767</u></u>	<u><u>\$ 18,789</u></u>	<u><u>\$ 188,109</u></u>	<u><u>\$ 404,665</u></u>	<u><u>\$ 860,915</u></u>

**Note 5 - Developer Deposits**

The City has entered into various agreements with Land Tejas Sterling Lakes (the “Developer”). The Developer is developing certain facilities within the city limits or extraterritorial jurisdiction of the City. The Developer deposits refundable funds with the City at the beginning of the agreement term with a non-refundable administrative fee. The refundable deposits will be returned to the Developer upon completion of each project. The agreements do not represent an escrow agreement and the City shall not owe any fiduciary duty to the Developer. The following is a summary of activity for developer deposits for the year ended September 30, 2025:

<u>Project</u>	<u>Balance 9/30/2024</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 9/30/2025</u>
County Road 64	\$ 1,731,000	\$ -	\$ -	\$ 1,731,000
Early Plat - Sterling Lakes North Sec 2, 3	203,888	-	(203,888)	-
Early Plat - Sterling Lakes North Sec 1	158,279	-	-	158,279
Early Plat - Sterling Lakes North Sec 4 & Force Main	143,816	-	(143,816)	-
Early Plat - Creekhaven Sec 1	-	3,205,919	(1,240,373)	1,965,546
Early Plat - Creekhaven Sec 2	-	296,748	(296,748)	-
Early Plat - Creekhaven Sec 3	-	893,855	(893,855)	-
	<u><u>\$ 2,236,983</u></u>	<u><u>\$ 4,396,522</u></u>	<u><u>\$ (2,778,680)</u></u>	<u><u>\$ 3,854,825</u></u>

**CITY OF IOWA COLONY, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 6 - Unearned Revenue**

As of September 30, 2025, unearned revenue balances consisted of the following:

	<b>General Fund</b>	<b>American Rescue Plan Act (ARPA) Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Activities</b>	<b>Utility Fund Business-Type Activities</b>
<b>Unearned Revenues:</b>					
Grants	\$ 1,284	\$ -	\$ -	\$ 1,284	\$ -
Developer deposits	1,552,287	-	-	1,552,287	-
Other	17,024	-	-	17,024	-
Road damage deposits	442,184	-	-	442,184	-
Garbage tax collected on-behalf of state	-	-	-	-	87,292
Advance funding for cost- sharing utility project	-	-	-	-	797,940
<b>Total Unearned Revenues</b>	<b>\$ 2,012,779</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,012,779</b>	<b>\$ 885,232</b>

The Road Damage Deposits are for potential repairs that may be required to be completed at a later date. The retainer fees are amounts advanced to the City by developers for community development project costs that will occur at a later date. The grant funds are reported as unearned revenue until qualifying expenditures are incurred.

**Note 7 - Interfund Receivables and Payables and Transfers**

As of September 30, 2025, interfund balances consisted of the following:

	<b>Interfund Receivable</b>	<b>Interfund Payable</b>	<b>Net Totals</b>
General Fund	\$ 218,002	\$ -	\$ 218,002
Enterprise Fund		(138,290)	(138,290)
Non-Major Governmental Funds	-	(79,712)	(79,712)
<b>Totals</b>	<b>\$ 218,002</b>	<b>\$ (218,002)</b>	<b>\$ -</b>

There were no interfund transfers between funds during the year. See Note 8 for information related to transfers of capital assets from the governmental activities to the business-type activities.

**CITY OF IOWA COLONY, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 8 - Capital Assets**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Transfers to Business-Type</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>						
Capital assets not being depreciated/amortized:						
Land and right of way	\$ 5,052,338	\$ -	\$ -	\$ -	\$ -	\$ 5,052,338
Construction in progress	329,554	2,974,956	-	(1,905,858)	(1,398,652)	-
Total capital assets not being depreciated/amortized	<u>5,381,892</u>	<u>2,974,956</u>	<u>-</u>	<u>(1,905,858)</u>	<u>(1,398,652)</u>	<u>5,052,338</u>
Capital assets being depreciated/amortized:						
Buildings and improvements	13,661,580	-	-	-	-	13,661,580
Machinery and equipment	2,607,032	172,578	-	-	-	2,779,610
Infrastructure	12,645,049	495,000	-	1,905,858	-	15,045,907
Right-to-use lease equipment	17,150	-	-	-	-	17,150
Total capital assets being depreciated/amortized	<u>28,930,811</u>	<u>667,578</u>	<u>-</u>	<u>1,905,858</u>	<u>-</u>	<u>31,504,247</u>
Less accumulated depreciation/amortization for:						
Buildings and improvements	(492,314)	(348,548)	-	-	-	(840,862)
Machinery and equipment	(884,785)	(444,765)	-	-	-	(1,329,550)
Infrastructure	(3,122,632)	(705,375)	-	-	-	(3,828,007)
Right-to-use lease equipment	(6,288)	(3,430)	-	-	-	(9,718)
Total accumulated depreciation/amortization	<u>(4,506,019)</u>	<u>(1,502,118)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,008,137)</u>
Total capital assets being depreciated/amortized, net	<u>24,424,792</u>	<u>(834,540)</u>	<u>-</u>	<u>1,905,858</u>	<u>-</u>	<u>25,496,110</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 29,806,684</u>	<u>\$ 2,140,416</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,398,652)</u>	<u>\$ 30,548,448</u>

During the fiscal year, the City accepted contributions of capital assets in the amount of \$495,000 in the governmental activities, which consisted of infrastructure acceptance from developers. The governmental activities also transferred \$1,398,652 of construction in progress related to the water system to the business-type activities.

