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CITY OF ROLLINGWOOD, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2025



CLIENT **FOCUSED.** RELATIONSHIP **DRIVEN.**

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Members of the City Council
City of Rollingwood, Texas
403 Nixon Drive
Rollingwood, Texas 78746

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying 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 the City of Rollingwood, Texas, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Rollingwood, Texas' basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Change in Accounting Principles

As described in Note 1 to the financial statements, in 2025, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, and schedules of changes and contributions for net pension liability and total other postemployment benefit liability as referred to 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.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2026, on our consideration of the City of Rollingwood, Texas' 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 of Rollingwood, Texas' internal control over financial reporting and compliance.

San Antonio, Texas
February 18, 2026

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MANAGEMENT'S DISCUSSION AND ANALYSIS**September 30, 2025**

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

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at September 30, 2025 by \$9,152,548. Of this amount \$4,237,105 (unrestricted net position), may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total cost of all City activities was \$6,369,318 for the fiscal year. The net expense after charges for services and operating contributions was \$3,166,386.
- During the year, the City entered into a vehicle loan agreement with Government Capital Corporation in the amount of \$80,784.
- At September 30, 2025 the City's governmental funds reported combined ending fund balances of \$4,456,496, a net decrease of \$371,830. This decrease is due mainly to an increase of capital project expenditures.
- At September 30, 2025 the unassigned fund balance for the general fund was \$5,391,100 or 205% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis serves as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of four components: (1) government-wide financial statements, (2) fund financial statements, (3) component unit financial statements, and (4) notes to the financial statements and required supplementary information.

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

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

The statement of activities presents information showing how 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 in this statement for some items that will only result in cash flows in future fiscal periods (i.e., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through their user fees and charges (business-type activities). The governmental activities of the City include general government, public works, sanitation, public safety, court, parks and recreation, streets, and development services. The business-type activities of the City include water and wastewater.

The government-wide financial statements include not only the City itself (known as the primary government) but also the component unit of Rollingwood Community Development Corporation, Inc.

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

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources available for current spending, as well as on balances of resources available for spending 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.

The City maintained eight (8) individual governmental funds during the 2025 fiscal year. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund, the debt service fund and the drainage fund which are considered to be major funds. Data from the other five (5) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. Schedules of revenues, expenditures and changes in fund balances – budget and actual (GAAP basis) have been provided for the general fund to demonstrate compliance with the appropriated budget.

The City maintains only one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for its water and wastewater utility services.

Proprietary funds provide the same type of information as the government-wide financial statements, only in a more detailed format. The City has two major proprietary funds. They are the water fund and the wastewater fund. Separate financial statements are presented for the major funds.

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

Other information – The combining statements referred to earlier as the City's nonmajor governmental funds are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$9,152,548 (net position). Of this amount, \$4,237,105 (unrestricted net position) may be used to meet the ongoing obligations to citizens and creditors.

The largest portion of the City's net position (47%) reflects its net investment in capital assets (i.e., land, buildings, infrastructure, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position (7%) represents resources that are subject to external restrictions on how they may be used.

NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Assets:						
Current and other assets	\$ 5,091,096	\$ 5,294,101	\$ 3,865,279	\$ 5,517,403	\$ 8,956,375	\$ 10,811,504
Capital assets	4,260,270	2,930,907	14,367,939	13,169,072	18,628,209	16,099,979
Total assets	9,351,366	8,225,008	18,233,218	18,686,475	27,584,584	26,911,483
Deferred outflows of resources	137,936	231,831	67,939	90,158	205,875	321,989
Liabilities:						
Current liabilities	914,877	694,916	1,309,672	1,152,730	2,224,549	1,847,646
Long-term liabilities	1,646,443	2,177,569	14,644,220	15,302,246	16,290,663	17,479,815
Total liabilities	2,561,320	2,872,485	15,953,891	16,454,976	18,515,211	19,327,461
Deferred inflows of resources	82,209	19,217	40,491	7,474	122,700	26,691
Net position:						
Net investment in capital assets	2,937,365	2,776,162	1,371,846	1,931,646	4,309,211	4,707,808
Restricted	606,232	566,450	-	-	606,232	566,450
Unrestricted	3,302,176	2,222,525	934,929	382,537	4,237,105	2,605,062
Total net position	\$ 6,845,773	\$ 5,565,137	\$ 2,306,775	\$ 2,314,183	\$ 9,152,548	\$ 7,879,320

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, for the primary government as a whole.

Governmental activities – Governmental activities increased the City's net position by \$1,280,636, after the restatement.

A key element is as follows:

- An increase in property tax revenue.

Business-type activities – Business-type activities decreased the City’s net position by \$7,410, after the restatement.

The following table indicates changes in net position for the governmental and business-type activities for the City as of September 30, 2025.

CHANGE IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Revenues:						
Program revenues						
Charges for services	\$ 480,410	\$ 592,817	\$ 2,720,670	\$ 2,617,397	\$ 3,201,080	\$ 3,210,214
Operating contributions	1,852	68,116	-	-	1,852	68,116
Capital contributions	-	-	-	-	-	-
General revenues						
Property taxes	3,237,196	3,035,254	-	-	3,237,196	3,035,254
Sales taxes	1,073,022	1,067,924	-	-	1,073,022	1,067,924
Franchise taxes	129,615	138,221	-	-	129,615	138,221
Unrestricted investment earnings	21,129	23,617	22,399	25,753	43,528	49,370
Other income	5,198	273	7,582	-	12,780	273
Total revenues	<u>4,948,422</u>	<u>4,926,222</u>	<u>2,750,651</u>	<u>2,643,150</u>	<u>7,699,073</u>	<u>7,569,372</u>
Expenses:						
General government	590,215	711,835	-	-	590,215	711,835
Public works	72,387	32,884	-	-	72,387	32,884
Sanitation	170,817	189,111	-	-	170,817	189,111
Public safety	1,271,968	1,297,835	-	-	1,271,968	1,297,835
Court	122,476	101,976	-	-	122,476	101,976
Parks and recreation	83,155	105,326	-	-	83,155	105,326
Streets	154,151	149,639	-	-	154,151	149,639
Development services	237,578	251,361	-	-	237,578	251,361
Drainage	41,715	67,311	-	-	41,715	67,311
Interest	45,436	56,282	-	-	45,436	56,282
Water	-	-	1,915,045	1,844,773	1,915,045	1,844,773
Wastewater	-	-	1,664,373	1,586,345	1,664,373	1,586,345
Total expenses	<u>2,789,898</u>	<u>2,963,560</u>	<u>3,579,418</u>	<u>3,431,118</u>	<u>6,369,316</u>	<u>6,394,678</u>
Increase (decrease) in net position before transfers	<u>2,158,524</u>	<u>1,962,662</u>	<u>(828,767)</u>	<u>(787,968)</u>	<u>1,329,757</u>	<u>1,174,694</u>
Transfers	<u>(844,975)</u>	<u>(916,121)</u>	<u>844,975</u>	<u>916,121</u>	<u>-</u>	<u>-</u>
Change in net position	1,313,549	1,046,541	16,208	128,153	1,329,757	1,174,694
Net position - beginning	5,565,137	4,518,596	2,314,183	2,186,030	7,879,320	6,704,626
Restatement of net position	<u>(32,913)</u>	<u>-</u>	<u>(23,616)</u>	<u>-</u>	<u>(56,529)</u>	<u>-</u>
Net position - ending	<u>\$ 6,845,773</u>	<u>\$ 5,565,137</u>	<u>\$ 2,306,775</u>	<u>\$ 2,314,183</u>	<u>\$ 9,152,548</u>	<u>\$ 7,879,320</u>

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,456,496, a decrease of \$371,830 from the prior year. This decrease is due primarily to increased capital project expenditures.

Approximately 77% of this total amount, \$3,413,123 constitutes fund balance which is available for spending at the government's discretion. The remainder fund balance of \$1,043,373 or 23% is restricted as to use.

The City's general fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance was \$5,391,100. The unassigned fund balance represents 205% of total general fund expenditures. The fund balance of the City's general fund increased for the fiscal year by \$928,031.

The ending fund balance for the Debt Service Fund was \$2,059 at September 30, 2025.

The ending fund balance for the Drainage Fund was a deficit balance of (\$1,977,977) at September 30, 2025.

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

Water Fund – Unrestricted net position in the water fund at the end of the current fiscal year amounted to \$561,007. This is an increase of the unrestricted net position in the prior year by \$808,382.

Wastewater Fund – Unrestricted net position in the wastewater fund at the end of the current fiscal year amounted to \$373,922. This is a decrease of the unrestricted net position in the prior year by \$255,990 largely due to an increase in net investment in capital assets.

BUDGETARY HIGHLIGHTS

General fund – Actual fiscal year expenditures in the general fund were \$972,150 less than the final budgeted amounts or appropriations. The fiscal year 2025 budget was amended from the original budget adopted by Council.

The major difference between the original and final budget was:

- \$160,000 – budget increase in sales tax revenues
- \$175,000 – budget decrease in public safety expenditures

Debt service fund – Actual fiscal year expenditures in the debt service fund were \$1,116,937 less than the final budgeted amounts or appropriations. The difference is due to debt payments for the water and wastewater fund being budgeted in the debt service fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – The City's investment in capital assets for its governmental and business-type activities as of September 30, 2025 amounted to \$18,628,209 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles, machinery and equipment, infrastructure, and construction in

progress. The net increase in the City's investment in capital assets for the current fiscal year was 16% due mainly to construction in progress projects.

The following table shows capital asset activity for the 2025 fiscal year compared to 2024. If more detailed information is desired on the City's capital asset activity, please refer to note 4 as presented in the notes to the financial statements.

