

City of Devine

"The Name Says it All"

ANNUAL FINANCIAL REPORT



**FISCAL YEAR ENDED
SEPTEMBER 30, 2025**

THE CITY OF



Devine
TEXAS

CITY OF DEVINE, TEXAS
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2025

CITY OFFICIALS

MAYOR

BUTCH COOK

CITY COUNCIL

RAY GONZALES
MICHAEL HERNANDEZ
JEFF MILLER
JOSH RITCHEY
HAROLD LANCE

CITY ADMINISTRATOR

DAVID JORDAN

FINANCE DIRECTOR

SOPHIA BENAVIDES

CITY SECRETARY/HUMAN RESOURCES

MICHELLE MARTIN

ATTORNEY

THOMAS CATE

CITY OF DEVINE, TEXAS
TABLE OF CONTENTS
SEPTEMBER 30, 2025

INTRODUCTORY SECTION

	<u>PAGE</u>
TITLE PAGE	i
CITY OFFICIALS	ii
TABLE OF CONTENTS.....	iii

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	14
STATEMENT OF NET POSITION	15
STATEMENT OF ACTIVITIES	17
BALANCE SHEET – GOVERNMENTAL FUNDS.....	19
RECONCILIATION OF THE GOVERNMENTAL FUNDS - BALANCE SHEET TO THE STATEMENT OF NET POSITION	20
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	21
RECONCILIATION OF THE STATEMENT OF REVENUES, GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES.....	23
STATEMENT OF NET POSITION - PROPRIETARY FUNDS.....	24
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS.....	26
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS	27
NOTES TO BASIC FINANCIAL STATEMENTS.....	29
REQUIRED SUPPLEMENTARY INFORMATION	55
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL - GENERAL FUND	56
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL	58
SCHEDULE OF CHANGES – NET PENSION LIABILITY AND RELATED RATIOS	59
SCHEDULE OF CITY CONTRIBUTIONS	61
NOTES TO SCHEDULE OF CITY CONTRIBUTIONS.....	62
SCHEDULE OF CHANGES – TOTAL OTHER POST-EMPLOYMENT BENEFIT LIABILITY	63
SUPPLEMENTARY INFORMATION	64
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS	65
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS.....	68
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL - LODGING FUND.....	71
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL - TCOLE FUND.....	72
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL - DEBT SERVICE FUND.....	73





Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Devine, Texas

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Devine, 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 Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Devine 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 obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in note 13 to the financial statements, in 2025, the City adopted new accounting guidance in GASB Statement 101 related to compensated absences. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

The City of Devine's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 Devine's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, Schedule of Changes – Net Pension Liability and Related Ratios, the Schedule of Employer Contributions and the Schedule of Changes – Other Post Employment Benefits (OPEB) as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), 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 Devine, Texas', basic financial statements as a whole. The combining nonmajor statements and budget to actual financial statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. These statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these statements are fairly stated, in all material respects, in relation to the financial statements as a whole.



Armstrong, Vaughan & Associates, P.C.

March 10, 2026

MANAGEMENT DISCUSSION AND ANALYSIS

This section of City of Devine’s annual financial report presents our discussion and analysis of the City’s financial performance during the fiscal year ended September 30, 2025. Please read it in conjunction with the City’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

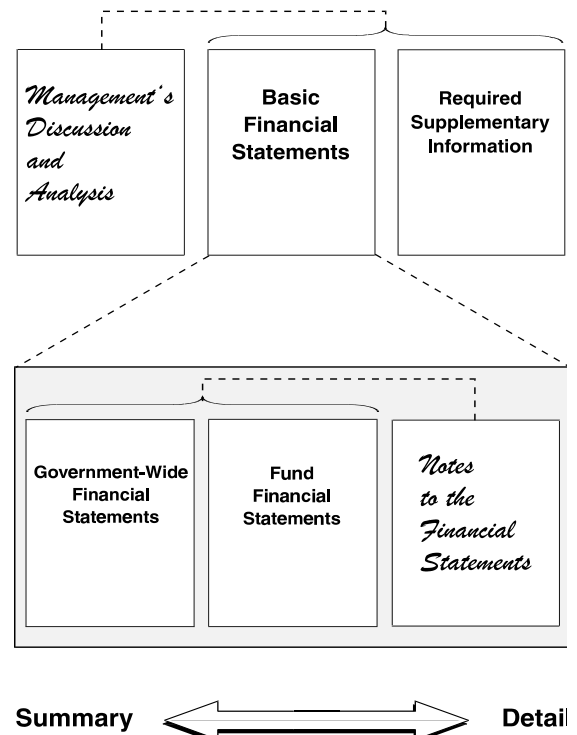
- The City’s total combined net position was \$15.0 million at September 30, 2025.
- During the year, the City’s governmental operating expenses were \$1.4 million less than the \$6.0 million generated in program and general revenues for the governmental activities.
- The total cost of the City’s programs (governmental activities) increased from \$3.6 million to \$4.4 million and no new programs were added this year.
- The general fund reported a fund balance this year of \$2.4 million of which \$2.4 million was unassigned.
- The Water/Wastewater Utility Fund issued a new bond for \$5.7 million. The City issued Certificates of Obligation to finance the construction of water system improvements, including lead service line replacement and related infrastructure improvements. In connection with this project, the City received loan forgiveness from the Texas Water Development Board (TWDB) totaling up to \$5,818,163.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management’s discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City’s overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City’s operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as water services.

Figure A-1, Required Components of the City’s Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements			
Fund Statements			
<i>Type of Statements</i>	Government-wide	Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire City's government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses: water
<i>Required financial statements</i>	• Statement of Net Position	• Balance Sheet	• Statement of Net Position
	• Statement of Activities	• Statement of Revenues, Expenditures & Changes in Fund Balances	• Statement of Revenues, Expenses & Changes in Net Position • Statement of Cash Flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City’s net position and how they have changed. Net Position—the difference between the City’s assets plus deferred outflows and liabilities plus deferred inflows—is one way to measure the City’s financial health or *position*.

- Over time, increases or decreases in the City’s net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City’s tax base.

The government-wide financial statements of the City include the *Governmental Activities*. Most of the City’s basic services are included here, such as public safety, public works and general administration. Property taxes, sales taxes, franchise fees and charges for services finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City’s most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds*—Most of the City’s basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The proprietary fund consists of the City utility fund.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The City’s combined net position was \$15.0 million at September 30, 2025. (See Table A-1).

TABLE A-1
City of Devine Net Position

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Assets						
Current Assets	\$ 4,005,559	\$ 4,166,355	\$ 19,425,981	\$ 9,253,565	\$ 23,431,540	\$ 13,419,920
Capital and Other Assets	4,556,921	3,417,755	14,439,918	13,078,379	18,996,839	16,496,134
Total Assets	<u>8,562,480</u>	<u>7,584,110</u>	<u>33,865,899</u>	<u>22,331,944</u>	<u>42,428,379</u>	<u>29,916,054</u>
Deferred Outflows of Resources	<u>187,138</u>	<u>264,785</u>	<u>145,761</u>	<u>181,485</u>	<u>332,899</u>	<u>446,270</u>
Liabilities						
Current Liabilities	601,884	704,193	1,491,909	1,647,219	2,093,793	2,351,412
Noncurrent Liabilities	2,410,572	2,575,707	23,081,732	12,609,460	25,492,304	15,185,167
Total Liabilities	<u>3,012,456</u>	<u>3,279,900</u>	<u>24,573,641</u>	<u>14,256,679</u>	<u>27,586,097</u>	<u>17,536,579</u>
Deferred Inflows of Resources	<u>122,878</u>	<u>74,305</u>	<u>95,708</u>	<u>36,697</u>	<u>218,586</u>	<u>111,002</u>
Net Position						
Net Investment in Capital Assets	3,761,921	2,557,755	8,802,249	7,638,012	12,564,170	10,195,767
Restricted	910,978	639,968	470,238	479,939	1,381,216	1,119,907
Unrestricted	941,385	1,296,967	69,824	102,102	1,011,209	1,399,069
Total Net Position	<u>\$ 5,614,284</u>	<u>\$ 4,494,690</u>	<u>\$ 9,342,311</u>	<u>\$ 8,220,053</u>	<u>\$ 14,956,595</u>	<u>\$ 12,714,743</u>

Changes in Net Position

The City's total governmental revenues were \$6.0 million, of which 63.4% of the City's revenue came from taxes compared to 71.5% in the prior year. A total of 21.3% of the revenues are from those who directly received the service. The total cost of all governmental programs and services was \$4.4 million and charges for these services were \$1.3 million. Table A-2 reports the summarized changes in net position.