Depreciation and amortization were charged to functions of the governmental activities of the primary government as follows:

<b>Governmental activities:</b>	<b>Depreciation/ Amortization Expense</b>
Administration	\$ 127,477
Public safety	673,858
Public works	47,978
Community development	652,805
	<u>\$ 1,502,118</u>

**CITY OF IOWA COLONY, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 8 - Capital Assets (continued)**

Capital assets activity of the business-type activities for the year ended September 30, 2025, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Transfers from Governmental</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>						
Capital assets not being depreciated/amortized:						
Construction in progress	\$ 2,800,543	\$ 2,529,412	\$ -	\$ (6,728,607)	\$ 1,398,652	\$ -
Total capital assets not being depreciated/amortized	<u>2,800,543</u>	<u>2,529,412</u>	<u>-</u>	<u>(6,728,607)</u>	<u>1,398,652</u>	<u>-</u>
Capital assets being depreciated/amortized:						
Water system	\$ 8,397,707	\$ 16,179,488	\$ -	\$ 6,728,607		\$ 31,305,802
Wastewater system	13,953,336	29,683,347	-	-	-	43,636,683
Less accumulated depreciation/amortization for:						
Water system	(67,428)	(667,628)	-	-	-	(735,056)
Wastewater system	(105,599)	(788,898)	-	-	-	(894,497)
Total accumulated depreciation/amortization	<u>(173,027)</u>	<u>(1,456,526)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,629,553)</u>
Total capital assets being depreciated/amortized, net	<u>22,178,016</u>	<u>44,406,309</u>	<u>-</u>	<u>6,728,607</u>	<u>-</u>	<u>73,312,932</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 24,978,559</u>	<u>\$ 46,935,721</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,398,652</u>	<u>\$ 73,312,932</u>

During the current fiscal year, the City accepted contributions of capital assets of \$47,261,487, which consisted of \$45,862,835 of utility system assets transferred from municipal utility districts and \$1,398,652 of capital assets transferred from the governmental activities.

Depreciation and amortization were charged to functions of the business-type activities of the primary government as follows:

<b>Business-type activities:</b>	<b>Depreciation/ Amortization Expense</b>
Water system	\$ 667,628
Sewer system	788,898
	<u>\$ 1,456,526</u>

As of September 30, 2025, the business-type activities had no remaining commitments related to active capital projects.

**CITY OF IOWA COLONY, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 9 - Long-term Debt**

**Changes in Long-Term Liabilities**

The following is a summary of changes in the City’s governmental activities long-term liabilities for the year ended September 30, 2025:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Private placement					
certificates of obligation	\$ 950,000	\$ -	\$ (80,000)	\$ 870,000	\$ 80,000
Tax and revenue					
certificates of obligation	12,505,000	-	(265,000)	12,240,000	275,000
Premium	1,085,994	-	(15,863)	1,070,131	-
Leases payable	11,255	-	(3,401)	7,854	3,540
<b>Total Governmental Activities</b>	<u>\$ 14,552,249</u>	<u>\$ -</u>	<u>\$ (364,264)</u>	<u>\$ 14,187,985</u>	<u>\$ 358,540</u>

The following is a summary of changes in the City’s business-type activities long-term liabilities for the year ended September 30, 2025:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-type activities:</b>					
Financing arrangement	\$ 3,483,278	\$ 2,156,022	\$ (162,104)	\$ 5,477,196	\$ -
<b>Total business-type activities</b>	<u>\$ 3,483,278</u>	<u>\$ 2,156,022</u>	<u>\$ (162,104)</u>	<u>\$ 5,477,196</u>	<u>\$ -</u>

**Certificates of Obligation**

Additional information for the City’s certificates of obligations as of September 30, 2025 is as follows:

	<u>Original Borrowing</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Outstanding Balance</u>
<b>Governmental activities:</b>				
Private Placement Certificates of				
Obligation Series 2020	\$ 1,255,000	2.040%	2035	\$ 870,000
Tax and Revenue Certificates of				
Obligation Series 2022	13,125,000	5.000%	2047	12,240,000
	<u>\$ 14,380,000</u>			<u>\$ 13,110,000</u>

**CITY OF IOWA COLONY, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 9 - Long-term Debt (continued)**

**Certificates of Obligation (continued)**

Debt service requirements to maturity are as follows:

Fiscal Year	Private Placement Certificates of Obligation			Tax and Revenue Certificates of Obligation		
	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 80,000	\$ 17,748	\$ 97,748	\$ 275,000	\$ 612,000	\$ 887,000
2027	80,000	16,116	96,116	295,000	598,250	893,250
2028	80,000	14,484	94,484	310,000	583,500	893,500
2029	85,000	12,852	97,852	320,000	568,000	888,000
2030	85,000	11,118	96,118	340,000	552,000	892,000
2031 - 2035	460,000	28,458	488,458	1,960,000	2,488,500	4,448,500
2036 - 2040	-	-	-	3,035,000	1,896,500	4,931,500
2041 - 2045	-	-	-	3,870,000	1,058,000	4,928,000
2046 - 2050	-	-	-	1,835,000	138,750	1,973,750
2051 - 2055	\$ 870,000	\$ 100,776	\$ 970,776	\$ 12,240,000	\$ 8,495,500	\$ 20,735,500

**Leases Payable**

The City is under contract for noncancellable leases that convey control of the right to use assets. The lease liabilities outstanding as of September 30, 2025, are as follows:

Description	Start Date	End Date	Interest Rate	Lease Liability		Lease Asset	
				Original Amount	Outstanding Balance	Original Amount	Accumulated Amortization
Copiers	12/28/22	12/31/27	4.00%	\$ 17,150	\$ 7,854	\$ 17,150	\$ 9,718
				\$ 17,150	\$ 7,854	\$ 17,150	\$ 9,718

All amounts paid were previously included in the measurement of the lease liability and there were no other related outflows of resources for the period such as variable payments or termination penalties. In addition, there were no commitments incurred prior to commencement of the lease term and there were no impairment losses related to lease assets.