CAPITAL ASSETS, NET OF DEPRECIATION

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Capital assets-not depreciated						
Land	\$ 321,438	\$ 321,438	\$ -	\$ -	\$ 321,438	\$ 321,438
Construction in progress	2,134,177	719,901	642,859	424,217	2,777,036	1,144,118
Total capital assets - not depreciated	2,455,615	1,041,339	642,859	424,217	3,098,474	1,465,556
Capital assets-depreciated						
Buildings and improvements	721,038	721,038	43,000	43,000	764,038	764,038
Equipment	1,141,717	1,155,493	1,039,072	994,975	2,180,789	2,150,468
Infrastructure	2,215,866	2,215,866	19,659,867	18,251,056	21,875,733	20,466,922
SBITA	-	-	120,434	-	120,434	-
Total capital assets - depreciated	4,078,621	4,092,397	20,862,373	19,289,031	24,940,994	23,381,428
Less: accumulated depreciation						
Buildings and improvements	(327,402)	(310,995)	(10,320)	(8,600)	(337,722)	(319,595)
Equipment	(866,054)	(897,692)	(262,971)	(198,701)	(1,129,025)	(1,096,393)
Infrastructure	(1,080,510)	(994,142)	(6,847,275)	(6,336,875)	(7,927,785)	(7,331,017)
Infrastructure	-	-	(16,727)	-	(16,727)	-
Total accumulated depreciation	(2,273,966)	(2,202,829)	(7,137,293)	(6,544,176)	(9,411,259)	(8,747,005)
Total capital assets - net	\$ 4,260,270	\$ 2,930,907	\$ 14,367,939	\$ 13,169,072	\$ 18,628,209	\$ 16,099,979

Long-term liabilities – During the fiscal year, the City entered into a financing loan contract with Government Capital Corporation in the amount of \$94,279 for a vehicle to be used for both governmental and business-type activities. At the end of the current fiscal year, the City had total bonded debt outstanding of \$15,305,001. Additional information on liabilities may be found in note 10 of this report as presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Rollingwood has historically maintained a solid economy and continues to exhibit strong fundamentals. The City, with an estimated population of 1,500 is a 0.8-square mile landlocked community in Travis County, directly adjacent to southwest Austin. It is in the Austin-Round Rock MSA, which boasts a broad and diverse economy. The Austin-Round Rock MSA is one of the fastest growing among the top 50 metropolitan areas in the nation. The City of Rollingwood benefits from continuing positive trends in real estate and overall growth in the Austin region. Additionally, major tech companies continue their drive for operational expansion and the Austin market has emerged as an attractive destination for the tech industry. City leadership is developing plans to maximize the potential of its existing commercial corridor.

Rollingwood's tax base continues to grow year over year despite its landlocked nature. While growth within the City is limited, the increase in valuation can be in part attributed to renovation and redevelopment of existing lots resulting in higher home values. It is also attributed to supply and demand. Demand for housing in Rollingwood is high due to proximity to downtown Austin, the excellent school district, large sprawling lots, and the City's low tax rate. Supply of available housing is low due to being a small, landlocked community, which drives value. The average home value significantly increased from the previous year.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Administrator, 403 Nixon Drive, Rollingwood, Texas 78746.

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BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the Government Accounting Standards Board (GASB). The sets of statements include:

- Government-Wide Financial Statements
- Fund Financial Statements
 - Governmental Funds
 - Proprietary Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

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STATEMENT OF NET POSITION

September 30, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Assets:				
Cash and cash equivalents	\$ 4,787,566	\$ 3,418,218	\$ 8,205,784	\$ 758,503
Accounts receivable-net of allowances for uncollectibles:				
Property taxes	60,382	-	60,382	-
Other	104,144	337,496	441,640	14,854
Lease receivable	138,866	-	138,866	-
Internal balances	138	(138)	-	-
Prepaid items	-	109,703	109,703	-
Capital assets:				
Land	321,438	-	321,438	-
Construction in progress	2,134,177	642,859	2,777,036	-
Buildings and improvements	393,636	-	393,636	20,916
Water distribution system	-	4,357,706	4,357,706	-
Wastewater system	-	8,386,760	8,386,760	-
Wastewater system-connections	-	68,126	68,126	-
Equipment	275,663	776,101	1,051,764	-
Infrastructure	1,135,356	-	1,135,356	-
Wastewater system-building improvements	-	32,680	32,680	-
Subscription asset	-	103,707	103,707	-
Total assets	<u>9,351,366</u>	<u>18,233,218</u>	<u>27,584,584</u>	<u>794,273</u>
Deferred outflows of resources:				
Deferred outflows of resources - pension	131,564	64,800	196,364	-
Deferred outflows of resources - OPEB	<u>6,372</u>	<u>3,139</u>	<u>9,511</u>	<u>-</u>
Total deferred outflows of resources	<u>137,936</u>	<u>67,939</u>	<u>205,875</u>	<u>-</u>
Liabilities:				
Accounts payable	316,475	504,820	821,295	-
Accrued interest payable	3,761	42,729	46,490	-
Accrued expenses	100,834	23,545	124,379	-
Unearned revenue	22,305	-	22,305	-
Noncurrent liabilities:				
Payable from restricted assets -				
Customer deposits	-	178,670	178,670	-
Net pension liability	185,466	91,349	276,815	-
OPEB liability	48,715	23,995	72,710	-
Due within one year	471,502	738,578	1,210,080	-
Due in more than one year	<u>1,412,262</u>	<u>14,350,206</u>	<u>15,762,468</u>	<u>-</u>
Total liabilities	<u>2,561,320</u>	<u>15,953,891</u>	<u>18,515,211</u>	<u>-</u>
Deferred inflows of resources:				
Deferred inflows of resources - pension	68,868	33,920	102,788	-
Deferred inflows of resources - OPEB	<u>13,341</u>	<u>6,571</u>	<u>19,912</u>	<u>-</u>
Total deferred inflows of resources	<u>82,209</u>	<u>40,491</u>	<u>122,700</u>	<u>-</u>
Net position:				
Net investment in capital assets	2,937,365	1,371,846	4,309,211	-
Restricted for:				
Street maintenance	579,403	-	579,403	-
Municipal court	23,855	-	23,855	-
Debt service	2,059	-	2,059	-
Police department	915	-	915	-
Unrestricted net position	<u>3,302,176</u>	<u>934,929</u>	<u>4,237,105</u>	<u>794,273</u>
Total net position	<u>\$ 6,845,773</u>	<u>\$ 2,306,775</u>	<u>\$ 9,152,548</u>	<u>\$ 794,273</u>

The accompanying notes are an integral part of these financial statements.

STATEMENT OF ACTIVITIES

For the year ended September 30, 2025

Functions and Programs	Expenses	Charges for Services	Program Revenues Operating Contributions	Capital Contributions
Primary governmental activities:				
General government	\$ (590,215)	\$ 267,905	\$ -	\$ -
Public works	(72,387)	11,245	-	-
Sanitation	(170,817)	640	-	-
Public safety	(1,271,968)	-	1,416	-
Court	(122,476)	97,893	-	-
Parks and recreation	(83,155)	74,756	436	-
Streets	(154,151)	-	-	-
Development services	(237,578)	-	-	-
Drainage	(41,715)	27,971	-	-
Interest and fees	(45,436)	-	-	-
Total primary governmental activities	(2,789,898)	480,410	1,852	-
Business-type activities:				
Water	(1,915,047)	1,669,685	-	-
Wastewater	(1,664,373)	1,050,985	-	-
Total business-type activities	(3,579,420)	2,720,670	-	-
Primary government	<u>\$ (6,369,318)</u>	<u>\$ 3,201,080</u>	<u>\$ 1,852</u>	<u>\$ -</u>
Component unit:				
Rollingwood Community Development Corporation	<u>\$ (77,521)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Taxes:

Property taxes

Sales taxes

Franchise tax and telecommunication fees

Interest

Miscellaneous revenue

Transfers

Total general revenues

Change in net position

Net position at beginning of year

Restatement of net position

Net position at beginning of year as restated

Net position at end of year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Position					
Governmental Activities		Business-Type Activities		Government Total	Component Unit
\$	(322,310)	\$	-	\$	(322,310)
	(61,142)		-		(61,142)
	(170,177)		-		(170,177)
	(1,270,552)		-		(1,270,552)
	(24,583)		-		(24,583)
	(7,963)		-		(7,963)
	(154,151)		-		(154,151)
	(237,578)		-		(237,578)
	(13,744)		-		(13,744)
	(45,436)		-		(45,436)
	(2,307,636)		-		(2,307,636)
	-		(245,362)		(245,362)
	-		(613,388)		(613,388)
	-		(858,750)		(858,750)
	(2,307,636)		(858,750)		(3,166,386)
					\$ (77,521)
	3,237,196		-	3,237,196	-
	1,073,022		-	1,073,022	213,237
	129,615		-	129,615	-
	21,129	22,399		43,528	18,430
	5,198	7,582		12,780	-
	(844,975)	844,975		-	-
	3,621,185	874,956		4,496,141	231,667
	1,313,549	16,206		1,329,755	154,146
	5,565,137	2,314,185		7,879,322	640,127
	(32,913)	(23,616)		(56,529)	-
	5,532,224	2,290,569		7,822,793	640,127
\$	6,845,773	\$	2,306,775	\$	9,152,548
				\$	794,273