TABLE A-2
Changes in City of Devine's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,281,281	\$ 1,274,912	\$ 2,638,369	\$ 2,448,190	\$ 3,919,650	\$ 3,723,102
Operating Grants and Contributions	444,670	147,893	-	-	444,670	147,893
Capital Grants	412,461	-	965,864	-	1,378,325	-
General Revenues						
Property Taxes	1,821,480	1,661,577	-	-	1,821,480	1,661,577
Sales Taxes	1,791,317	1,801,694	-	-	1,791,317	1,801,694
Franchise Taxes	184,815	187,464	-	-	184,815	187,464
Occupancy Taxes	16,136	19,051	-	-	16,136	19,051
Payments in Lieu of Property Tax	5,520	4,880	-	-	5,520	4,880
Interest Income	47,219	17,020	438,719	268,073	485,938	285,093
Miscellaneous	21,906	23,589	-	88,833	21,906	112,422
Total Revenues	6,026,805	5,138,080	4,042,952	2,805,096	10,069,757	7,943,176
Expenses:						
Administration	691,270	378,677	-	-	691,270	378,677
Municipal Court	86,315	73,253	-	-	86,315	73,253
Street	483,493	315,026	-	-	483,493	315,026
Police	1,286,391	1,048,759	-	-	1,286,391	1,048,759
Health and Sanitation	942,897	919,786	-	-	942,897	919,786
Animal Control	209,777	173,406	-	-	209,777	173,406
Parks and Recreation	54,319	16,052	-	-	54,319	16,052
Golf Course	86,340	69,048	-	-	86,340	69,048
Library	202,614	154,472	-	-	202,614	154,472
Airport	173,124	233,103	-	-	173,124	233,103
Community Center	22,743	16,056	-	-	22,743	16,056
Code Enforcement	159,132	145,264	-	-	159,132	145,264
Emergency Management	1,058	18,533	-	-	1,058	18,533
Water/Wastewater Utilities	-	-	3,055,598	2,444,998	3,055,598	2,444,998
Interest Expense	15,722	14,907	-	-	15,722	14,907
Total Expenses	4,415,195	3,576,342	3,055,598	2,444,998	7,470,793	6,021,340
INCREASE IN NET POSITION BEFORE TRANSFERS	1,611,610	1,561,738	987,354	360,098	2,598,964	1,921,836
Transfers In (Out)	(200,000)	(92,000)	200,000	92,000	-	-
CHANGE IN NET POSITION	1,411,610	1,469,738	1,187,354	452,098	2,598,964	1,921,836
BEGINNING NET POSITION	4,494,690	3,024,952	8,220,053	7,767,955	12,714,743	10,792,907
Prior Period Adjustment	(292,016)	-	(65,096)	-	(357,112)	-
ENDING NET POSITION	\$ 5,614,284	\$ 4,494,690	\$ 9,342,311	\$ 8,220,053	\$ 14,956,595	\$ 12,714,743

Governmental Activities

Property tax rates increased to .5900 per \$100 of assessed value. Property tax revenue increased \$160 thousand from fiscal year 2024. Charges for services increased by \$6.4 thousand.

EXPENSES AND PROGRAM REVENUES –GOVERNMENTAL ACTIVITIES
TOTAL EXPENSES 2025 -GOVERNMENT-WIDE

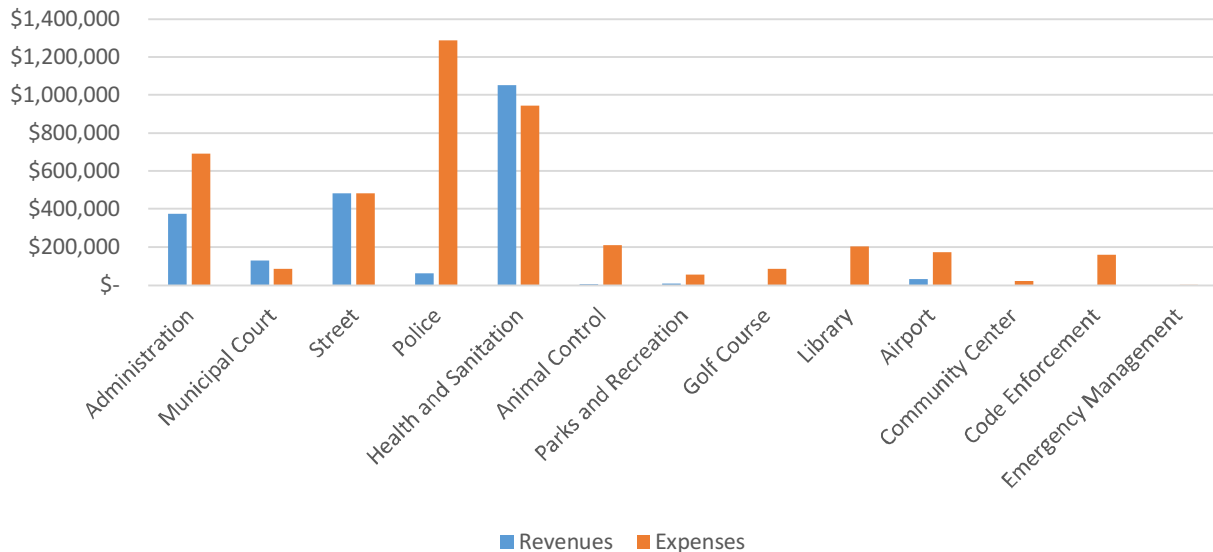
Revenues and Expenditures-Governmental Activities (Continued)

Table A-3 presents the cost of each of the City’s largest functions, as well as each function’s net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

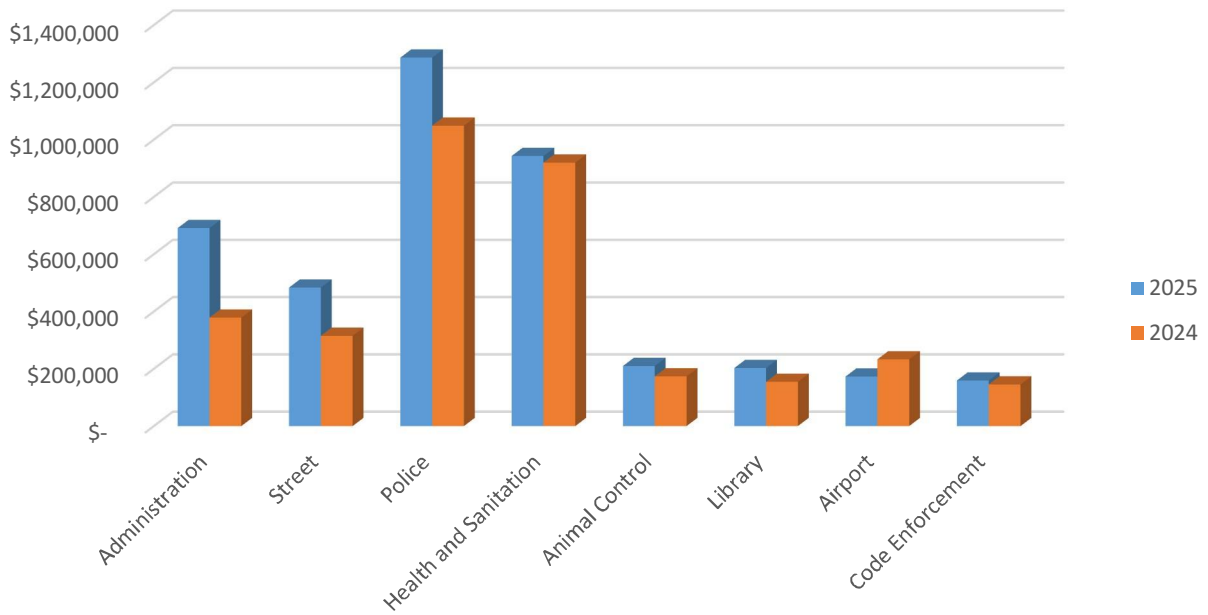
Table A-3
Net Cost of Selected City Functions