The future principal and interest lease payments as of September 30, 2025, were as follows:

Fiscal Year	Principal	Interest	Total
2026	\$ 3,540	\$ 250	\$ 3,790
2027	3,685	105	3,790
2028	629	3	632
<b>Total</b>	<b>\$ 7,854</b>	<b>\$ 358</b>	<b>\$ 8,212</b>

**CITY OF IOWA COLONY, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 9 - Long-term Debt (continued)**

**Financing Arrangement**

During fiscal year 2024, the City entered into a financing arrangement for the acquisition of water meters. The project is to be completed in phases and the first phase is structured as a lease purchase agreement. The financing arrangements outstanding as of September 30, 2025, were as follows:

	<u>Original Borrowing</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Outstanding at Year-end</u>
<b>Business-type activities:</b>				
Lease Purchase Agreement - Phase 1				
October 4, 2023	\$ 3,483,278	4.944%	2040	\$ 3,321,173
Lease Purchase Agreement - Phase 2				
October 1, 2024	2,156,022	4.850%	2041	2,156,022
	<u>\$ 5,639,300</u>			<u>\$ 5,477,195</u>

The future principal and interest financing arrangement payments as of September 30, 2025, were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2027	\$ 271,167	\$ 268,766	\$ 539,933
2028	284,479	255,454	539,933
2029	298,444	241,490	539,934
2030	313,094	226,839	539,933
2031 - 2035	1,811,679	887,988	2,699,667
2036 - 2040	2,302,227	397,440	2,699,667
2041 - 2045	196,106	9,511	205,617
<b>Total</b>	<u>\$ 5,477,196</u>	<u>\$ 2,287,488</u>	<u>\$ 7,764,684</u>

**Note 10 - Risk Management**

**General Liability**

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’s risk management program encompasses various means of protecting the City against loss by obtaining property, casualty, and liability coverage through commercial insurance carriers and from participation in a risk pool. The participation of the City in the risk pool is limited to the payment of premiums. There has not been any significant reduction in insurance coverage from the previous year.

**Worker’s Compensation**

The City is a member of the Texas Municipal League (TML) Workers’ Compensation Intergovernmental Risk Pool, an unincorporated association of political subdivision of the State of Texas. The company is not intended to operate as an insurance company but rather a contracting mechanism by which the City provides self-insurance benefits to its employees. The fund contracts with a third-party administrator for administration, investigation, and adjustment services in the handling of claims. Premiums are based on the estimated City payroll by risk factor and rates. The premiums are adjusted by the City’s experience modifier. All loss contingencies, including claims incurred but not reported, if any, are recorded and accounted for by the TML Pool.

**CITY OF IOWA COLONY, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 11 - Employee Retirement System**

**Texas Municipal Retirement System**

Effective October 20, 2014, City council approved the participation in the Texas Municipal Retirement System to provide pension benefits for full time employees. Subsequently, the City began making necessary contributions in accordance with the provisions of the plan.

**Plan Description**

The City participates as one of 934 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

**Benefits Provided**

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

At retirement, the benefit is calculated as if the sum of the employee’s contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven actuarially equivalent payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s deposits and interest.

At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are 200% of the employee's accumulated contributions.

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

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years at any age, 5 years at age 60 and above
Updated Service Credit	None
Annuity Increase to retirees	Ad Hoc

The City participates in Social Security.

**Employees Covered by Benefit Terms**

At the December 31, 2024, valuation and measurement date, 33 active City employees were covered by the benefit terms, 24 inactive employees entitled to but not yet receiving benefits, and 2 inactive employees or beneficiaries currently receiving benefits as of that date.

**CITY OF IOWA COLONY, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 11 - Employee Retirement System (continued)**

**Contributions**

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 10.45% and 10.52% for 2025 and 2024, respectively.

**Net Pension Liability/(Asset)**

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

**Actuarial Assumptions**

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	19 years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female 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.

**CITY OF IOWA COLONY, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 11 - Employee Retirement System (continued)**

**Actuarial Assumptions (continued)**

The long-term expected rate of return on pension plan investments was determined using a building- block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2024 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return (Arithmetic)</b>
Global public equity	35%	7.1%
Core fixed income	6%	5.0%
Non-core fixed income	6%	6.8%
Hedge funds	5%	6.4%
Private equity	13%	8.5%
Private debt	13%	8.2%
Real estate	12%	6.7%
Infrastructure	6%	6.0%
Other private markets	4%	7.3%
<b>Total</b>	<b>100%</b>	

**Discount Rate**

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7% 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 plan 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.

**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:

	<b>Current Discount Rate</b>		
	<b>1% Decrease</b>	<b>(6.75%)</b>	<b>1% Increase</b>
City’s net pension liability	\$ 347,807	\$ 55,232	\$ (178,980)

**CITY OF IOWA COLONY, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 11 - Employee Retirement System (continued)**

**Changes in the Net Pension Liability/(Asset)**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
<b>Balance at 12/31/2023</b>	\$ 1,396,358	\$ 1,267,583	\$ 128,775
Changes for the year:			
Service Cost	371,344	-	371,344
Interest	104,296	-	104,296
Difference between expected and actual experience	(23,630)	-	(23,630)
Contributions - employer	-	238,737	(238,737)
Contributions - employee	-	154,451	(154,451)
Net Investment income	-	133,229	(133,229)
Benefit payments, including refunds, of employee contributions	(73,820)	(73,820)	-
Administrative expense	-	(845)	845
Other changes	-	(19)	19
Net changes	378,190	451,733	(73,543)
<b>Balance at 12/31/2024</b>	<b>\$ 1,774,548</b>	<b>\$ 1,719,316</b>	<b>\$ 55,232</b>

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TMRS financial report. That report may be obtained on the Internet at [www.tmrs.com](http://www.tmrs.com).