BALANCE SHEET GOVERNMENTAL FUNDS

September 30, 2025

	General Fund	Debt Service Fund	Drainage Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 4,195,946	\$ 2,059	\$ -	\$ 589,561	\$ 4,787,566
Taxes receivables, net	31,225	29,157	-	-	60,382
Sales tax receivable	56,848	-	-	14,854	71,702
Other receivables	32,442	-	-	-	32,442
Lease receivable	138,866	-	-	-	138,866
Due from other funds	<u>1,685,711</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,685,711</u>
 Total assets	 <u>\$ 6,141,038</u>	 <u>\$ 31,216</u>	 <u>\$ -</u>	 <u>\$ 604,415</u>	 <u>\$ 6,776,669</u>
Liabilities:					
Accounts payable	\$ 64,713	\$ -	\$ 251,520	\$ 242	\$ 316,475
Accrued liabilities	59,950	-	40,884	-	100,834
Due to other funds	-	-	1,685,573	-	1,685,573
Unearned revenue	<u>22,305</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,305</u>
Total liabilities	<u>146,968</u>	<u>-</u>	<u>1,977,977</u>	<u>242</u>	<u>2,125,187</u>
Deferred inflows of resources:					
Unearned revenue - property taxes	31,225	29,157	-	-	60,382
Unearned revenue - leases	<u>134,604</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>134,604</u>
Total deferred inflows of resources	<u>165,829</u>	<u>29,157</u>	<u>-</u>	<u>-</u>	<u>194,986</u>
Fund balances:					
Restricted for construction	437,141	-	-	-	437,141
Restricted for street maintenance	-	-	-	579,403	579,403
Restricted for municipal court	-	-	-	23,855	23,855
Restricted for police department	-	-	-	915	915
Restricted for debt service	-	2,059	-	-	2,059
Unassigned	<u>5,391,100</u>	<u>-</u>	<u>(1,977,977)</u>	<u>-</u>	<u>3,413,123</u>
Total fund balances	<u>5,828,241</u>	<u>2,059</u>	<u>(1,977,977)</u>	<u>604,173</u>	<u>4,456,496</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 6,141,038</u>	 <u>\$ 31,216</u>	 <u>\$ -</u>	 <u>\$ 604,415</u>	 <u>\$ 6,776,669</u>

The accompanying notes are an integral part of these financial statements.

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

Total fund balances - governmental funds \$ 4,456,496

Amounts reported in governmental funds and in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 4,260,270

Property taxes receivable unavailable to pay current expenses are deferred in the funds. 60,382

Long-term liabilities, including bonds payable, bond premiums, and compensated absences are not due and payable in the current period, and therefore, not reported in the funds. (1,883,763)

Lease receivable unavailable to pay current expenses are deferred in the funds. 134,604

Accrued interest payable on long-term bonds are not due and payable in the current period and, therefore, not reported in the funds. (3,762)

Recognition of the City's net pension and OPEB liability, the deferred outflows, and deferred inflows related to TMRS. (178,454)

Total net position of governmental activities \$ 6,845,773

The accompanying notes are an integral part of these financial statements.

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

For the year ended September 30, 2025

	General Fund	Debt Service Fund	Drainage Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
Property taxes	\$ 1,681,784	\$ 1,549,049	\$ -	\$ -	\$ 3,230,833
Sales taxes	859,786	-	-	213,236	1,073,022
Franchise and telecommunications fees	129,615	-	-	-	129,615
Licenses and fees	263,521	-	27,971	-	291,492
Fines and forfeitures	81,622	-	-	6,935	88,557
Contributions	436	-	-	-	436
Intergovernmental	-	-	-	-	-
Other income	133,884	-	-	-	133,884
Interest income	6,742	-	-	-	6,742
Investment earnings	20,710	-	-	420	21,130
Total revenues	<u>3,178,100</u>	<u>1,549,049</u>	<u>27,971</u>	<u>220,591</u>	<u>4,975,711</u>
Expenditures:					
General government	562,346	-	-	-	562,346
Public works	63,429	-	-	-	63,429
Sanitation	161,108	-	-	-	161,108
Public safety	1,173,300	-	-	-	1,173,300
Court	109,761	-	-	6,001	115,762
Parks and recreation	98,482	-	-	-	98,482
Streets	120,929	-	-	-	120,929
Development	224,412	-	-	-	224,412
Drainage	-	-	41,715	-	41,715
Capital outlay	71,232	-	1,414,276	-	1,485,508
Debt service:					
Principal	38,300	399,325	-	-	437,625
Interest and fees	3,758	54,584	-	-	58,342
Total expenditures	<u>2,627,057</u>	<u>453,909</u>	<u>1,455,991</u>	<u>6,001</u>	<u>4,542,958</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	551,043	1,095,140	(1,428,020)	214,590	432,753
Other financing sources (uses):					
Transfers in	336,596	-	111,913	-	448,509
Transfers out	-	(1,116,617)	-	(176,867)	(1,293,484)
Proceeds of loans	40,392	-	-	-	40,392
Total other financing sources (uses)	<u>376,988</u>	<u>(1,116,617)</u>	<u>111,913</u>	<u>(176,867)</u>	<u>(804,583)</u>
Net change in fund balances	928,031	(21,477)	(1,316,107)	37,723	(371,830)
Fund balance - beginning of year	4,900,210	23,536	(661,870)	566,450	4,828,326
Fund balance - end of year	<u>\$ 5,828,241</u>	<u>\$ 2,059</u>	<u>\$ (1,977,977)</u>	<u>\$ 604,173</u>	<u>\$ 4,456,496</u>

The accompanying notes are an integral part of these financial statements.

**RECONCILIATION OF STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO CHANGE IN STATEMENT OF ACTIVITIES**

For the year ended September 30, 2025

Net change in fund balances - governmental funds	\$ (371,830)
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Amounts reported in governmental funds and in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets are capitalized.	1,485,508
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Capital assets are not recorded in government funds and therefore are not depreciated. However, in the statement of activities these assets are depreciated over their estimated useful lives. This is the amount of 2025 depreciation.	(156,145)
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Revenues for property taxes and leases that are deferred in governmental funds because they do not provide current financial resources are not deferred in the statement of activities. This is the change in deferred from the prior year.	(27,288)
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The issuance of long-term debt (i.e., bonds, tax notes) provides current financial resources to governmental funds, but is a liability in the governmental activities.	(40,392)
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The repayment of long-term debt (i.e., bonds, premiums) provides current financial resources to governmental funds, while neither transaction has any effect on net position.	437,625
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The change in net pension and OPEB liability and deferred outflows related to the City's TMRS pension asset.	8,253
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Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds (compensated absences, accrued interest).	(22,182)
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Change in net position of governmental activities	<u>\$ 1,313,549</u>
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The accompanying notes are an integral part of these financial statements.

STATEMENT OF NET POSITION ENTERPRISE FUNDS

September 30, 2025

	Enterprise Fund		Total Enterprise Funds
	Water Fund	Wastewater Fund	
Current assets:			
Cash and cash equivalents	\$ 3,119,683	\$ 298,535	\$ 3,418,218
Accounts receivable, net	230,039	107,457	337,496
Prepaid items	-	109,703	109,703
Total current assets	3,349,722	515,695	3,865,417
Noncurrent assets:			
Capital assets, net:			
Construction in progress	642,859	-	642,859
Water distribution system	4,357,706	-	4,357,706
Wastewater system	-	8,386,760	8,386,760
Wastewater system-connections	-	68,126	68,126
Equipment	334,926	441,175	776,101
Wastewater system-building improvements	-	32,680	32,680
Subscription asset	-	103,707	103,707
Total noncurrent assets	5,335,491	9,032,448	14,367,939
Total assets	8,685,213	9,548,143	18,233,356
Deferred outflows of resources:			
Deferred outflows of resources - pension	31,418	33,382	64,800
Deferred outflows of resources - OPEB	1,522	1,617	3,139
Total outflows of resources	32,940	34,999	67,939
Current liabilities:			
Accounts payable	460,251	44,569	504,820
Accrued interest payable	21,392	21,337	42,729
Accrued liabilities	13,407	10,138	23,545
Due to other funds	138	-	138
Current portion of long-term liabilities:			
Compensated absences	4,090	4,090	8,180
Bond payable	147,250	455,000	602,250
Loans payable	36,263	36,262	72,525
Lease purchase agreement	12,626	3,724	16,350
Subscription liability	-	39,273	39,273
Total current liabilities	695,417	614,393	1,309,810
Noncurrent liabilities:			
Compensated absences	16,358	16,358	32,716
Bonds payable	5,451,825	7,605,000	13,056,825
Loans payable	239,461	239,461	478,922
Lease liability	12,584	12,585	25,169
Subscription liability	-	65,219	65,219
Bond premiums	308,743	382,612	691,355
Net pension liability	44,290	47,059	91,349
OPEB liability	11,634	12,361	23,995
Customer deposits	178,670	-	178,670
Total noncurrent liabilities	6,263,565	8,380,655	14,644,220
Total liabilities	6,958,981	8,995,048	15,954,029
Deferred inflow of resources:			
Deferred inflows of resources - pension	16,445	17,475	33,920
Deferred inflows of resources - OPEB	3,186	3,385	6,571
Total inflows of resources	19,631	20,860	40,491
Net position:			
Net investment in capital assets	1,178,534	193,312	1,371,846
Unrestricted net position	561,007	373,922	934,929
Total net position	\$ 1,739,541	\$ 567,234	\$ 2,306,775

The accompanying notes are an integral part of these financial statements.