	Total Cost of Services		% Change	Net Cost of Services		Total Percentage Change
	2025	2024		2025	2024	2025-2024
Administration	\$ 691,270	\$ 378,677	82.5%	\$ 316,967	\$ 378,677	-16.3%
Municipal Court	86,315	73,253	17.8%	(41,626)	(12,567)	231.2%
Street	483,493	315,026	53.5%	2,378	259,801	-99.1%
Police	1,286,391	1,048,759	22.7%	1,225,144	995,252	23.1%
Health and Sanitation	942,897	919,786	2.5%	(106,786)	(207,306)	-48.5%
Animal Control	209,777	173,406	21.0%	204,912	173,406	18.2%
Parks and Recreation	54,319	16,052	238.4%	45,139	9,277	386.6%
Golf Course	86,340	69,048	25.0%	86,340	69,048	25.0%
Library	202,614	154,472	31.2%	202,614	154,472	31.2%
Airport	173,124	233,103	-25.7%	143,046	138,717	3.1%
Community Center	22,743	16,056	41.6%	22,743	16,056	41.6%
Code Enforcement	159,132	145,264	9.5%	159,132	145,264	9.5%
Emergency Management	1,058	18,533	-94.3%	1,058	18,533	-94.3%
Water/Wastewater Utilities	3,055,598	2,444,998	25.0%	(548,635)	(3,192)	17087.8%
Interest Expense	15,722	14,907	5.5%	15,722	14,907	5.5%

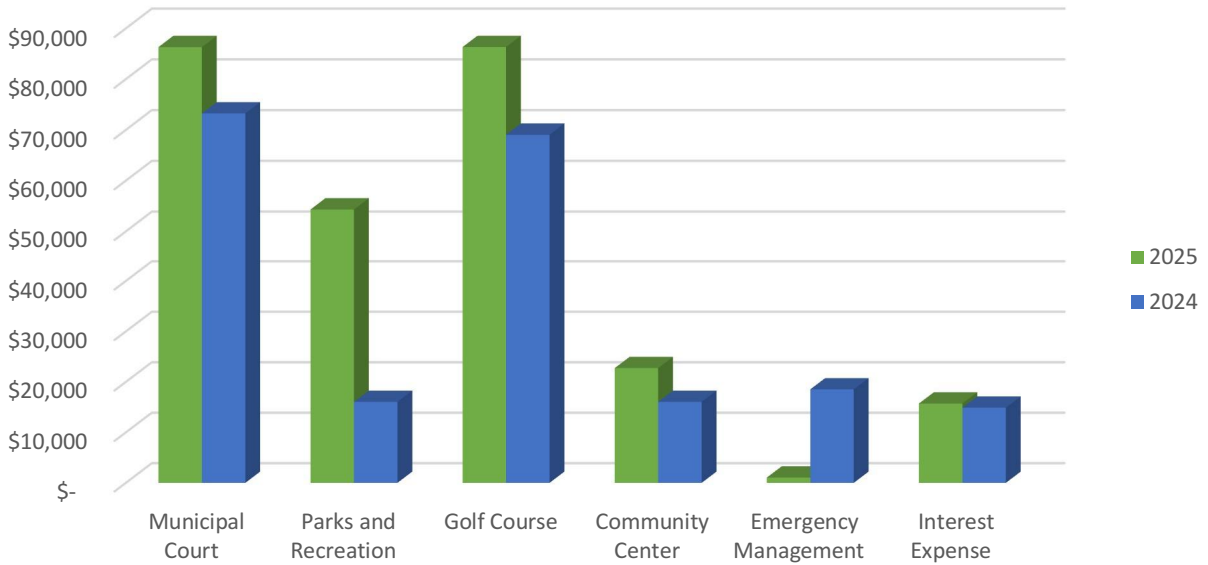
Program Revenue Compared to Program Expenditures



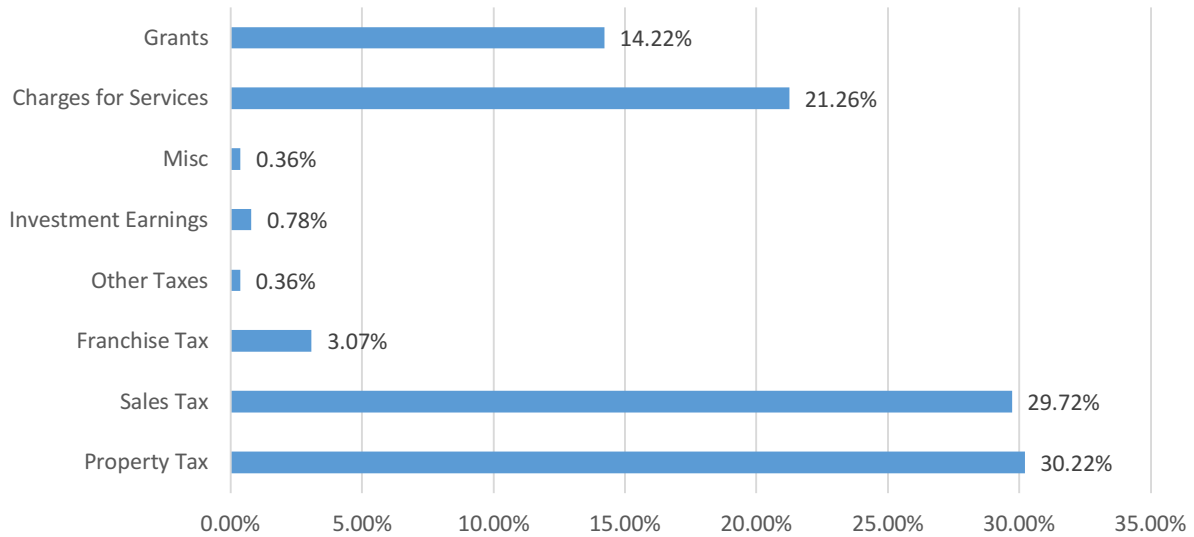
Program Expenditures Year Comparison Expenditures over \$100,000