**CITY OF IOWA COLONY, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 11 - Employee Retirement System (continued)**

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

For the year ended September 30, 2025, the City recognized pension expense of \$178,324.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences in expected and actual experience	\$ 15,854	\$ (31,588)
Change in assumptions	-	(15,290)
Difference in projected and actual earnings on pension plan investments	-	(26,650)
Contributions subsequent to measurement date	227,937	-
<b>Total</b>	<b>\$ 243,791</b>	<b>\$ (73,528)</b>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$227,937 will be recognized as a reduction of the Net Pension Liability/(Asset) for the measurement year ending December 31, 2025 (i.e., recognized in the city's financial statements September 30, 2026). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Fiscal Year</b>	<b>Net Deferred Outflows (Inflows) of Resources</b>
2025	\$ (12,953)
2026	(2,302)
2027	(24,108)
2028	(14,311)
2029	(3,926)
Thereafter	(74)
<b>Total</b>	<b>\$ (57,674)</b>

**CITY OF IOWA COLONY, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 12 - Post-employment Benefits Other Than Pensions (OPEB)**

***TMRS Supplemental Death Benefits Fund***

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

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

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

The retiree portion of the City’s contributions to the TMRS SDBF for the fiscal year 2025 was \$1,069 which equaled the required contribution amount.

Based on calculations of the plan’s actuary under the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the city has a total OPEB liability of \$22,703. Management has determined the effects of implementing this pronouncement on the City’s government wide net position are not material to the financial statements and no provision for this liability or activity, other than cash paid as part the TMRS contribution of \$1,069 have been recorded in the City’s financial statements.

**Note 13 - Fund Balance Assignments**

The City has assigned fund balances as of September 30, 2025 for the following purposes:

	<b>Assigned Fund Balance</b>
Public works equipment	\$ 200,000
Public works roadwork	42,169
Unified development code update project	25,000
Government Center master plan	123,350
MUD facility conveyance	50,000
Capital planning	50,000
ARPA water line project	300,000
Disaster response funds	400,000
	<u>\$ 1,190,519</u>

**CITY OF IOWA COLONY, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 14 - Contracts with Municipal Utility Districts**

The City has active agreements with municipal utility districts (MUDs) located within the City's boundaries.

***Brazoria County Municipal Utility District No. 31 (MUD 31)***

Strategic Partnership Agreement

Effective July 17, 2006, amended September 1, 2012, and November 16, 2020, the City entered into a Strategic Partnership Agreement (the Agreement) under which the City annexed a tract of land (the tract) within the boundaries of MUD 31 for limited purposes. MUD 31 continues to exercise all powers and functions of a municipal utility district as provided by law. As consideration for MUD 31 providing services as detailed in the Agreement, the City agrees to remit one-half of all sales and use tax revenues generated within the boundaries of the tract. As consideration for the sales tax payments and the services provided by the City, MUD 31 agrees to continue to provide and develop water, sewer and drainage services within MUD 31 in lieu of full-purpose annexation. During the current year, the City did not make any payments related to this Agreement.

Annexation Agreement

Effective December 17, 2018, the City entered into an Annexation Agreement with MUD 31 to defer the conversion of the limited purpose annexation of MUD 31 to a full purpose annexation by the City to a date no earlier than January 2, 2019, to be determined by the City, in order to defer City taxes on the annexation area. The City will still be obligated to provide certain services to MUD 31 after annexation and before receiving property taxes from the annexation area, therefore, the Annexation Agreement provides for certain service expense sharing payments from MUD 31 to the City to help defray the costs of services. During prior years, MUD 31 made two payments of \$350,000 to the City and the City has completed the full purpose annexation. The Annexation Agreement provides for the City to remit to MUD 31 70% of the maintenance and operations ad valorem property tax received by the City on property in the annexation area. The due dates of the payments shall be the last day of March and August of each year, for tax revenues received by the City at least 10 days before the due date of the payment. The tax sharing payments shall begin on the ad valorem property taxes received by the City from the annexation area for the 2020 tax year and continue for 20 years, totaling 40 semiannual payments, subject to the terms of the Annexation Agreement. During the current year, the City paid \$1,150,244 in tax sharing payments to MUD 31 in accordance with the Annexation Agreement.

**CITY OF IOWA COLONY, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 14 - Contracts with Municipal Utility Districts (continued)**

***Brazoria County Municipal Utility District No. 32 (MUD 32)***

Strategic Partnership Agreement

Effective July 18, 2016, the City entered into a Strategic Partnership Agreement (the Agreement) under which the City annexed a tract of land (the tract) within the boundaries of MUD 32 for limited purposes. MUD 32 continues to exercise all powers and functions of a municipal utility district as provided by law. As consideration for MUD 32 providing services as detailed in the Agreement, the City agrees to remit one-half of all sales and use tax revenues generated within the boundaries of the tract. As consideration for the sales tax payments and the services provided by the City, MUD 32 agrees to continue to provide and develop water, sewer and drainage services within MUD 32 in lieu of full-purpose annexation. The City agrees it will not annex MUD 32 for full purposes or commence any action to annex MUD 32 during the term of the Agreement, which is 15 years. During the current year, the City did not make any payments related to this Agreement.

Annexation Agreement

By letter dated January 16, 2024, the City notified MUD 32 that it intends to exercise its option to take ownership of MUD 32's water and wastewater facilities, including all completed and future water, sewer and drainage facilities serving MUD 32t within six months. On November 14, 2024, subsequent to year-end, the City and MUD 32 entered into a Utility Conveyance and Security Agreement to transfer certain improvements, structures, and facilities designed to provide water and wastewater to serve areas within MUD 32's boundaries and the extraterritorial jurisdiction of the City.

Facility Conveyance Agreement

On September 13, 2024, the City entered into a Facility Conveyance Agreement with the MUD establishing the terms under which the MUD will transfer its water and wastewater facilities (collectively, the "Facilities") to the City. On May 23, 2024, a portion of the MUD's facilities were conveyed to the City, and on November 24, 2024, the MUD's remaining facilities were conveyed to the City and the City assumed full ownership and operation of the facilities. The amount conveyed by the MUD during fiscal year 2025 was \$20,433,664.