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
ENTERPRISE FUNDS**

For the year ended September 30, 2025

	Enterprise Fund		Total
	Water	Wastewater	Enterprise
	Fund	Fund	Funds
Operating revenues:			
Charges for sales and services:			
Water sales	\$ 1,669,685	\$ -	\$ 1,669,685
Wastewater revenues	-	941,100	941,100
Wastewater surcharge	-	95,860	95,860
Industrial waste surcharges	-	14,025	14,025
Total operating revenues	<u>1,669,685</u>	<u>1,050,985</u>	<u>2,720,670</u>
Operating expenses:			
Water purchased	722,542	-	722,542
Wastewater fees	-	64,650	64,650
Personnel services	325,795	326,160	651,955
Repairs and maintenance	272,063	3,736	275,799
System operations	76,042	414,965	491,007
Contract services	13,348	202,694	216,042
Depreciation	<u>236,620</u>	<u>389,636</u>	<u>626,256</u>
Total operating expenses	<u>1,646,410</u>	<u>1,401,841</u>	<u>3,048,251</u>
Operating income (loss)	<u>23,275</u>	<u>(350,856)</u>	<u>(327,581)</u>
Nonoperating revenues (expenses):			
Interest expense	(268,637)	(262,532)	(531,169)
Other nonoperating income	-	7,582	7,582
Investment earnings	<u>7,014</u>	<u>15,385</u>	<u>22,399</u>
Total nonoperating revenues (expenses)	<u>(261,623)</u>	<u>(239,565)</u>	<u>(501,188)</u>
Transfers:			
Transfers in	482,978	713,650	1,196,628
Transfers out	<u>(155,274)</u>	<u>(196,379)</u>	<u>(351,653)</u>
Net transfers	<u>327,704</u>	<u>517,271</u>	<u>844,975</u>
Change in net position	89,356	(73,150)	16,206
Net position at beginning of year	<u>1,661,993</u>	<u>652,192</u>	<u>2,314,185</u>
Restatement of net position	<u>(11,808)</u>	<u>(11,808)</u>	<u>(23,616)</u>
Net position at end of year	<u>\$ 1,739,541</u>	<u>\$ 567,234</u>	<u>\$ 2,306,775</u>

The accompanying notes are an integral part of these financial statements.

**STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS**

For the year ended September 30, 2025

	Enterprise Funds		
	Water	Wastewater	Total
Cash flows from operating activities:			
Cash received from customers	\$ 1,656,354	\$ 1,016,503	\$ 2,672,857
Cash paid to employees for services	(321,915)	(319,614)	(641,529)
Cash paid to suppliers for goods and services	(971,911)	(781,911)	(1,753,822)
Net cash provided by (used in) operating activities	362,528	(85,022)	277,506
Cash flows from capital and related financing activities:			
Proceeds from debt issuance	20,196	140,630	160,826
Acquisition and construction of capital assets	(1,647,323)	(177,800)	(1,825,123)
Proceeds from sale of capital assets	-	7,582	7,582
Principal paid on bonded debt	(169,914)	(474,237)	(644,151)
Principal paid on loans payable	(12,497)	(19,829)	(32,326)
Interest paid on debt	(285,911)	(293,431)	(579,342)
Net cash provided by (used in) capital and related financing activities	(2,095,449)	(817,085)	(2,912,534)
Cash flows from noncapital financing activities:			
Transfers from other funds	482,978	713,650	1,196,628
Transfers to other funds	(155,274)	(196,378)	(351,652)
Net cash provided by (used in) noncapital financing activities	327,704	517,272	844,976
Cash flows from investing activities:			
Interest received	7,015	15,386	22,401
Net increase (decrease) in cash and cash equivalents	(1,398,202)	(369,449)	(1,767,651)
Cash and cash equivalents - beginning	4,517,885	667,984	5,185,869
Cash and cash equivalents - ending	\$ 3,119,683	\$ 298,535	\$ 3,418,218

(continued)

The accompanying notes are an integral part of these financial statements.

**STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS**

For the year ended September 30, 2025

	Enterprise Funds		
	Water	Wastewater	Total
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 23,275	\$ (350,856)	\$ (327,581)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	236,620	389,636	626,256
Changes in assets and liabilities			
Decrease (increase) in assets			
Accounts receivable	(11,688)	(19,855)	(31,543)
Prepaid expenses	12,859	(96,846)	(83,987)
Increase (decrease) in liabilities			
Accounts payable	94,124	(4,074)	90,050
Accrued expenses	5,101	5,051	10,152
Compensated absences	(2,431)	(2,431)	(4,862)
Unearned revenue	(5,993)	(14,624)	(20,617)
Net pension liability	(22,711)	(19,942)	(42,653)
OPEB liability	29,022	28,919	57,941
Customer deposits	4,350	-	4,350
Net cash provided by (used in) operating activities	<u>\$ 362,528</u>	<u>\$ (85,022)</u>	<u>\$ 277,506</u>

	SCHEDULE OF NONCASH ACTIVITIES		
Actuarilly determined change in:			
Net pension liability	\$ 26,795	\$ 25,861	\$ 52,656
Other postemployment benefit liability	1,238	1,342	2,580
Premium on bonds	14,712	29,432	44,144

The accompanying notes are an integral part of these financial statements.

DRAFT



NOTES TO THE FINANCIAL STATEMENTS

September 30, 2025

(1) Summary of significant accounting policies

The financial statements of the City of Rollingwood, Texas (“the City”), are presented in accordance with generally accepted accounting principles (GAAP) applicable to state and local governmental units as set forth by the Government Accounting Standards Board (GASB). A summary of the City’s significant accounting policies applied in the preparation of the accompanying financial statements are as follows:

Reporting entity

The City, for financial purposes, includes all of the activities and funds relevant to the operations of the City of Rollingwood. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City’s reporting entity, as set forth in GASB Statement No. 14, “*The Financial Reporting Entity*”, include whether:

- The organization is legally separate
- The City holds the corporate powers of the organization
- The City appoints a voting majority of the organization’s board
- The City is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the City
- There is fiscal dependency by the organization on the City
- The exclusion of the organization would result in misleading or incomplete financial statements

The City also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when:

- The economic resources received or held by the organization are entirely for the direct benefit of the City, its component units or its constituents; and
- The City or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and
- Such economic resources are significant to the City.

Based on these criteria, the City has one component unit as described below. Additionally, the City is not a component unit of any other reporting entity as defined by the GASB statement.

Rollingwood Community Development Corporation (“RCDC”) is a non-profit corporation organized under the laws of the State of Texas to provide economic development in and for the benefit of the City. The RCDC is presented discretely in the annual financial report as a governmental-type because the City appoints the board of directors and approves the annual budget.

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2025

(1) Summary of significant accounting policies (continued)

Government-wide and fund financial statements

Government-wide financial statements: The statement of net position and the statement of activities include the financial activities of the overall government except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions.

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

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

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

The City reports the following major governmental funds:

General fund: This is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

Debt service fund: This fund is used to account for ad valorem tax assessed for the purpose of servicing general obligation debt.

Drainage fund: This fund is used to account for resources restricted for the improvements of drainage and flood management within the City.

In addition, the City reports the following fund types:

Special revenue funds: These funds are used to separately account for funds related to grants and contracts.

The City reports the following major proprietary funds:

Water fund: This fund is used to account for the activities of the City's water operations.

Wastewater fund: This fund is used to account for the activities of the City's wastewater operations.

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2025

(1) Summary of significant accounting policies (continued)

Measurement focus, basis of accounting and financial statement presentation

Government-wide, proprietary, and fiduciary fund financial statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within thirty days after year end. Revenues from local sources consist primarily of property and sales taxes. Property tax revenues and sales tax revenues are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term liabilities, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term liabilities and acquisitions under capital leases are reported as other financing sources.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

Cash and cash equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

Pensions

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

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2025

(1) Summary of significant accounting policies (continued)

Other postemployment benefits

The fiduciary net position of the Texas Municipal Retirement System (TMRS) Supplemental Death Plan (SDBF) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net other postemployment benefit (OPEB) liability, deferred outflows of resources, and deferred inflows of resources related to the other postemployment benefits, OPEB expense, and information about additions to/deductions from the TMRS OPEB's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. Contributions are utilized to fund active member deaths on a pay-as-you go basis; any excess contributions and investment income over payments then become net position available for benefits.

Receivables and payables

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of the year end.

Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation, sick, and compensatory time benefits. On termination, retirement, or death of certain employees, the City pays accrued vacation leave in a lump sum payment to such employee or his/her estate. Vacation accrues at various hours based on length of service.

Use of estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

Fund balance

The City adopted GASB No. 54 Governmental Accounting Standards Board Statement Number 54 (GASB No. 54) *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement provides guidance for fund balance categories and classifications and governmental fund type definitions. GASB No. 54 changed the way we look at fund balances, specifically reporting what fund balances, by major governmental fund type, are or are not available for public purposes. Five categories of fund balances were created and defined by GASB No. 54. These five categories are as follows:

Non-spendable - These funds are not available for expenditures based on legal or contractual requirements. An example might be inventories and prepaid expenditures.

Restricted - These funds are governed by externally enforceable restrictions.

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2025

(1) Summary of significant accounting policies (continued)

Fund balance (continued)

Committed - Fund balances in this category are limited by the government's highest level of decision making (in this case the City Council). Any changes of this designation must be done in the same manner that it was implemented. For example, if funds are committed by resolution, the commitment could only be released with another resolution.

Assigned - For funds to be assigned, there must be an intended use which can be established by the City Council or an official delegated by the Council, such as a City Administrator or Finance Director. For example, during the budget process, the Council decided to use some existing fund balance to support activities in the upcoming year.

Unassigned - This classification is the default for all funds that do not fit into the other categories.

Restricted amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. The City's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year.

Discretely presented component unit

The component unit column on the government-wide financial statements includes the financial data of the City's component unit, Rollingwood Community Development Corporation ("RCDC").

The component unit is presented in a separate column to emphasize that it is legally separate from the primary government. Financial statements are presented in the supplementary information section of the statements.

Implementation of new accounting standard

Effective October 1, 2024, the City adopted GASB Statement No. 101 *Compensated Absences*, which supersedes GASB statement No. 16, *Accounting for Compensated Absences*. Under GASB Statement No. 101, the liability for compensated absences is recognized in the government-wide financial statements (which use the economic resources measurement focus) and includes the estimated amount of unused leave amounts earned to date by employees that are more likely than not to be used or otherwise paid/settled, and leave that has been used but not paid or settled. Salary-related payments (such as payroll taxes and employer retirement contributions) that are directly and incrementally associated with the leave are also required to be included in the measurement.

(2) Deposits and investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day to day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2025

(2) Deposits and investments (continued)

Cash deposits

At September 30, 2025, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$7,413,005 and the bank balance was \$7,458,512. The City also had \$250 cash on hand.