Program Expenditures Year Comparison Expenditures Under \$100,000



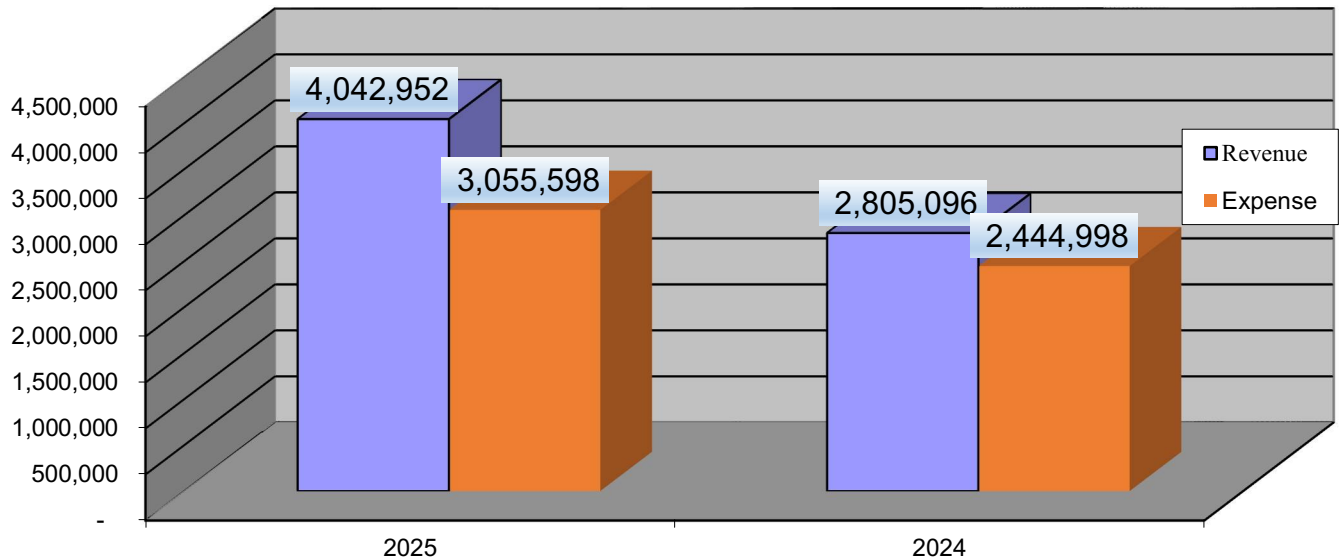
General Revenue by Source - Governmental Activities



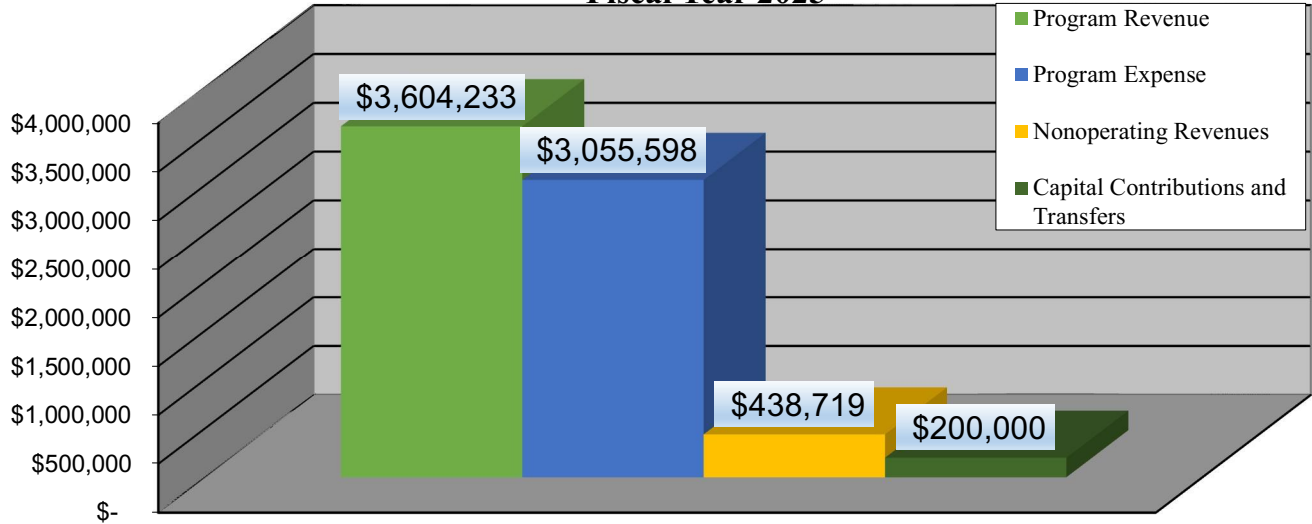
Business-Type Activities

Business-Type activities increased net position by \$1.2 million or 13.7%. The increase was caused by an increase in charges for services. The City increased their utility rates in Fiscal year 2024.

Water/Sewer Utility Revenues and Expenditures Year Comparison



Utility Revenues and Expenses Fiscal Year 2025



Financial Analysis of the Government's Funds

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

Governmental Funds - Activities of the primary government's general fund, special revenue funds and debt service funds are considered general government functions. The general fund is the City's general operating fund. Special revenue funds are used to account for proceeds of specific sources that are legally restricted as to expenditures. The debt service funds are used to account for financial activity related to the City's general bonded indebtedness, as well as long-term obligations.

As September 30, 2025, the City's governmental funds reported combined ending fund balances of \$3.3 million, a decrease of \$76 thousand in comparison with fiscal year 2024.

For the fiscal year ended September 30, 2025, the fund balance of the City's general fund decreased by \$341 thousand. The decrease largely relates to increased expenditures of 1.6 million compared to fiscal year 2024. Capital outlay increased \$998 thousand for the completion of street improvements in the current fiscal year. Revenues increased from the prior year by \$432 thousand. The City recognized the remaining American Rescue Plan Act grant revenues related to street improvements for \$413 thousand.

The City created special revenue funds to account for airport, court technology and security, child safety, and police forfeiture

The debt service fund has a total fund balance of \$505 thousand, all of which is restricted for the payment of debt service. The net increase in the fund balance during the current year in the debt service fund was \$30.5 thousand.

Proprietary Funds - The City's proprietary fund provided the same type of information found in the government-wide financial statements, but in more detail.

Net position for the water sewer fund was \$9.4 million. Unrestricted net position of the water and sewer fund at the end of the year amounted to \$70 thousand. The total increase in net position for the water and sewer fund was \$1.2 million. There was an increase in operating income of \$1.2 which is primarily due to an increase in rates charged for services. Expenditures increased \$610 thousand which was a result of increased depreciation for the current year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City revised its budget for an increase in revenues and expenditures of \$1.3 million, resulting in a net \$0 increase in fund balance. As mentioned previously, the general fund balance decreased by \$341 thousand at year end. Revenues were under budget by \$751 thousand. The largest negative variance was miscellaneous revenue of \$1.3 million. Grant revenues exceeded budgeted amounts by \$483 thousand. Expenditures did not exceed the budget in total. However, the City exceeded its budget for code enforcement by \$26 thousand.

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 \$19 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure and construction in progress. The City's investment in capital assets for the current fiscal year increased by \$2.5 million from fiscal year 2024.

TABLE A-4
CAPITAL ASSETS
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 531,361	\$ 531,361	\$ 142,693	\$ 142,693	\$ 674,054	\$ 674,054
Water Rights	-	-	402,500	402,500	402,500	402,500
Buildings	2,730,612	2,730,612	-	-	2,730,612	2,730,612
Utility Improvements	4,785,676	3,607,901	25,232,752	15,317,533	30,018,428	18,925,434
Equipment	1,993,523	1,847,517	-	-	1,993,523	1,847,517
Construction in Progress	-	-	488,389	8,633,043	488,389	8,633,043
Accumulated Depreciation	(5,484,251)	(5,299,636)	(11,826,416)	(11,417,390)	(17,310,667)	(16,717,026)
TOTALS	\$ 4,556,921	\$ 3,417,755	\$ 14,439,918	\$ 13,078,379	\$ 18,996,839	\$ 16,496,134

Additional information of the City of Devine's capital assets can be found in Note 5 of this report.

Long-Term Debt - For the fiscal year ended September 30, 2025, the City had total bonded debt outstanding of \$23.1 million. Additional information of the City of Devine's long term debt can be found in Note 6 of this report.