**CITY OF IOWA COLONY, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 14 - Contracts with Municipal Utility Districts (continued)**

***Brazoria County Municipal Utility District No. 53 (MUD 53)***

Strategic Partnership Agreement

Effective January 10, 2022, the City entered into a Strategic Partnership Agreement (the Agreement) with MUD 53 whereby the City may annex any commercial portion of MUD 53 from time to time for the purpose of levy and collection of the City's sales and use taxes. MUD 53 would continue to exercise all the powers of a municipal utility district in the area of limited purpose annexation as provided by law. The City will keep all of the sales and use taxes collected under the Agreement. As of this date, no area has been so annexed. In addition, the Agreement provides for the provision of fire, police, garbage and building regulation within MUD 53. The City agrees that it will not annex MUD 53 for full purposes until one of the following conditions has been satisfied: (i) 90% of the developable acreage in MUD 53 has been developed with water, sanitary sewer, drainage and paving, and the developer has been reimbursed to the maximum extent permitted by the rules of the Commission, or the City assumes any obligation for such reimbursement of MUD 53 under such rules, or (ii) 20 years from the date of the Agreement, whichever comes first.

Facility Conveyance Agreement

On September 13, 2024, the City entered into a Facility Conveyance Agreement with the MUD establishing the terms under which the MUD will transfer its water and wastewater facilities (collectively, the "Facilities") to the City. On December 10, 2024, the MUD's facilities were conveyed to the City and the City assumed full ownership and operation of the facilities. The amount conveyed by the MUD during fiscal year 2025 was \$20,796,156.

***Brazoria County Municipal Utility District No. 55 (MUD 55)***

Strategic Partnership Agreement

On February 15, 2011, the City entered into a Shared Financing Agreement (the "Agreement") with MUD 55, City of Iowa Colony TIRZ #2 (the "Zone") and Iowa Colony Development Authority (the "Authority") for the purpose of constructing TIRZ Projects which include various public works and improvements. The Authority and MUD 55 agree to assist the City and the Zone in the implementation of the TIRZ Projects and in the funding, ownership, operation, and maintenance of the TIRZ Projects. MUD 55 will act as Project Manager for the TIRZ projects set out in the Agreement and will give written notice to the Authority Board before initiating the design or construction of a TIRZ project for approval. Upon completion of TIRZ Project construction, the project shall be conveyed to the responsible party as stated in the Agreement. For any year in which the City collects or receives Tax Increment, the City will pay such Tax Increment to the Authority. For any year the Authority receives payments from the City, the amount of Project Costs to be paid from Tax Increment by the Authority ("TIRZ Share") to MUD 55 is the percentage of the actual project costs set out in the Agreement. MUD 55 will begin to receive TIRZ Share payments no later than thirty days prior to the fall principal and interest payment date subsequent to MUD 55 issuance of bonds. The term of the Agreement will expire on the later of January 1 in the year following completion of the TIRZ plan or the date that the Developer has been repaid in full for all eligible project costs.

Facility Conveyance Agreement

On April 14, 2025, the City entered into a Facility Conveyance Agreement with the MUD establishing the terms under which the MUD will transfer its water supply facilities, wastewater treatment plant, regional and internal collection lines, lift station and related appurtenances (collectively, the "Facilities") to the City. The effective date of the conveyance will be December 31, 2026, at which time the City will assume ownership, operation, and maintenance responsibilities for the Facilities. Upon acceptance, the City will provide utility service to MUD users, maintain customer information and records and provide monthly billings to customers served by the Facilities. Facilities constructed by the MUD after the effective date will be transferred upon completion and City acceptance. Under the agreement, the MUD will contribute toward the City's installation of smart water meters through annual payments of \$35,000 over five years, beginning on April 1, 2025, for a total of \$175,000. In exchange for the conveyance of the Facilities, the City agreed to make annual payments of \$150,000 to the MUD for a period of five years, beginning January 1, 2027. The agreement also requires the MUD to replace the temporary wastewater treatment capacity with a permanent plant by December 31, 2040. Any such replacement or capacity expansion greater than 0.48 million gallons per day (MGD) will be funded solely by the MUD.

**CITY OF IOWA COLONY, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 14 - Contracts with Municipal Utility Districts (continued)**

***Proposed Brazoria County Municipal Utility District No. 90 (MUD 90)***

Utility Functions Agreement

On August 12, 2024, the City entered into a Utility Functions Agreement (the "Agreement") with four developers on-behalf of proposed MUD 90, a municipal utility district not yet created. The MUD is to construct or acquire water and wastewater facilities with ownership of the facilities to be conveyed to the City as the facilities are constructed. In consideration of the acquisition and construction of the facilities, the City is to make an annual payment to the MUD from real property taxes collected from property located within the MUD. These revenues generated by the M&O portion of the City tax rate are to be rebated to the MUD beginning on February 1 in the calendar year following the calendar year for which the MUD initially receives a tax roll from Brazoria County Appraisal District and shall be payable each May 1 thereafter (e.g., if MUD 90 receives a tax roll for calendar year 2027, the annual payment for such year will be due May 1, 2028). The structure of the annual payments shall be as follows: 2025 – 2029 payment will be equal to 100% of M&O taxes collected; 2030 – 2034 payment will be equal to 75% of M&O taxes collected; and 2035-2039 will be equal to 50% of M&O taxes collected.

***Proposed Brazoria County Municipal Utility District No. 92 (MUD 92)***

Utility Functions Agreement

On August 16, 2023, the City entered into a Utility Functions Agreement (the "Agreement") with a developer on-behalf of proposed MUD 92, a municipal utility district not yet created. The MUD is to construct or acquire water and wastewater facilities with ownership of the facilities to be conveyed to the City as the facilities are constructed. In consideration of the acquisition and construction of the facilities, the City is to make an annual payment to the MUD from real property taxes collected from property located within the MUD. These revenues generated by the M&O portion of the City tax rate are to be rebated to the MUD beginning on February 1 in the calendar year following the calendar year for which the MUD initially receives a tax roll from Brazoria County Appraisal District and shall be payable each May 1 thereafter (e.g., if the MUD receives a tax roll for calendar year 2027, the annual payment for such year will be due May 1, 2028). The structure of the annual payments shall be as follows: 2025 – 2027 payment will be equal to 100% of M&O taxes collected; 2028 – 2030 payment will be equal to 75% of M&O taxes collected; 2031-2034 will be equal to 50% of M&O taxes collected; and 2035-2038 will be equal to 25% of M&O taxes collected.