The City's cash deposits at September 30, 2025 and during the year ended September 30, 2025, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

The component unit's cash carrying and bank balance was \$237,576 at September 30, 2025. These deposits at September 30, 2025 were entirely covered by FDIC insurance or by pledged collateral held by the component unit's agent bank in the component unit's name. The amount in TexPool was \$520,927 at September 30, 2025.

Investments

The City is required by Government Code Chapter 2256, the Public Funds Investment Act (the Act), to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions:

- Obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas
- Certificates of deposit
- Certain municipal securities
- Money market savings accounts
- Repurchase agreements
- Bankers acceptances
- Mutual funds
- Investment pools
- Guaranteed investment contracts
- Common trust funds

The City's cash and investments are shown below:

Investment Type	Reported at Fair Value	Weighted Average Maturity (Days)	Rating	
			Moody's	S&P
TexPool	\$ 792,529	31	AAA	AAAm
Cash on hand	250	n/a	n/a	n/a
Bank deposits	<u>7,413,005</u>	n/a	n/a	n/a
Total cash and cash equivalents	<u>\$ 8,205,784</u>			

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2025

(2) Deposits and investments (continued)

Investments (continued)

Analysis of specific deposit and investment risks

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end, and if so, the reporting of certain related disclosures:

Credit risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. State law dictates that in order to maintain eligibility to receive funds and invest funds on behalf of the City, an investment pool must be continuously rated no lower than AAA or AAAM or at an equivalent rating by at least one nationally recognized statistical rating organization (NRSRO). State law authorizes investments in obligations guaranteed by the U.S. government and does not require that these investments be rated. The City's policy is to comply with state law. At year end, all of the City's investments met the State's requirements.

TexPool is an investment pool in which the Texas Comptroller of Public Accounts is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company (the Trust Company). The Trust Company is authorized to operate the pool. Federated Investors, Inc. manages the assets under an agreement with the Comptroller, acting on behalf of the Trust Company. TexPool is reported at amortized cost and it does not have any limitations or restrictions on participants' withdrawals.

At September 30, 2025 the City's investments are rated as to credit quality as shown in the preceding table.

Custodial credit risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law requires settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis. The City's investment policy requires that securities be registered in the name of the City. All safekeeping receipts for investment instruments are held in accounts in the City's name, and all securities are registered in the name of the City.

Concentration of credit risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

State law and the City's policy place no limit on the amount the City may invest in any one issuer. The City was not exposed to concentration of credit risk.

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2025

(2) Deposits and investments (continued)

Investments (continued)

Analysis of specific deposit and investment risks (continued)

Interest rate risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its investment time horizons by averaging investment maturities and chooses to present its exposure to interest rate changes using the weighted average maturity method. In accordance with its investment policy and state law, the City manages its interest rate risk by limiting the weighted average maturity of any investment owned by the City to the maximum of two years. The investment strategy for operating funds requires a dollar weighted average maturity of 365 days or less. Debt service funds cannot be invested in securities that have a stated final maturity date that exceeds the debt service payment date. Investment of debt service reserve funds and special project funds require high quality securities with short-term maturities. Eligible investment pools must have a weighted average maturity of no greater than 90 days. The City's exposure to interest rate risk at September 30, 2025 is summarized in the preceding table as the weighted average days to maturity.

Foreign currency risk - This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

(3) Property taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the general fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

(4) Capital assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated acquisition value at the date of the donation. The cost of the normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. A capitalization threshold of \$10,000 is used. Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Asset	Years
Infrastructure	25 - 40
Buildings	25 - 40
Equipment	3 - 10
Sewer line connections	33 - 40

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2025

(4) Capital assets (continued)

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

	Balance September 30, 2024	Additions	Disposals	Balance September 30, 2025
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 321,438	\$ -	\$ -	\$ 321,438
Construction in progress	719,901	1,414,276	-	2,134,177
Total capital assets not being depreciated	1,041,339	1,414,276	-	2,455,615
Capital assets being depreciated:				
Buildings and improvements	721,038	-	-	721,038
Equipment	1,155,493	71,232	(85,008)	1,141,717
Infrastructure	2,215,866	-	-	2,215,866
Total capital assets being depreciated	4,092,397	71,232	(85,008)	4,078,621
Less accumulated depreciation:				
Buildings and improvements	(310,995)	(16,407)	-	(327,402)
Equipment	(897,692)	(53,370)	85,008	(866,054)
Infrastructure	(994,142)	(86,368)	-	(1,080,510)
Total accumulated depreciation	(2,202,829)	(156,145)	85,008	(2,273,966)
Total capital assets being depreciated (net)	1,889,568	(84,913)	-	1,804,655
Governmental activities capital assets (net)	\$ 2,930,907	\$ 1,329,363	\$ -	\$ 4,260,270

Depreciation was charged to functions as follows:

General government	\$ 33,895
Public works	3,823
Sanitation	9,709
Public safety	70,708
Court	6,970
Parks and recreation	5,866
Streets	11,650
Development	13,524
Total	\$ 156,145

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2025

(4) Capital assets (continued)

	Balance September 30, 2024	Additions	Disposals	Balance September 30, 2025
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 424,217	\$ 1,627,453	\$ (1,408,811)	\$ 642,859
Capital assets being depreciated:				
Water distribution system	5,526,450	1,408,811	-	6,935,261
Wastewater system	12,551,679	-	-	12,551,679
Wastewater system - connections	172,927	-	-	172,927
Equipment - water	431,377	19,868	-	451,245
Equipment - wastewater	563,598	57,368	(33,139)	587,827
Wastewater system - building improvements	43,000	-	-	43,000
Wastewater SBITA	-	120,434	-	120,434
Total capital assets being depreciated	19,289,031	1,606,481	(33,139)	20,862,373
Less accumulated depreciation:				
Water distribution system	(2,386,187)	(191,368)	-	(2,577,555)
Wastewater system	(3,851,127)	(313,792)	-	(4,164,919)
Wastewater system - connections	(99,561)	(5,240)	-	(104,801)
Equipment - water	(71,067)	(45,252)	-	(116,319)
Equipment - wastewater	(127,634)	(52,157)	33,139	(146,652)
Wastewater system - building improvements	(8,600)	(1,720)	-	(10,320)
Wastewater SBITA	-	(16,727)	-	(16,727)
Total accumulated depreciation	(6,544,176)	(626,256)	33,139	(7,137,293)
Total capital assets being depreciated (net)	12,744,855	980,225	-	13,725,080
Business-type activities capital assets (net)	\$ 13,169,072	\$ 2,607,678	\$ (1,408,811)	\$ 14,367,939

Depreciation charged was \$236,620 and \$389,636 to the water fund and wastewater fund, respectively.

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2025

(4) Capital assets (continued)

	Balance September 30, 2024	Additions	Disposals	Balance September 30, 2025
Component unit activities:				
Capital assets being depreciated:				
Infrastructure	\$ -	\$ 21,570	\$ -	\$ 21,570
 Total capital assets being depreciated	 -	 21,570	 -	 21,570
Less accumulated depreciation:				
Infrastructure	-	(654)	-	(654)
 Total accumulated depreciation	 -	 (654)	 -	 (654)
 Total capital assets being depreciated (net)	 -	 20,916	 -	 20,916
 Component unit activities capital assets (net)	 \$ -	 \$ 20,916	 \$ -	 \$ 20,916

(5) Interfund receivables, payables, and transfers

Interfund balances at September 30, 2025 consist of the following:

Receivable Fund	Payable Fund	Amount
General fund	Drainage fund	\$ 1,685,573
General fund	Water fund	138

Interfund transfers during the year ended September 30, 2025 were the result of normal transactions between the funds and consisted of the following:

	Transfers In	Transfers Out
General fund	\$ 336,596	\$ -
Debt service fund	-	1,116,617
Drainage fund	111,913	-
Nonmajor governmental funds	-	176,867
Water fund	482,978	155,274
Wastewater fund	713,650	196,379
 Totals	 \$ 1,645,137	 \$ 1,645,137

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2025

(6) Lease receivable

On September 1, 2020, the City entered into a ten-year lease agreement for the lease of land and facilities at the City's municipal park. Based on this agreement, the annual lease payments were \$33,000 in the first year and increase 2% annually until the lease terminates on August 31, 2030. The interest rate on the lease is 4%. At September 30, 2025, the City reported lease receivable and deferred inflows of resources of \$138,866 and \$134,604, respectively. Future minimum lease payments to be received are as follows:

Fiscal Year	Lease Receivable	General Fund	
		Lease Revenue	Lease Interest
2026	\$ 31,608	\$ 33,651	\$ 5,555
2027	33,617	33,651	4,290
2028	35,719	33,651	2,946
2029	37,922	33,651	1,517
Total	<u>\$ 138,866</u>	<u>\$ 134,604</u>	<u>\$ 14,308</u>

(7) Defined benefit pension plans

Texas Municipal Retirement System

Plan description

The City of Rollingwood participates as one of 934 plans in the defined benefit cash-balance pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of the system with a six-member, Governor appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available comprehensive annual financial report that can be obtained at www.tmr.com.

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

Benefits provided

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

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Members are eligible to retire at age sixty (60) and above with five (5) or more years of service or with twenty (20) years of service regardless of age. A member is vested after five (5) years. The contribution rate for the employees is 7%, and the City matching percent is currently 2 to 1.

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2025

(7) Defined benefit pension plans (continued)

Texas Municipal Retirement System (continued)

Employees covered by benefit terms

At the December 31, 2024 valuation and measurement dates, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	18
Inactive employees entitled to but not yet receiving benefits	27
Active employees	<u>17</u>
Total	<u>62</u>

Contributions

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

Employees for the City were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 13.73% and 12.49% in calendar years 2025 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were \$210,605, and were equal to the required contributions.

Net pension liability

The City's net pension liability (NPL) was measured as of December 31, 2024, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of that date.