TABLE A-5
LONG-TERM DEBT

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Bonds	\$ 795,000	\$ 860,000	\$ 22,316,198	\$ 11,685,000	\$ 23,111,198	\$ 12,545,000
TOTALS	\$ 795,000	\$ 860,000	\$ 22,316,198	\$ 11,685,000	\$ 23,111,198	\$ 12,545,000

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The 2025 Taxable Value for the City of Devine was \$396 million
- The City's 2025 adopted a tax rate of \$0.5900, which did not increase from the 2024 tax rate.
- General Fund Revenues for the 2025-2026 Fiscal Year are expected to decrease by \$141 thousand compared to 2024-2025 actual revenues. The decrease is predominately due to a presumed decrease in grants.
- The City's budgeted general fund balance for 2026 is not expected to change appreciably by the close of the fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City Finance Director, 303 S. Teel Dr., Devine, Texas 78016.



BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government – wide financial statements
- Fund financial statements:
 - Governmental funds
 - Proprietary fund

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.



CITY OF DEVINE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
<i>Current Assets:</i>			
Cash and Cash Equivalents:			
Unrestricted	\$ 2,944,184	\$ 1,701,626	\$ 4,645,810
Restricted for Capital Projects	-	16,816,820	16,816,820
Restricted for Debt	-	470,238	470,238
Restricted for Customer Deposits	-	193,701	193,701
Receivables (net of allowances):			
Taxes	487,218	-	487,218
Other	315,172	495,963	811,135
Prepaid Items	6,212	308	6,520
Due from Other Governments	98	-	98
Internal Balances	252,675	(252,675)	-
<i>Total Current Assets</i>	<u>4,005,559</u>	<u>19,425,981</u>	<u>23,431,540</u>
<i>Noncurrent Assets:</i>			
Capital Assets:			
Land	531,360	142,693	674,053
Water Rights	-	402,500	402,500
Buildings	2,730,613	21,391,427	24,122,040
Utility Improvements	4,785,677	-	4,785,677
Equipment	1,993,522	3,841,325	5,834,847
Construction in Progress	-	488,389	488,389
Less: Accumulated Depreciation	(5,484,251)	(11,826,416)	(17,310,667)
<i>Total Noncurrent Assets:</i>	<u>4,556,921</u>	<u>14,439,918</u>	<u>18,996,839</u>
TOTAL ASSETS	<u>8,562,480</u>	<u>33,865,899</u>	<u>42,428,379</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Related Outflows	186,408	145,192	331,600
Deferred OPEB Related Outflows	730	569	1,299
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 187,138</u>	<u>\$ 145,761</u>	<u>\$ 332,899</u>

See accompanying notes to basic financial statements.

CITY OF DEVINE
STATEMENT OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
<i>Current Liabilities:</i>			
Accounts Payable	\$ 412,612	\$ 607,438	\$ 1,020,050
Accrued Expenses	96,019	55,003	151,022
Accrued Interest Payable	1,224	21,858	23,082
Unapplied Customer Credits	-	5,042	5,042
Payable from Restricted Assets:			
Customer Deposits Payable	-	193,701	193,701
Current Portion of Long-Term Debt	65,000	602,278	667,278
Current Portion of Compensated Absences	27,029	6,589	33,618
<i>Total Current Liabilities</i>	<u>601,884</u>	<u>1,491,909</u>	<u>2,093,793</u>
<i>Noncurrent Liabilities:</i>			
Compensated Absences	243,259	110,008	353,267
Net Pension Liability	1,362,339	1,061,117	2,423,456
OPEB Liability	74,974	58,396	133,370
Long-Term Debt	730,000	21,852,211	22,582,211
<i>Total Noncurrent Liabilities</i>	<u>2,410,572</u>	<u>23,081,732</u>	<u>25,492,304</u>
TOTAL LIABILITIES	<u>3,012,456</u>	<u>24,573,641</u>	<u>27,586,097</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Related Inflows	109,612	85,376	194,988
Deferred OPEB Related Inflows	13,266	10,332	23,598
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>122,878</u>	<u>95,708</u>	<u>218,586</u>
NET POSITION			
Net Investment In Capital Assets	3,761,921	8,802,249	12,564,170
Restricted For:			
Debt Service	534,486	470,238	1,004,724
Lodging	82,121	-	82,121
Texas Commission on Law Enforcement	3,204	-	3,204
Unclaimed Property	2	-	2
Airport	67,420	-	67,420
Court Technology & Security	61,482	-	61,482
Child Safety	9,026	-	9,026
Police Forfeiture	2,763	-	2,763
Tax Increment Financing	148,291	-	148,291
Home Program	2,183	-	2,183
Unrestricted	941,385	69,824	1,011,209
TOTAL NET POSITION	<u>\$ 5,614,284</u>	<u>\$ 9,342,311</u>	<u>\$ 14,956,595</u>

See accompanying notes to basic financial statements.

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

Functions and Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
<i>Governmental Activities:</i>				
Administration	\$ 691,270	\$ -	\$ 374,303	\$ -
Municipal Court	86,315	127,941	-	-
Street	483,493	68,654	-	412,461
Police	1,286,391	-	61,247	-
Health and Sanitation	942,897	1,049,683	-	-
Animal Control	209,777	-	4,865	-
Parks and Recreation	54,319	4,925	4,255	-
Golf Course	86,340	-	-	-
Library	202,614	-	-	-
Airport	173,124	30,078	-	-
Community Center	22,743	-	-	-
Code Enforcement	159,132	-	-	-
Emergency Management	1,058	-	-	-
Interest Expense	15,722	-	-	-
<i>Total Governmental Activities</i>	<u>4,415,195</u>	<u>1,281,281</u>	<u>444,670</u>	<u>412,461</u>
<i>Business-Type Activities</i>				
Water/Wastewater Utilities	3,055,598	2,638,369	-	965,864
<i>Total Business-Type Activities</i>	<u>3,055,598</u>	<u>2,638,369</u>	<u>-</u>	<u>965,864</u>
Total Primary Government	<u>\$ 7,470,793</u>	<u>\$ 3,919,650</u>	<u>\$ 444,670</u>	<u>\$ 1,378,325</u>
General Revenues:				
Taxes:				
Property Taxes				
Sales Taxes				
Franchise Taxes				
Occupancy Taxes				
Payments in Lieu of Property Tax				
Interest income				
Miscellaneous				
Total General Revenues				
Transfers In (Out)				
Change in Net Position				
Net Position at Beginning of Year				
Prior Period Adjustment				
Net Position at End of Year				

See accompanying notes to basic financial statements.

Net (Expense) Revenue and
Changes in Net Position

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (316,967)	\$ -	\$ (316,967)
41,626	-	41,626
(2,378)	-	(2,378)
(1,225,144)	-	(1,225,144)
106,786	-	106,786
(204,912)	-	(204,912)
(45,139)	-	(45,139)
(86,340)	-	(86,340)
(202,614)	-	(202,614)
(143,046)	-	(143,046)
(22,743)	-	(22,743)
(159,132)	-	(159,132)
(1,058)	-	(1,058)
(15,722)	-	(15,722)
(2,276,783)	-	(2,276,783)
-	548,635	548,635
-	548,635	548,635
(2,276,783)	548,635	(1,728,148)
1,821,480	-	1,821,480
1,791,317	-	1,791,317
184,815	-	184,815
16,136	-	16,136
5,520	-	5,520
47,219	438,719	485,938
21,906	-	21,906
3,888,393	438,719	4,327,112
(200,000)	200,000	-
1,411,610	1,187,354	2,598,964
4,494,690	8,220,053	12,714,743
(292,016)	(65,096)	(357,112)
\$ 5,614,284	\$ 9,342,311	\$ 14,956,595