**CITY OF IOWA COLONY, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 14 - Contracts with Municipal Utility Districts (continued)**

**Cost Sharing Agreement with Brazoria County Municipal Utility Districts No. 31, No. 38, and No. 87**

Cost Sharing Agreement

In December 2024, the City of Iowa Colony (the “City”) entered into a Cost Sharing Agreement with Brazoria County Municipal Utility Districts (MUDs) No. 31, No. 87, and No. 38 for the joint funding and construction of the Northwest Regional Wastewater Treatment Plant (the “Project”). Under the terms of the agreement, the City serves as Project Administrator and is responsible for all aspects of Project design, permitting, bidding, and construction. Upon completion, the City will be the sole legal owner of the facility and will operate and maintain the plant. Each participating Party will receive reserved wastewater treatment capacity proportional to its funding share. The Parties agreed to share Project costs and capacity as follows:

<u>Party</u>	<u>Cost Share %</u>	<u>Reserved Capacity (MGD)</u>
MUD 31	32.0%	0.24
MUD 87	44.0%	0.33
MUD 38	14.7%	0.11
City	9.3%	0.07
Total	100%	0.75

During the fiscal year, the City received deposits from the participating MUDs representing each party’s pro rata share of the Project’s engineering phase. In accordance with the agreement, the Project contributions are required to be deposited into a separate Project account and may be used solely for Project-related expenditures. The City had not yet incurred the related Project expenses as of year-end and therefore recorded the amounts as unearned revenue in the Utility Fund. The amount recorded as unearned revenue as of September 30, 2025, and the estimated total cost of the project is as follows:

<u>Party</u>	<u>Unearned Revenue</u>	<u>Total Estimated Cost</u>
MUD 31	\$ 280,823	\$ 5,076,423
MUD 87	388,417	7,021,377
MUD 38	128,700	2,326,500
City	-	1,438,200
Total	\$ 797,940	\$ 15,862,500

**Note 15 - Subsequent Events**

On November 1, 2025, the City entered issued \$27,130,000 of Combination Tax and Revenue Certificates of Obligation, Series 2025. The certificates have interest rates ranging from 4.000% to 5.000% and will mature on April 1, 2055.



## **REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF IOWA COLONY, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION - GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**For the Year Ended September 30, 2025**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				
Property taxes	\$ 3,255,000	\$ 3,255,000	\$ 1,696,412	\$ (1,558,588)
Sales taxes	725,000	725,000	1,045,300	320,300
Franchise taxes	540,000	540,000	559,265	19,265
License and permits	2,975,800	2,975,800	4,135,970	1,160,170
Intergovernmental	-	-	325,985	325,985
Charges for services - Intergovernmental	1,009,800	1,009,800	982,550	(27,250)
Fines and forfeitures	339,000	339,000	519,563	180,563
Investment earnings	150,000	150,000	200,219	50,219
Miscellaneous revenue	643,000	643,000	1,132,599	489,599
<b>Total Revenues</b>	<u>9,637,600</u>	<u>9,637,600</u>	<u>10,597,863</u>	<u>960,263</u>
<b>Expenditures</b>				
Current:				
Administration	1,929,090	1,929,090	1,577,027	352,063
Finance	367,210	367,210	259,521	107,689
Police	2,277,030	2,277,030	2,053,184	223,846
Animal control	179,030	179,030	129,335	49,695
Emergency management	15,500	15,500	41,731	(26,231)
Municipal court	319,710	319,710	257,970	61,740
Public works	1,019,370	1,019,370	992,943	26,427
Parks and recreation	218,500	218,500	250,819	(32,319)
Community development	1,034,360	1,034,360	2,902,835	(1,868,475)
Fire marshal/inspections	480,090	480,090	601,427	(121,337)
Debt service:				
Principal	-	-	3,401	(3,401)
Interest and fees	-	-	389	(389)
Capital outlay	-	-	1,216,245	(1,216,245)
<b>Total Expenditures</b>	<u>7,839,890</u>	<u>7,839,890</u>	<u>10,286,827</u>	<u>(2,446,937)</u>
Changes in Fund Balance	1,797,710	1,797,710	311,036	(1,486,674)
<b>Fund Balances - Beginning</b>	<u>6,061,730</u>	<u>6,061,730</u>	<u>6,061,730</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ 7,859,440</u>	<u>\$ 7,859,440</u>	<u>\$ 6,372,766</u>	<u>\$ (1,486,674)</u>

**CITY OF IOWA COLONY, TEXAS**  
**NOTES TO REQUIRED SUPPLEMENTARY BUDGETARY INFORMATION**

**Legal Compliance - Budgets**

Typically, prior to September 1, the departments and agencies of the City transmit their estimates of their budgetary requirements to the Mayor. The Council may revise, alter, increase or decrease the items of the budget, provided that when it shall increase the total proposed expenditures, it shall also increase the total anticipated income. The Council approves the budget plan prior to September 30. One or more public hearings are conducted to obtain taxpayer comments. City Council members may transfer unencumbered appropriated balances, or portion thereof, from one department to another. During the year, Council made no amendments to the original budget.

The City's expenditures exceeded appropriations in categories of emergency management, parks and recreation, community development, fire marshal/inspections, debt service, and capital outlay. The overages were caused by the City experiencing significant growth and expending more than anticipated amounts on capital projects in the general fund. In addition, the City amended a grant agreement in April 2025 from the Community Development Block Grant from the General Land Office (GLO) for flood and drainage improvements, which increased the local match from \$88,680 to \$965,145. The majority of the local match expenditures were incurred by September 30, 2025, but a formal budget amendment was not passed.