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2025

(7) Defined benefit pension plans (continued)

Texas Municipal Retirement System (continued)

Actuarial assumptions

The total pension liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	December 31st
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 Table. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected 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 tables 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).

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

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2025

(7) Defined benefit pension plans (continued)

Texas Municipal Retirement System (continued)

Actuarial assumptions (continued)

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 through December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for annuity purchase rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.10%
Core Fixed Income	6.0%	5.00%
Non-Core Fixed Income	6.0%	6.80%
Hedge Funds	5.0%	6.40%
Private Equity	13.0%	8.50%
Private Debt	13.0%	8.20%
Real Estate	12.0%	6.70%
Infrastructure	6.0%	6.00%
Other Private Markets	4.0%	7.30%
Total	100.0%	

Discount rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2025

(7) Defined benefit pension plans (continued)

Texas Municipal Retirement System (continued)

Changes in net pension liability

The schedule below presents the changes in the net pension liability (asset) as of December 31, 2024:

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at December 31, 2023	\$ 4,263,224	\$ 3,784,649	\$ 478,575
Changes for the year:			
Service cost	280,108	-	280,108
Interest	290,810	-	290,810
Change of benefit terms	-	-	-
Difference between expected and actual experience	(81,468)	-	(81,468)
Changes of assumptions	-	-	-
Contributions - employer	-	192,228	(192,228)
Contributions - employee	-	107,734	(107,734)
Net investment income	-	393,829	(393,829)
Benefit payments, including refunds of employee contributions	(189,974)	(189,974)	-
Administrative expense	-	(2,522)	2,522
Other changes	-	(59)	59
Net changes	<u>299,476</u>	<u>501,236</u>	<u>(201,760)</u>
Balance at December 31, 2024	<u>\$ 4,562,700</u>	<u>\$ 4,285,885</u>	<u>\$ 276,815</u>

Sensitivity of the net pension liability to changes in the discount rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	<u>\$ 932,103</u>	<u>\$ 276,815</u>	<u>\$ (255,962)</u>

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2025

(7) Defined benefit pension plans (continued)

Texas Municipal Retirement System (continued)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the schedule of changes in fiduciary net position, by participant city. The report may be obtained at www.tmr.com.

Pension expense and deferred outflows/inflows of resources related to pensions

For the year ended September 30, 2025, the City recognized pension expense of \$213,609.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 30,606	\$ 49,733
Changes in actuarial assumptions	-	1,128
Difference between projected and actual investment earnings	-	51,927
Contributions subsequent to the measurement date	<u>165,758</u>	<u>-</u>
Total	<u>\$ 196,364</u>	<u>\$ 102,788</u>

The City reported \$165,758 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year September 30,	Amortization Expense
2025	\$ (3,294)
2026	18,114
2027	(59,329)
2028	(27,673)
2029	-
Thereafter	<u>-</u>
Total	<u>\$ (72,182)</u>

CITY OF ROLLINGWOOD, TEXAS
NOTES TO FINANCIAL STATEMENTS

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September 30, 2025

(8) Other postemployment benefits (OPEB) plan

Texas Municipal Retirement System

Plan description

The City participates in a single-employer defined benefit plan, which operates like a group-term life insurance plan, operated by 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 members. 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.

Benefits provided

The death benefit for active members provides a lump-sum payment approximately equal to the member's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired members are insured for \$7,500; this coverage is an "other postemployment benefit" or OPEB. As the SDBF covers both active and retiree members, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. 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. As such, contributions fund the covered active member and retiree deaths on a pay-as-you-go basis.

The contribution rate for the City was 0.44% and 0.48% respectively for calendar years 2025 and 2024. The City's contributions to TMRS for the SDBF program for the year ended September 30, 2025 were \$7,035, and were equal to the required contributions.

Employees covered by benefit terms

At the December 31, 2024 valuation and measurement dates, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	7
Active employees	<u>17</u>
Total	<u>36</u>

Other postemployment benefits (OPEB) liability

The City's total OPEB liability of \$72,710 was measured as of December 31, 2024 and was determined by an actuarial valuation as of that date.

CITY OF ROLLINGWOOD, TEXAS
NOTES TO FINANCIAL STATEMENTS

DRAFT

September 30, 2025

(8) Other postemployment benefits (OPEB) plan (continued)

Texas Municipal Retirement System (continued)

Actuarial assumptions:

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

Inflation	2.5%
Salary increases	3.60% to 11.85% including inflation
Discount rate *	4.08 %
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	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).
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

* The discount rate was based on the Bond Buyer "20-Bond GO Index" rate closest to, but not later than December 31, 2024.

The actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

Changes in the total OPEB liability:

Balance at December 31, 2023	\$ 76,039
Changes for the year:	
Service cost	3,694
Interest on the total OPEB liability	2,899
Changes of benefit terms	-
Difference between expected and actual experience	(4,173)
Change of assumptions	(3,748)
Benefit payments	(2,001)
Net changes	<u>(3,329)</u>
Balance at December 31, 2024	<u>\$ 72,710</u>

NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(8) Other postemployment benefits (OPEB) plan (continued)

Texas Municipal Retirement System (continued)

Sensitivity of the total OPEB liability to changes in the discount rate:

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

	<u>1% Decrease in Discount Rate (3.08%)</u>	<u>Current Discount Rate (4.08%)</u>	<u>1% Increase in Discount Rate (5.08%)</u>
City's OPEB liability	\$ <u>85,901</u>	\$ <u>72,710</u>	\$ <u>62,495</u>

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB:

For the year ended September 30, 2025, the City recognized OPEB expense of \$6,067.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual economic experience	\$ 4,926	\$ 3,202
Changes in actuarial assumptions	3,016	16,710
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	<u>1,569</u>	<u>-</u>
Total	\$ <u>9,511</u>	\$ <u>19,912</u>

The City reported \$1,569 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year September 30,</u>	<u>Amortization Expense</u>
2026	\$ (3,707)
2027	(6,070)
2028	(1,644)
2029	(549)
2030	-
Thereafter	<u>-</u>
Total	\$ <u>(11,970)</u>

NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(9) Health care coverage

During the year ended September 30, 2025, employees of the City were covered by a health insurance plan (the Plan). The City contributed \$860 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions for dependents. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the City and the third party administrator is renewable October 1, 2025, and terms of coverage and contribution costs are included in the contractual provisions.

(10) Long-term liabilities

The proceeds from the bonds were used to purchase the wastewater system from LCRA. In 2014, the City issued \$2,835,000 General Obligations Bonds, Series 2014 for water and street improvements. In 2019, the City issued \$9,325,000 General Obligation Refunding Bonds to refund General Obligations Bonds, Series 2012B. In 2020, the City issued \$2,065,000 Tax Notes, Series 2020 to improve City infrastructure and facilities. In 2023, the City issued \$3,885,000 General Obligation Bonds, Series 2023 to improve and expand the City's waterworks system. In 2024, the City issued \$1,395,000 General Obligation Bonds, Series 2024 to improve and expand the City's waterworks system.

The City's liabilities consist of the following:

	Beginning Balance as restated	Increases	Decreases	Ending Balance	Due Within One Year
<u>Governmental activities:</u>					
Bonds and notes payable:					
General Obligation Bonds - Series 2014	\$ 1,130,250	\$ -	\$ (99,325)	\$ 1,030,925	\$ 102,750
Tax notes - Series 2020	915,000	-	(300,000)	615,000	305,000
Premium on bonds	56,189	-	(6,245)	49,944	-
Total bonds and notes payable	<u>2,101,439</u>	<u>-</u>	<u>(405,570)</u>	<u>1,695,869</u>	<u>407,750</u>
Other long-term liabilities:					
Compensated absences	88,630	35,087	-	123,717	24,743
Lease purchase agreement	62,085	40,392	(38,300)	64,177	39,009
Total governmental activities	<u>\$ 150,715</u>	<u>\$ 75,479</u>	<u>\$ (38,300)</u>	<u>\$ 187,894</u>	<u>\$ 63,752</u>
<u>Business-type activities:</u>					
Bonds and notes payable:					
General Obligation Bonds - Series 2014	\$ 519,750	\$ -	\$ (45,674)	\$ 474,076	\$ 47,250
General Obligation Refunding Bonds - Series 2019	8,500,000	-	(440,000)	8,060,000	455,000
General Obligation Bonds - Series 2023	3,820,000	-	(55,000)	3,765,000	60,000
General Obligation Bonds - Series 2024	1,395,000	-	(35,000)	1,360,000	40,000
Loan payable	619,923	-	(68,477)	551,446	72,525
Premium on bonds	735,499	-	(44,144)	691,355	-
Total bonds and notes payable	<u>15,590,172</u>	<u>-</u>	<u>(688,295)</u>	<u>14,901,877</u>	<u>674,775</u>
Other long-term liabilities:					
Compensated absences	45,758	-	(4,862)	40,896	8,180
Lease purchase agreement	17,511	40,392	(16,384)	41,519	16,350
Subscription liability	-	120,434	(15,942)	104,492	39,273
Total business-type activities	<u>\$ 63,269</u>	<u>\$ 160,826</u>	<u>\$ (37,188)</u>	<u>\$ 186,907</u>	<u>\$ 63,803</u>

Interest rates on bonds range from 2% to 4%.