CITY OF DEVINE
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

	General Fund	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 2,330,632	\$ 263,580	\$ 349,972	\$ 2,944,184
Accounts Receivables (net of allowances):				
Taxes	455,972	31,246	-	487,218
Other	160,359	-	154,813	315,172
Prepaid Items	6,212	-	-	6,212
Due from Other Governments	-	98	-	98
Due from Other Funds	11,889	240,786	28,122	280,797
TOTAL ASSETS	<u>\$ 2,965,064</u>	<u>\$ 535,710</u>	<u>\$ 532,907</u>	<u>\$ 4,033,681</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
<i>Liabilities:</i>				
Accounts Payable	\$ 256,197	\$ -	\$ 156,415	\$ 412,612
Accrued Expenditures	96,019	-	-	96,019
Due to Other Funds	28,122	-	-	28,122
<i>Total Liabilities</i>	<u>380,338</u>	<u>-</u>	<u>156,415</u>	<u>536,753</u>
<i>Deferred Inflows of Resources:</i>				
Unavailable Revenues - Taxes	146,701	31,246	-	177,947
<i>Total Deferred Inflows of Resources</i>	<u>146,701</u>	<u>31,246</u>	<u>-</u>	<u>177,947</u>
<i>Fund Balances:</i>				
Restricted for:				
Debt Service	-	504,464	-	504,464
Lodging	-	-	82,121	82,121
Texas Commission on Law Enforcement	-	-	3,204	3,204
Unclaimed Property	-	-	2	2
Airport	-	-	67,420	67,420
Court Technology & Security	-	-	61,482	61,482
Child Safety	-	-	9,026	9,026
Police Forfeiture	-	-	2,763	2,763
Tax Increment Financing	-	-	148,291	148,291
Home Program	-	-	2,183	2,183
Unassigned	2,438,025	-	-	2,438,025
<i>Total Fund Balances</i>	<u>2,438,025</u>	<u>504,464</u>	<u>376,492</u>	<u>3,318,981</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 2,965,064</u>	<u>\$ 535,710</u>	<u>\$ 532,907</u>	<u>\$ 4,033,681</u>

See accompanying notes to basic financial statements.

CITY OF DEVINE
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		\$ 3,318,981
Amounts reported for governmental activities 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.		4,556,921
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recognized as revenue in the funds.		177,947
Accrued vacation leave payable is not due and payable in the current period and, therefore, is not reported in the funds.		(270,288)
Long-term liabilities, including bonds payable and related premiums, are not due and payable in the current period and therefore, not reported in the funds:		
Bonds Payable	(795,000)	
Accrued Interest Payable	(1,224)	(796,224)
Net Pension Liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources are not reported in governmental funds:		
Net Pension Asset (Liability)	(1,362,339)	
Pension Related Deferred Inflows	(109,612)	
Pension Related Deferred Outflows	186,408	(1,285,543)
OPEB Liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources are not reported in governmental funds:		
OPEB Liability	(74,974)	
OPEB Related Deferred Inflows	(13,266)	
OPEB Related Deferred Outflows	730	(87,510)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u>\$ 5,614,284</u>

See accompanying notes to basic financial statements.

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

	General Fund	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Property Taxes	\$ 1,375,647	\$ 309,512	\$ 91,734	\$ 1,776,893
Sales Taxes	1,791,317	-	-	1,791,317
Occupancy Taxes	-	-	16,136	16,136
Franchise Taxes	184,815	-	-	184,815
Payment in Lieu of Property Tax	5,520	-	-	5,520
Licenses and Permits	68,654	-	-	68,654
Rent	4,925	-	-	4,925
Fines and Forfeitures	126,308	-	1,633	127,941
Charges for Services	-	-	30,078	30,078
Health and Sanitation Fees	1,049,683	-	-	1,049,683
Grants	533,288	-	323,843	857,131
Interest Income	40,684	1,722	4,813	47,219
Miscellaneous	21,906	-	-	21,906
TOTAL REVENUES	\$ 5,202,747	\$ 311,234	\$ 468,237	\$ 5,982,218

See accompanying notes to basic financial statements.

CITY OF DEVINE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General Fund	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
EXPENDITURES				
<i>Current:</i>				
Administration	\$ 460,836	\$ -	\$ 367,597	\$ 828,433
Municipal Court	105,796	-	-	105,796
Street	476,201	-	-	476,201
Police	1,312,078	-	4,687	1,316,765
Health and Sanitation	942,897	-	-	942,897
Animal Control	210,407	-	-	210,407
Parks and Recreation	36,712	-	-	36,712
Golf Course	67,555	-	-	67,555
Library	202,178	-	-	202,178
Airport	84,850	-	-	84,850
Community Center	21,776	-	-	21,776
Code Enforcement	159,132	-	-	159,132
Emergency Management	1,058	-	-	1,058
Capital Outlay	1,323,780	-	-	1,323,780
<i>Debt Service:</i>				
Principal	-	65,000	-	65,000
Interest and Fiscal Charges	-	15,778	-	15,778
TOTAL EXPENDITURES	<u>5,405,256</u>	<u>80,778</u>	<u>372,284</u>	<u>5,858,318</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(202,509)</u>	<u>230,456</u>	<u>95,953</u>	<u>123,900</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	138,372	138,372
Transfers Out	(138,372)	(200,000)	-	(338,372)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(138,372)</u>	<u>(200,000)</u>	<u>138,372</u>	<u>(200,000)</u>
Net Change in Fund Balance	(340,881)	30,456	234,325	(76,100)
Fund Balances at Beginning of Year	2,778,906	474,008	142,167	3,395,081
Fund Balances at End of Year	<u>\$ 2,438,025</u>	<u>\$ 504,464</u>	<u>\$ 376,492</u>	<u>\$ 3,318,981</u>

See accompanying notes to basic financial statements.



CITY OF DEVINE
RECONCILIATION OF THE STATEMENT OF REVENUES,
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (76,100)

Amounts reported for governmental activities 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 is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	1,323,781	
Depreciation Expense	<u>(184,615)</u>	1,139,166

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 44,586

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, which the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any affect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal Repayments		65,000
----------------------	--	--------

Governmental funds report required contributions to employee pensions as expenditures. However, in the Statement of Activities the cost of the pension is recorded based on the actuarially determined cost of the plan. This is the amount that actuarially determined pension contributions exceeded expenses. 104,041

Governmental funds report required contributions to OPEB as expenditures. However, in the Statement of Activities the cost of the expense is recorded based on the actuarially determined cost of the plan. This is the amount that OPEB expense exceeded actuarially determined contributions. (2,751)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Compensated Absences	137,612	
Accrued Interest	<u>56</u>	<u>137,668</u>

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 1,411,610

CITY OF DEVINE
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
SEPTEMBER 30, 2025

	Business-Type Activity
	Water and Wastewater
ASSETS	
<i>Current Assets:</i>	
Cash and Cash Equivalents:	
Unrestricted	\$ 1,701,626
Restricted for Capital Projects	16,816,820
Restricted for Debt	470,238
Restricted for Customer Deposits	193,701
Accounts Receivable, Net of Allowance:	
Customer Accounts	458,462
Accounts Receivable - Grants	37,501
Prepaid Items	308
<i>Total Current Assets</i>	19,678,656
 <i>Noncurrent Assets:</i>	
Capital Assets:	
Land	142,693
Water Rights	402,500
Buildings and Utility Improvements	21,391,427
Equipment	3,841,325
Construction in Progress	488,389
Less: Accumulated Depreciation	(11,826,416)
<i>Total Noncurrent Assets</i>	14,439,918
TOTAL ASSETS	34,118,574
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred Pension Related Outflows	145,192
Deferred OPEB Related Outflows	569
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 145,761

See accompanying notes to basic financial statements.