**CITY OF IOWA COLONY, TEXAS**  
**REQUIRED SUPPLEMENTARY PENSION INFORMATION**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS**  
**Last Ten Measurement Years Ended December 31**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability:</b>										
Service cost	\$ 371,344	\$ 299,389	\$ 238,243	\$ 145,207	\$ 104,170	\$ 51,130	\$ 35,822	\$ 27,020	\$ 25,040	\$ 18,263
Interest	104,296	82,208	65,826	45,012	40,500	38,226	35,677	32,084	28,720	26,581
Changes of benefit terms	-	-	124,964	-	7,461	-	-	-	-	-
Difference between expected and actual experience	(23,630)	14,639	(10,051)	16,271	(31,039)	(3,796)	(21,411)	(8,477)	(3,118)	(18,632)
Change in assumptions	-	(24,028)	-	-	-	(30,309)	-	-	-	16,153
Benefit payments, including refunds of employee contributions	(73,820)	(88,094)	(75,716)	(63,492)	(71,119)	(39,967)	-	(3,602)	-	-
Net change in total pension liability	378,190	284,114	343,266	142,998	49,973	15,284	50,088	47,025	50,642	42,365
<b>Total pension liability - beginning</b>	<b>1,396,358</b>	<b>1,112,244</b>	<b>768,978</b>	<b>625,980</b>	<b>576,007</b>	<b>560,723</b>	<b>510,635</b>	<b>463,610</b>	<b>412,968</b>	<b>370,603</b>
<b>Total pension liability - ending (a)</b>	<b>1,774,548</b>	<b>1,396,358</b>	<b>1,112,244</b>	<b>768,978</b>	<b>625,980</b>	<b>576,007</b>	<b>560,723</b>	<b>510,635</b>	<b>463,610</b>	<b>412,968</b>
<b>Plan fiduciary net position:</b>										
Contributions - employer	238,737	194,145	128,807	110,498	106,960	94,661	80,321	75,643	81,768	61,097
Contributions - employee	154,451	125,718	101,195	74,520	37,798	24,511	17,857	13,403	12,004	8,730
Net investment income	133,229	108,637	(61,490)	82,868	39,615	59,208	(8,765)	25,102	5,506	17
Benefit payments, including refunds of employee contributions	(73,820)	(88,094)	(75,716)	(63,492)	(71,119)	(39,967)	-	(3,602)	-	-
Administrative expense	(845)	(683)	(527)	(381)	(254)	(332)	(168)	(129)	(65)	(11)
Other	(19)	(4)	629	1	(10)	(9)	(10)	(8)	-	-
Net change in plan fiduciary net position	451,733	339,719	92,898	204,014	112,990	138,072	89,235	110,409	99,213	69,833
<b>Plan fiduciary net position - beginning</b>	<b>1,267,583</b>	<b>927,864</b>	<b>834,966</b>	<b>630,952</b>	<b>517,962</b>	<b>379,890</b>	<b>290,655</b>	<b>180,246</b>	<b>81,033</b>	<b>11,200</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>1,719,316</b>	<b>1,267,583</b>	<b>927,864</b>	<b>834,966</b>	<b>630,952</b>	<b>517,962</b>	<b>379,890</b>	<b>290,655</b>	<b>180,246</b>	<b>81,033</b>
<b>Net Pension Liability (Asset) - Ending (a) - (b)</b>	<b>\$ 55,232</b>	<b>\$ 128,775</b>	<b>\$ 184,380</b>	<b>\$ (65,988)</b>	<b>\$ (4,972)</b>	<b>\$ 58,045</b>	<b>\$ 180,833</b>	<b>\$ 219,980</b>	<b>\$ 283,364</b>	<b>\$ 331,935</b>
Plan fiduciary net position as a % of total pension liability	96.89%	90.78%	83.42%	108.58%	100.79%	89.92%	67.75%	56.92%	38.88%	19.62%
Covered payroll (measurement year)	\$ 2,206,440	\$ 1,795,977	\$ 1,445,645	\$ 1,064,566	\$ 755,952	\$ 490,220	\$ 357,145	\$ 268,052	\$ 240,075	\$ 174,599
Net pension liability (asset) as a percentage of covered payroll	2.50%	7.17%	12.75%	-6.20%	-0.66%	11.84%	50.63%	82.07%	118.03%	190.11%

**CITY OF IOWA COLONY, TEXAS**  
**REQUIRED SUPPLEMENTARY PENSION INFORMATION**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**SCHEDULE OF CONTRIBUTIONS**  
**Last Ten Fiscal Years**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 289,806	\$ 204,441	\$ 176,512	\$ 127,048	\$ 114,253	\$ 101,598	\$ 92,000	\$ 81,648	\$ 75,874	\$ 76,809
Contribution in relation of the actuarially determined contribution	289,806	225,335	176,512	127,048	114,253	101,598	92,000	81,648	75,874	76,809
Contribution deficiency (excess)	\$ -	\$ 20,894	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll (fiscal year)	\$ 2,673,973	\$ 2,087,699	\$ 1,710,034	\$ 1,363,746	\$ 1,015,011	\$ 665,101	\$ 448,754	\$ 335,852	\$ 253,819	\$ 224,351
Contributions as a percentage of covered payroll	10.84%	10.79%	10.32%	9.32%	11.26%	15.28%	20.50%	24.31%	29.89%	34.24%

**Notes to Required Supplementary Pension Information:**

Valuation Date: Actuarial determined contribution rates are calculated as of December 31 each year and become effective in January, 12 months and a day later.

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	19 years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female 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.

## NONMAJOR GOVERNMENTAL FUNDS

The Special Revenue Funds are used to account for specific revenue sources that are restricted, committed, or assigned to expenditures for particular purposes.

The *Crime Control District* is used to account for the accumulation and use of the half-cent sales tax proceeds dedicated for crime prevention and reduction programs.