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2025

(10) Long-term liabilities (continued)

Future maturities of the bonds are as follows:

Fiscal Year	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 102,750	\$ 34,524	\$ 137,274	\$ 602,250	\$ 512,751	\$ 1,115,001
2027	102,750	31,442	134,192	632,250	486,134	1,118,384
2028	106,175	28,359	134,534	658,825	458,016	1,116,841
2029	109,600	25,174	134,774	690,400	428,701	1,119,101
2030	113,025	21,338	134,363	716,975	402,737	1,119,712
2031-2035	496,625	44,234	540,859	3,938,376	1,592,666	5,531,042
2036-2040	-	-	-	3,710,000	884,975	4,594,975
2041-2045	-	-	-	1,145,000	453,625	1,598,625
2046-2050	-	-	-	920,000	249,325	1,169,325
2051-2054	-	-	-	645,000	54,038	699,038
Total	<u>\$ 1,030,925</u>	<u>\$ 185,071</u>	<u>\$ 1,215,996</u>	<u>\$ 13,659,076</u>	<u>\$ 5,522,968</u>	<u>\$ 19,182,044</u>

Future maturities of the tax notes are as follows:

Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2026	\$ 305,000	\$ 10,610	\$ 315,610
2027	310,000	2,713	312,713
Total	<u>\$ 615,000</u>	<u>\$ 13,323</u>	<u>\$ 628,323</u>

(11) Lease purchase agreement

The City entered into lease purchase agreements with outside vendors for vehicles. The assets and related debt are recorded in the governmental activities and business-type activities. The amortization of the leased assets is included as a component of depreciation expense. As of September 30, 2025, the City had future minimum lease payments under capital leases as follows:

Fiscal Year	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 39,009	\$ 3,049	\$ 42,058	\$ 16,351	\$ 2,280	\$ 18,631
2027	7,900	1,527	9,427	7,900	1,527	9,427
2028	8,380	1,047	9,427	8,380	1,047	9,427
2029	8,888	539	9,427	8,888	539	9,427
Total	<u>\$ 64,177</u>	<u>\$ 6,162</u>	<u>\$ 70,339</u>	<u>\$ 41,519</u>	<u>\$ 5,393</u>	<u>\$ 46,912</u>

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2025

(12) Subscription based IT arrangement (SBITA) liability

The City subscribes to software that monitors and manages the lift station. The assets and related debt are recorded in the business-type activities. The amortization of the leased assets is included as a component of depreciation expense. As of September 30, 2025, the City had future minimum lease payments under subscriptions as follows:

Fiscal Year	Business-Type Activities		
	Principal	Interest	Total
2026	\$ 39,273	\$ 3,196	\$ 42,469
2027	40,747	1,722	42,469
2028	24,472	302	24,774
Total	<u>\$ 104,492</u>	<u>\$ 5,220</u>	<u>\$ 109,712</u>

(13) Loans payable

In 2024 the City entered a loan contract with Government Capital Corporation in the amount of \$649,290 to fund Water and Wastewater Projects. The debt service is split between the Water and Wastewater funds. The loan requires quarterly payments of \$25,719 and bears interest at 5.76%.

Future maturities on loans are as follows:

Fiscal Year	Business-Type Activities		
	Principal	Interest	Total
2026	\$ 72,525	\$ 30,350	\$ 102,875
2027	76,813	26,062	102,875
2028	81,355	21,521	102,876
2029	86,165	16,711	102,876
2030	91,259	11,616	102,875
2031-2032	143,329	7,209	150,538
Total	<u>\$ 551,446</u>	<u>\$ 113,469</u>	<u>\$ 664,915</u>

(14) Risk management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2025, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2025

(15) Fund balance deficit

The drainage fund reported a deficit fund balance of (\$1,977,977) at September 30, 2025. This deficit is expected to be recovered through future drainage fees and budgeted transfers from the general fund.

(16) Restatements and changes in accounting principle

In accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections*, the below items have been adjusted through a restatement of beginning net position and fund balance as of October 1, 2024.

Change in accounting principle

Effective for the fiscal year beginning October 1, 2024, the City implemented GASB Statement No. 101, *Compensated Absences*, which revises the recognition and measurement guidance for compensated absences. The implementation of GASB Statement No. 101 was applied retroactively, as required by the standard. As a result, beginning net position as of October 1, 2024 was restated by \$56,529.

	Governmental Activities	Business-Type Activities
Beginning fund balance/net position	\$ 5,565,137	\$ 2,314,185
Implementation of GASB 101	<u>(32,913)</u>	<u>(23,616)</u>
Beginning fund balance/net position, as restated	<u>\$ 5,532,224</u>	<u>\$ 2,290,569</u>

REQUIRED SUPPLEMENTARY INFORMATION

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**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL – GENERAL FUND**

For the year ended September 30, 2025

	Budget Amounts		2025	Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Taxes:				
Property taxes	\$ 1,684,769	\$ 1,655,769	\$ 1,681,784	\$ 26,015
Sales taxes	900,000	1,112,000	859,786	(252,214)
Franchise and telecommunications fees	115,000	110,000	129,615	19,615
Licenses and fees	247,850	249,760	263,521	13,761
Fines and forfeitures	57,750	75,850	81,622	5,772
Contributions	200	200	436	236
Intergovernmental	-	-	-	-
Other income	129,400	140,700	133,884	(6,816)
Interest income	-	-	6,742	6,742
Investment earnings	11,500	11,500	20,710	9,210
Total revenues	3,146,469	3,355,779	3,178,100	(177,679)
Expenditures:				
Current:				
General government	901,332	926,832	562,346	364,486
Public works	79,350	96,350	63,429	32,921
Sanitation	178,500	178,500	161,108	17,392
Public safety	1,549,478	1,374,478	1,173,300	201,178
Court	96,658	110,158	109,761	397
Parks and recreation	116,870	110,884	98,482	12,402
Streets	491,365	492,079	120,929	371,150
Development	284,834	249,034	224,412	24,622
Capital outlay	60,892	60,892	71,232	(10,340)
Debt service:				
Principal	-	-	38,300	(38,300)
Interest and fees	-	-	3,758	(3,758)
Total expenditures	3,759,279	3,599,207	2,627,057	972,150
Excess (deficiency) of revenues over (under) expenditures	(612,810)	(243,428)	551,043	794,471
Other financing sources (uses):				
Transfers in	622,561	282,561	336,596	(54,035)
Transfers out	-	-	-	-
Proceeds of loans	-	-	40,392	40,392
Total other financing sources (uses)	622,561	282,561	376,988	(94,427)
Net change in fund balances	9,751	39,133	928,031	888,898
Total fund balance-beginning of year	4,900,210	4,900,210	4,900,210	-
Total fund balance-end of year	\$ 4,909,961	\$ 4,939,343	\$ 5,828,241	\$ 888,898

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM**

	For the measurement year ended December 31,			
	2024	2023	2022	2021
Total pension liability (asset)				
Service cost	\$ 280,108	\$ 269,919	\$ 244,229	\$ 239,448
Interest on the total pension liability (asset)	290,810	258,610	235,715	212,082
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(81,468)	120,630	(9,445)	35,371
Change of assumptions	-	(4,450)	-	-
Benefit payments, including refunds of employee contributions	(189,974)	(155,576)	(132,732)	(145,623)
Net change in total pension liability (asset)	299,476	489,133	337,767	341,278
Total pension liability - beginning	4,263,224	3,774,091	3,436,324	3,095,046
Total pension liability - ending (a)	<u>\$ 4,562,700</u>	<u>\$ 4,263,224</u>	<u>\$ 3,774,091</u>	<u>\$ 3,436,324</u>
Plan fiduciary net position				
Contributions - employer	\$ 192,228	\$ 183,594	\$ 169,026	\$ 161,925
Contributions - employee	107,734	107,906	101,040	100,307
Net investment income	393,829	379,152	(246,863)	376,538
Benefit payments, including refunds of employee contributions	(189,974)	(155,576)	(132,732)	(145,623)
Administrative expense	(2,522)	(2,409)	(2,136)	(1,743)
Other	(59)	(17)	2,549	12
Net change in plan fiduciary net position	501,236	512,650	(109,116)	491,416
Plan fiduciary net position - beginning	3,784,649	3,271,999	3,381,115	2,889,699
Plan fiduciary net position - ending (b)	4,285,885	3,784,649	3,271,999	3,381,115
Net pension liability (asset) (a) - (b)	<u>\$ 276,815</u>	<u>\$ 478,575</u>	<u>\$ 502,092</u>	<u>\$ 55,209</u>
Plan fiduciary net position as a percentage of total pension liability (asset)	93.93%	88.77%	86.70%	98.39%
Covered payroll	<u>\$ 1,539,055</u>	<u>\$ 1,541,512</u>	<u>\$ 1,443,431</u>	<u>\$ 1,432,962</u>
Net pension liability (asset) as a percentage of total covered payroll	17.99%	31.05%	34.78%	3.85%

For the measurement year ended December 31,					
2020	2019	2018	2017	2016	2015
\$ 203,655	\$ 173,630	\$ 159,062	\$ 135,517	\$ 135,678	\$ 118,259
188,832	180,313	162,950	143,714	130,208	116,709
-	-	155,377	-	-	-
70,755	(115,538)	54,499	(55,034)	10,124	14,654
-	35	-	-	-	58,535
<u>(127,749)</u>	<u>(126,750)</u>	<u>(126,393)</u>	<u>(86,326)</u>	<u>(65,367)</u>	<u>(44,882)</u>
335,493	111,690	405,495	137,871	210,643	263,275
<u>2,759,553</u>	<u>2,647,863</u>	<u>2,242,368</u>	<u>2,104,497</u>	<u>1,893,854</u>	<u>1,630,579</u>
<u>\$ 3,095,046</u>	<u>\$ 2,759,553</u>	<u>\$ 2,647,863</u>	<u>\$ 2,242,368</u>	<u>\$ 2,104,497</u>	<u>\$ 1,893,854</u>
\$ 147,168	\$ 120,561	\$ 99,407	\$ 89,151	\$ 75,980	\$ 55,591
86,715	75,351	66,198	59,699	58,148	51,158
196,730	337,930	(66,312)	261,917	115,339	2,425
(127,749)	(126,750)	(126,393)	(86,326)	(65,367)	(44,882)
(1,272)	(1,907)	(1,280)	(1,356)	(1,302)	(1,477)
<u>(50)</u>	<u>(56)</u>	<u>(67)</u>	<u>(69)</u>	<u>(70)</u>	<u>(73)</u>
301,542	405,129	(28,447)	323,016	182,728	62,742
<u>2,588,157</u>	<u>2,183,028</u>	<u>2,211,475</u>	<u>1,888,459</u>	<u>1,705,731</u>	<u>1,642,989</u>
<u>2,889,699</u>	<u>2,588,157</u>	<u>2,183,028</u>	<u>2,211,475</u>	<u>1,888,459</u>	<u>1,705,731</u>
<u>\$ 205,347</u>	<u>\$ 171,396</u>	<u>\$ 464,835</u>	<u>\$ 30,893</u>	<u>\$ 216,038</u>	<u>\$ 188,123</u>
93.37%	93.79%	82.44%	98.62%	89.73%	90.07%
<u>\$ 1,238,779</u>	<u>\$ 1,076,440</u>	<u>\$ 990,426</u>	<u>\$ 994,985</u>	<u>\$ 969,130</u>	<u>\$ 852,625</u>
16.58%	15.92%	46.93%	3.10%	22.29%	22.06%