CITY OF DEVINE
STATEMENT OF NET POSITION - PROPRIETARY FUNDS (CONTINUED)
SEPTEMBER 30, 2025

	Business-Type Activity <u>Water and Wastewater</u>
LIABILITIES	
<i>Current Liabilities:</i>	
Accounts Payable	\$ 607,438
Accrued Expenses	55,003
Accrued Interest Payable	21,858
Current Portion of Long-Term Debt	602,278
Current Portion of Compensated Absences	6,589
Unapplied Customer Credits	5,042
Due To Other Funds	252,675
Payable from Restricted Assets:	
Customer Deposits Payable	<u>193,701</u>
<i>Total Current Liabilities</i>	<u>1,744,584</u>
 <i>Noncurrent Liabilities:</i>	
Compensated Absences	110,008
Net Pension liability	1,061,117
OPEB Liability	58,396
Long-Term Debt	<u>21,852,211</u>
<i>Total Noncurrent Liabilities</i>	<u>23,081,732</u>
TOTAL LIABILITIES	<u>24,826,316</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred Pension Related Inflows	85,376
Deferred OPEB Related Inflows	<u>10,332</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>95,708</u>
 NET POSITION	
Net Investment in Capital Assets	8,802,249
Restricted	470,238
Unrestricted	<u>69,824</u>
TOTAL NET POSITION	<u><u>\$ 9,342,311</u></u>

See accompanying notes to basic financial statements.

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

	Business-Type Activities
	Water and Sewer System
OPERATING REVENUES	
Metered Water Sales	\$ 2,060,071
Wastewater Sales Charges	988,764
Connection and Platting	28,253
Grant Revenue	965,864
TOTAL OPERATING REVENUES	4,042,952
OPERATING EXPENSES	
Water and Wastewater System:	
Personnel Costs	1,451,979
Supplies	183,765
Professional and Property Services	710,143
Other Expenses	170,048
Depreciation	409,026
TOTAL OPERATING EXPENSES	2,924,961
OPERATING INCOME (LOSS)	1,117,991
NONOPERATING REVENUES (EXPENSES)	
Bond Issuance Costs	(352,957)
Interest Income	438,719
Interest Expense	(216,399)
TOTAL NONOPERATING REVENUES (EXPENSES)	(130,637)
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	987,354
TRANSFERS AND CONTRIBUTIONS	
Transfers In	200,000
TOTAL TRANSFERS AND CONTRIBUTIONS	200,000
CHANGE IN NET POSITION	1,187,354
NET POSITION AT BEGINNING OF YEAR	8,220,053
Prior Period Adjustment	(65,096)
NET POSITION AT END OF YEAR	\$ 9,342,311

See accompanying notes to basic financial statements.

CITY OF DEVINE
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Business-Type Activities
	Water and Sewer System
Cash Flows From Operating Activities:	
Cash Received From Customers	\$ 3,909,893
Cash Paid to Supplier for Goods & Services	(789,240)
Cash Paid for Employee Salaries and Benefits	(1,495,530)
Net Cash Provided (Used) by Operating Activities	1,625,123
Cash Flows From Capital and Related Financing Activities:	
Acquisition and Construction of Capital Assets	(1,770,565)
Customer Deposits	(5,918)
Proceeds from Bond Issuance	5,553,940
Loan Forgiveness Payable	5,896,224
Bond Issue Costs	(352,957)
Interest Paid on Long-Term Debt	(207,503)
Principal Paid on Long-Term Debt/Loan Forgiveness	(937,304)
Net Cash Provided (Used) by Capital and Related Financing Activities	8,175,917
Cash Flows From Non Capital Related Financing Activities:	
Transfers to/from Other Funds & Due to/from changes	(418,036)
Net Cash Provided (Used) by Financing Activities	(418,036)
Cash Flows From Investing Activities	
Interest Income	438,719
Net Cash Provided (Used) by Investing Activities	438,719
Net Increase (Decrease) in Cash and Cash Equivalents	9,821,723
Cash and Cash Equivalents at Beginning of Year:	
Cash and Cash Equivalents	2,285,218
Restricted Cash and Cash Equivalents	7,075,444
	9,360,662
Cash and Cash Equivalents at End of Year:	
Cash and Cash Equivalents	1,701,626
Restricted Cash and Cash Equivalents	17,480,759
	\$ 19,182,385

See accompanying notes to basic financial statements.

CITY OF DEVINE
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Business-Type Activity <u>Water and Wastewater</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating Income	\$ 1,117,991
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	409,026
Decrease (Increase) in Assets:	
Accounts Receivable (net)	(132,349)
Prepaid Items	(308)
Deferred Pension Related Outflows	33,452
Deferred OPEB Related Outflows	2,272
Increase (Decrease) in Liabilities:	
Accounts Payable	275,024
Accrued Expenses	6,869
Unapplied Customer Credits	(710)
Compensated Absences	797
Net Pension Liability	(145,894)
OPEB Liability	(58)
Deferred Pension Related Inflows	57,493
Deferred OPEB Related Inflows	<u>1,518</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,625,123</u>
 Noncash Capital and Related Financing Transactions:	
TWDB Loan Origination Fees on Bond	\$ 111,038

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF DEVINE
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Devine was established in 1881 as a result of the rail extension of the International-Great Northern Railroad from San Antonio to Laredo. The town was named after Judge Thomas Jefferson Devine from San Antonio, who was a jurist and an attorney for the railroad. Devine was incorporated on October 15, 1907. The town's close proximity to San Antonio has made it a choice location for those wishing to live near the city, but who still want to enjoy the peaceful atmosphere that a rural community can bring. The City operates under a council-administrator form of government and provides the following services as authorized by its charter: police protection, maintenance of streets, culture and recreation, general administrative services, water, and sewer services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Proprietary type funds apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations and APB Opinions. The more significant of the City's accounting policies are described below:

A. Reporting Entity

In evaluating how to define the government, for financial purposes, management has considered all potential component units and associated component units. The decision to include a potential component unit or associated component unit in the reporting entity was made by applying the criteria set forth in GASB Statement 14, *The Financial Reporting Entity* and GASB Statement 39 *Determining Whether Certain Organizations are Component Units*. The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. Based upon the application of these criteria, the City has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and statement of activities. Government-wide statements report information on all of the activities of the City. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. The values of interfund services provided and used are not eliminated in the government-wide financial statements, as elimination of those charges would distort the direct costs reported for the various functions. Governmental activities are supported mainly by taxes and intergovernmental revenues. Business-type activities are financed whole or in part by fees charged to external parties for goods and services. The City has no fiduciary funds.

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

CITY OF DEVINE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Separate fund financial statements are provided for governmental funds and proprietary funds. The general fund, and debt service fund meet the criteria as major governmental funds. The combined amounts for all nonmajor funds are reflected in a single column in the fund balance sheet and statement of revenues, expenditures, and changes in fund balances. Detailed statements for nonmajor funds are presented within combining and individual fund statements and schedules.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash revenue types, which have been accrued, revenue from the investments, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as program revenues and general revenues. Program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, and (2) operating grants and contributions. General revenues include all taxes, payments in lieu of taxes, grants not restricted to specific programs, interest income, and miscellaneous income.

Governmental fund level financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred inflow of resources. Property taxes which are levied prior to September 30, 2024, and became due October 1, 2024 have been assessed to finance the budget of the fiscal year beginning October 1, 2024 and, accordingly, have been reflected as deferred inflow of resources and taxes receivable in the fund financial statement at September 30, 2025.

Sales taxes, franchise taxes, lodging taxes, and fees associated with the current fiscal year are considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal period. All other revenue items received by the government are considered to be measurable and available only when the cash is received by the City.

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

CITY OF DEVINE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The government reports the following major governmental funds:

General Fund is the general operating fund of the City and is always classified as a major fund. The general fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for general administration, public safety, public service and capital acquisition.

Debt Service Fund accounts for financial resources to be used for the payment of long term debt.