The *Law Enforcement Fund* is used to account for a portion of fines and forfeitures collected which are restricted to law enforcement programs.

The *Public Works Grants Fund* is used to account for the grant revenues and expenditures related to public works programs.

The *Public Safety Grants Fund* is used to account for the grant revenues and expenditures related to public safety programs.

The *Regional Parkland Fund* is used to account for fees charged for new residential developments which are restricted for the acquisition and development of regional parks under the City's Master Park Plan.

The *Court Technology Fund* is used to account for revenues and expenditures related to the municipal court technology fee.

The *Court Security Fund* is used to account for revenues and expenditures related to the municipal court security fee.

The Consolidated *Court Security and Technology Fund* is used to account for revenues and expenditures related to the municipal court consolidated security and technology fees, effective for fees collected on or after May 29, 2025.

The *Vehicle Replacement Fund* is used to account for funds set aside from the General Fund to be used for future vehicle replacement costs.



**CITY OF IOWA COLONY, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2025**

	Crime Control District	Law Enforcement Fund	Public Works Grants Fund	Public Safety Grants Fund	Regional Parkland Fund	Court Technology Fund	Court Security Fund	Consolidated Court Security and Technology Fund	Vehicle Replacement Fund	Total Nonmajor Governmental Funds
<b>Assets</b>										
Current assets:										
Cash and cash equivalents	\$ 703,141	\$ 1,586	\$ -	\$ -	\$ 334,924	\$ 30,601	\$ 45,625	\$ 2,627	\$ 97,529	\$ 1,216,033
Sales tax receivable	63,771	-	-	-	-	-	-	-	-	63,771
Due from other governments	-	-	77,775	46,563	-	-	-	-	-	124,338
<b>Total Assets</b>	<b>\$ 766,912</b>	<b>\$ 1,586</b>	<b>\$ 77,775</b>	<b>\$ 46,563</b>	<b>\$ 334,924</b>	<b>\$ 30,601</b>	<b>\$ 45,625</b>	<b>\$ 2,627</b>	<b>\$ 97,529</b>	<b>\$ 1,404,142</b>
<b>Liabilities</b>										
Accounts payable	\$ 49,159	\$ -	\$ 22,875	\$ 45	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72,079
Accrued expenses	3,119	-	-	281	-	-	-	-	-	3,400
Due to other funds	3,993	-	54,900	20,740	-	79	-	-	-	79,712
<b>Total Liabilities</b>	<b>\$ 56,271</b>	<b>\$ -</b>	<b>\$ 77,775</b>	<b>\$ 21,066</b>	<b>\$ -</b>	<b>\$ 79</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 155,191</b>
<b>Fund Balances</b>										
Restricted:										
Public safety	710,641	1,586	-	-	-	30,522	45,625	2,627	-	791,001
Grants	-	-	-	25,497	-	-	-	-	-	25,497
Parkland improvements	-	-	-	-	334,924	-	-	-	-	334,924
Assigned:										
Capital projects	-	-	-	-	-	-	-	-	97,529	97,529
<b>Total Fund Balances</b>	<b>710,641</b>	<b>1,586</b>	<b>-</b>	<b>25,497</b>	<b>334,924</b>	<b>30,522</b>	<b>45,625</b>	<b>2,627</b>	<b>97,529</b>	<b>1,248,951</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 766,912</b>	<b>\$ 1,586</b>	<b>\$ 77,775</b>	<b>\$ 46,563</b>	<b>\$ 334,924</b>	<b>\$ 30,601</b>	<b>\$ 45,625</b>	<b>\$ 2,627</b>	<b>\$ 97,529</b>	<b>\$ 1,404,142</b>



**CITY OF IOWA COLONY, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2025**

	Crime Control District	Law Enforcement Fund	Public Works Grants Fund	Public Safety Grants Fund	Regional Parkland Fund	Court Technology Fund	Court Security Fund	Consolidated Court Security and Technology Fund	Vehicle Replacement Fund	Total Nonmajor Governmental Funds
<b>Revenues</b>										
Sales taxes	\$ 454,167	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 454,167
License and permits	-	-	-	-	334,924	-	-	-	-	334,924
Intergovernmental	-	-	863,237	49,599	-	-	-	-	-	912,836
Fines and forfeitures	-	-	-	-	-	10,165	12,560	2,627	-	25,352
Investment earnings	20,287	-	-	-	-	-	-	-	15,483	35,770
<b>Total Revenues</b>	<b>474,454</b>	<b>-</b>	<b>863,237</b>	<b>49,599</b>	<b>334,924</b>	<b>10,165</b>	<b>12,560</b>	<b>2,627</b>	<b>15,483</b>	<b>1,763,049</b>
<b>Expenditures</b>										
Current:										
Administration	-	-	-	-	-	-	-	-	3,513	3,513
Police	335,094	-	-	46,624	-	-	-	-	-	381,718
Capital outlay	38,188	-	863,237	-	-	-	-	-	129,113	1,030,538
<b>Total Expenditures</b>	<b>373,282</b>	<b>-</b>	<b>863,237</b>	<b>46,624</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>132,626</b>	<b>1,415,769</b>
Changes in Fund Balance	101,172	-	-	2,975	334,924	10,165	12,560	2,627	(117,143)	347,280
<b>Fund Balances - Beginning</b>	<b>609,469</b>	<b>1,586</b>	<b>-</b>	<b>22,522</b>	<b>-</b>	<b>20,357</b>	<b>33,065</b>	<b>-</b>	<b>214,672</b>	<b>901,671</b>
<b>Fund Balances - Ending</b>	<b>\$ 710,641</b>	<b>\$ 1,586</b>	<b>\$ -</b>	<b>\$ 25,497</b>	<b>\$ 334,924</b>	<b>\$ 30,522</b>	<b>\$ 45,625</b>	<b>\$ 2,627</b>	<b>\$ 97,529</b>	<b>\$ 1,248,951</b>