**SCHEDULE OF CONTRIBUTIONS –
TEXAS MUNICIPAL RETIREMENT SYSTEM - PENSION**

	For the fiscal year ended September 30,			
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Actuarially determined contributions	\$ 210,605	\$ 193,469	\$ 180,021	\$ 165,986
Contributions in relation to the actuarially determined contributions	<u>210,605</u>	<u>193,469</u>	<u>180,021</u>	<u>165,986</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 1,566,333</u>	<u>\$ 1,566,960</u>	<u>\$ 1,517,610</u>	<u>\$ 1,430,636</u>
Contributions as a percentage of covered payroll	13.45%	12.35%	11.86%	11.60%

For the fiscal year ended September 30,					
<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 166,372	\$ 138,811	\$ 111,022	\$ 91,634	\$ 83,025	\$ 70,030
<u>166,372</u>	<u>138,811</u>	<u>111,022</u>	<u>91,634</u>	<u>83,025</u>	<u>70,030</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 1,453,299</u>	<u>\$ 1,186,676</u>	<u>\$ 1,047,982</u>	<u>\$ 1,018,830</u>	<u>\$ 963,149</u>	<u>\$ 937,038</u>
11.45%	11.70%	10.59%	8.99%	8.62%	7.47%

**SCHEDULE OF CHANGES IN OTHER POSTEMPLOYMENT
BENEFITS LIABILITY (OPEB) AND RELATED RATIOS -
TEXAS MUNICIPAL RETIREMENT SYSTEM**

	For the measurement year ended December 31,			
	2024	2023	2022	2021
Total OPEB liability				
Service cost	\$ 3,694	\$ 3,083	\$ 4,619	\$ 5,445
Interest on the total OPEB liability	2,899	2,739	1,672	1,519
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(4,173)	1,213	6,703	7,247
Change of assumptions	(3,748)	3,835	(33,793)	2,699
Benefit payments	<u>(2,001)</u>	<u>(1,850)</u>	<u>(1,443)</u>	<u>(1,720)</u>
Net change in total OPEB liability	(3,329)	9,020	(22,242)	15,190
Total OPEB liability - beginning	<u>76,039</u>	<u>67,019</u>	<u>89,261</u>	<u>74,071</u>
Total OPEB liability - ending	<u>\$ 72,710</u>	<u>\$ 76,039</u>	<u>\$ 67,019</u>	<u>\$ 89,261</u>
Covered payroll	<u>\$ 1,539,055</u>	<u>\$ 1,541,512</u>	<u>\$ 1,443,431</u>	<u>\$ 1,432,962</u>
Total OPEB liability as a percentage of covered payroll	4.72%	4.93%	4.64%	6.23%

*GASB 75 requires 10 fiscal years of data to be provide in this schedule. This is the eighth year of implementation of GASB 75. The City will develop the schedule prospectively.

For the measurement year ended December 31,				
2020	2019	2018	2017	
\$ 3,345	\$ 2,583	\$ 2,278	\$ 2,089	
1,654	1,647	1,375	1,332	
-	-	-	-	
1,170	2,179	2,258	-	
9,610	9,378	(2,968)	3,050	
<u>(372)</u>	<u>(431)</u>	<u>(99)</u>	<u>(398)</u>	
15,407	15,356	2,844	6,073	
<u>58,664</u>	<u>43,308</u>	<u>40,464</u>	<u>34,391</u>	
<u>\$ 74,071</u>	<u>\$ 58,664</u>	<u>\$ 43,308</u>	<u>\$ 40,464</u>	
<u>\$ 1,238,779</u>	<u>\$ 1,076,440</u>	<u>\$ 990,426</u>	<u>\$ 994,985</u>	
5.98%	5.45%	4.37%	4.07%	

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2025

(1) Budget information

The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles. Annual appropriations lapse at fiscal year end.

The original budget for the general fund is adopted by the City Council by September 30. Budgetary preparation and control is exercised at the department level. Both the original and final budget is included.

(2) Schedule of contributions

Valuation date:

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

Methods and assumptions used to determine contribution rates:

Valuation date	December 31st
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 Table. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected 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 tables 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 SUPPLEMENTARY INFORMATION

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**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

September 30, 2025

	Special Revenue Funds					Special Revenue Funds Total
	Street Maintenance	Court Security	Court Technology	Court Efficiency	Police Forfeiture	
Assets:						
Cash and cash equivalents	\$ 564,549	\$ 18,029	\$ 6,060	\$ 8	\$ 915	\$ 589,561
Sales tax receivable	14,854	-	-	-	-	14,854
Total assets	<u>\$ 579,403</u>	<u>\$ 18,029</u>	<u>\$ 6,060</u>	<u>\$ 8</u>	<u>\$ 915</u>	<u>\$ 604,415</u>
Liabilities:						
Accounts payable	\$ -	117	\$ 125	\$ -	\$ -	\$ 242
Accrued liabilities	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>117</u>	<u>125</u>	<u>-</u>	<u>-</u>	<u>242</u>
Fund balances:						
Reserved for street maintenance	579,403	-	-	-	-	579,403
Reserved for municipal court	-	17,912	5,935	8	-	23,855
Reserved for police department	-	-	-	-	915	915
Unassigned	-	-	-	-	-	-
Total fund balances	<u>579,403</u>	<u>17,912</u>	<u>5,935</u>	<u>8</u>	<u>915</u>	<u>604,173</u>
Total liabilities and fund balances	<u>\$ 579,403</u>	<u>\$ 18,029</u>	<u>\$ 6,060</u>	<u>\$ 8</u>	<u>\$ 915</u>	<u>\$ 604,415</u>

**COMBINING STATEMENT OF REVENUES AND EXPENDITURES
NONMAJOR GOVERNMENTAL FUNDS**

For the year ended September 30, 2025

	Special Revenue Funds					Special Revenue Funds
	Street Maintenance	Court Security	Court Technology	Court Efficiency	Police Forfeiture	Total
Revenues:						
Sales tax	\$ 213,236	\$ -	\$ -	\$ -	\$ -	\$ 213,236
Fines and forfeitures	-	3,815	3,120	-	-	6,935
Interest income	<u>420</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>420</u>
Total revenues	<u>213,656</u>	<u>3,815</u>	<u>3,120</u>	<u>-</u>	<u>-</u>	<u>220,591</u>
Expenditures:						
Court	<u>-</u>	<u>735</u>	<u>5,160</u>	<u>106</u>	<u>-</u>	<u>6,001</u>
Total expenditures	<u>-</u>	<u>735</u>	<u>5,160</u>	<u>106</u>	<u>-</u>	<u>6,001</u>
Excess (deficiency) of revenues over (under) expenditures	213,656	3,080	(2,040)	(106)	-	214,590
Transfers:						
Transfers out	<u>(176,867)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(176,867)</u>
Total transfers	<u>(176,867)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(176,867)</u>
Net change in fund balance	36,789	3,080	(2,040)	(106)	-	37,723
Total fund balance - beginning	<u>542,614</u>	<u>14,832</u>	<u>7,975</u>	<u>114</u>	<u>915</u>	<u>566,450</u>
Total fund balance - ending	<u>\$ 579,403</u>	<u>\$ 17,912</u>	<u>\$ 5,935</u>	<u>\$ 8</u>	<u>\$ 915</u>	<u>\$ 604,173</u>

**BALANCE SHEET
COMPONENT UNIT**

September 30, 2025

	Rollingwood Community Development Corporation
	<u> </u>
Assets:	
Cash and cash equivalents	\$ 758,503
Due from the City	14,854
Capital assets, net	
Park improvement project	<u>20,916</u>
Total assets	<u><u>\$ 794,273</u></u>
Liabilities:	
Accounts payable to other governments	<u>\$ -</u>
Total liabilities	<u>-</u>
Net position:	
Unrestricted net position	<u>794,273</u>
Total net position	<u>794,273</u>
Total liabilities and net position	<u><u>\$ 794,273</u></u>

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
COMPONENT UNIT**

For the year ended September 30, 2025

	Rollingwood Community Development Corporation
	<hr/>
Revenues:	
Sales taxes	\$ 213,237
Interest	<hr/> 18,430
Total revenues	<hr/> 231,667
Expenditures:	
Current:	
Administration	76,867
Depreciation	<hr/> 654
Total expenditures	<hr/> 77,521
Change in net position	154,146
Net position - beginning of year	<hr/> 640,127
Net position - end of year	<hr/> \$ 794,273

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COMPLIANCE SECTION

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

To the Members of the City Council
City of Rollingwood, Texas
403 Nixon Drive
Rollingwood, Texas 78746

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Rollingwood, 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 of Rollingwood, Texas' basic financial statements, and have issued our report thereon dated February 18, 2026.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

San Antonio, Texas

February 18, 2026