Nonmajor funds include special revenue funds.

Proprietary fund level financial statements are used to account for activities, which are similar to those found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows. The City's proprietary fund is the water/wastewater fund (used to account for the provisions of water and sewer services to residents).

The proprietary fund is accounted for using the accrual basis of accounting as follows:

- Revenues are recognized when earned, and expenses are recognized when liabilities are incurred.
- Current-year contributions, administrative expenses and benefit payments, which are not received or paid until the subsequent year, are accrued.

Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, the proprietary fund (water and wastewater fund) considers all highly liquid investments including cash in banks, cash on hand, and money market accounts to be cash equivalents.

CITY OF DEVINE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Investments

State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (d). Statutes allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations.

Investments are stated at fair value (plus accrued interest) except for money market investments and participating interest-earning investment contracts (U.S. Treasuries) that have a remaining maturity at time of purchase of one year or less. Those investments are stated at amortized cost. Likewise, certificates of deposit are stated at amortized cost.

F. Receivables

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2024 and past due after January 31, 2025. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the City. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by the court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as deferred inflows of resources in the fund statements. Receivables are shown net of an allowance for uncollectibles.

G. Short-Term Inter-fund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on fund statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

CITY OF DEVINE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Inventories and Prepaid Items

The City accounts for inventories using the consumption method. Inventories consist primarily of supplies and are valued at cost determined by the average cost method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid Items of governmental funds are recorded as expenditures when consumed rather than when purchased.

I. Budget

An operating budget is adopted each fiscal year for all City governmental funds. The budget is adopted on the GAAP basis of accounting.

J. Restricted Assets

Certain enterprise fund revenues are collected for a specific purpose by state law and city ordinances such as impact fees for infrastructure improvements and the purchase of future water rights. These funds are classified as restricted assets on the statement of net position and balance sheet because their use is limited by law.

Deposits of water/sewer customers and performance bond deposits pending refund to the customer are considered restricted assets.

K. Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$5,000 or more. Infrastructure assets include city-owned streets, sidewalks, curbs and bridges. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets, donated works of art and capital assets received in a service concession arrangement are recorded at estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest has not been capitalized during the construction period on property plant and equipment.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset	Useful Lives (Years)
Buildings	7-27
Utility Improvements	4-40
Equipment	3-25
Water Rights	50

CITY OF DEVINE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences

Full-time employees earn sick and vacation leave at varying rates depending on length of service. Unused sick leave is not paid upon termination however an estimate of sick leave to be used has been accrued in these financial statements under the implementation of GASB 101. Vacation leave is paid upon termination; however, only up to 240hours will be paid upon termination.

Effective October 1, 2024, the City implemented the provisions of GASB Statement No. 101, Compensated Absences. The implementation of GASB 101 resulted in a material change to the City's compensated absences liability. Under GASB 101, compensated absences are recognized based on an estimate of leave that is more likely than not to be paid or taken as leave. The City uses the first-in, first-out flow assumption to determine the liability.

Vested or accumulated compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the governmental fund that will pay them. In proprietary funds and in the government-wide statements, vested or accumulated compensated absences are accrued as earned and reported as an expense and liability as the benefits accrue to employees. At September 30, 2025, accumulated compensated absences of \$270,288 and \$116,597 have been recorded in accrued liabilities of the Governmental Activities and the Business-Type Activities, respectively.

M. Unearned Revenue

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Grant and reimbursement revenues received in advance of expenses/expenditures are reflected as unearned revenue.

N. Deferred Inflows/Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has pension and OPEB related deferred outflows of resources.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resource (revenue) until that time. Unavailable revenue is reported only in the governmental funds balance sheet under a modified basis of accounting. Unavailable revenues from property tax are deferred and recognized as an inflow of resources in the period the amounts become available. The City also has OPEB related deferred inflows.

CITY OF DEVINE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. 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/deduction from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The general fund has typically been used in prior years to liquidate pension liabilities.

P. OPEB Liability

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions, and OPEB expense, information about the Total OPEB Liability of the Texas Municipal Retirement System (TMRS) and additions to/deduction from TMRS's Total OPEB Liability 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. The general fund has typically been used in the prior year to liquidate OPEB liabilities.

Q. Long-Term Obligations

Debt is defined as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. For this purpose, debt does not include leases, except for contracts reported as a financed purchase of the underlying asset, or accounts payable. In the current year, the City adopted a new GASB standard that establishes new note disclosure requirements for long-term debt, including direct borrowings and placement. See additional detail in Note 6.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities or proprietary fund type statement of net position. On new bond issues, bond premium and discounts are deferred and amortized over the life of the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF DEVINE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Net Position

Net Position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The City has elected to appropriate net position of its business type activity. Such appropriations reflect the intended use of the net position.

S. Fund Balance Classification Policies

The City adopted Governmental Accounting Standards Board Statement Number 54 (GASB 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 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 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.
- **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. Assigned fund balance is delegated by the City Council to the City Administrator.
- **Unassigned** - This classification is the default for all funds that do not fit into the other categories. The general fund is the only fund that reports a positive fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for a specific purposes, it may be necessary to report a negative unassigned fund balance in that particular fund.

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.

CITY OF DEVINE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

T. Inter-fund Transactions

Legally authorized transfers are treated as inter-fund transfers and are included in the results of operations of both governmental and proprietary funds.

U. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise. For the City, those revenues are charges for water and sewer services. Operating expenses are necessary costs incurred to provide the service that is the primary activity. Revenues and expenses not meeting these definitions are reported as non-operating.

V. Use of Estimates

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

NOTE 2 -- CASH, CASH EQUIVALENTS AND INVESTMENTS

A. Cash

At September 30, 2025, the City's cash was fully collateralized.

B. Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date of the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposits.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investments pools, (9) guaranteed investment contracts, and (10) commercial paper.

Fair Value Measurement is measured by the City using the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in the active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the City's investments carried at fair value are valued using quoted markets prices (Level 1 inputs).

CITY OF DEVINE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE 2 -- CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

C. 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. City investment policy follows state guidelines. The City policy allows investments in certificates of deposit with banks in Texas, investments in U.S. Treasuries and Agencies, and investment pools that invest in obligations of the United States or its agencies and instrumentalities to name a few. Currently, the City has \$16,660,998 invested in LoneStar, BoK and UMB. See Note 2E E for more information.

At September 30, 2025, the City's investments were in Lonestar Investment Pool, a public funds investment pool where all securities held maintain a continuous rating of no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service.

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.

At year end and per City policy all funds were in the City's name and collateralized with securities that maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service. The City was not exposed to custodial credit risk.

Concentration of Credit Risk. This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. All City funds are in the external investment pool as allowed by the City's investment policy, and the investment pool invests in hundreds of authorized securities that minimize concentrations of credit risk. At year end, the City was not exposed to concentration of credit risk.

Interest Rate Risk. This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk due to investment in an external investment pool as authorized by the City's investment policy.

Foreign Currency Risk. This is the risk that exchange rates will adversely affect the fair value of an investment. The City's policy does not allow investment in foreign currency. At year end the City was not exposed to foreign currency risk.

CITY OF DEVINE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE 2 -- CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

D. Investment Policy

The City’s general policy is to report money market investments and short-term participating interest-earning investment contracts as amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term “short-term” refers to investments which have a remaining term of one year or less at time of purchase. The term “nonparticipating” means that the investment’s value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

E. Public Funds Investment Pools

Public funds investment pools in Texas are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires pools to: (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares. As of September 30, 2025 the City had investments in local government investment pools as follows:

Investment Type	Fair Value	Weighted Average Maturity in Days	Ratings	
			MOODY’S	S&P
LoneStar Investment Pool	\$ 2,122,204	120	Aaa	AAAM
GS Financial Square Treasury Instruments (BOK Sweep)	\$ 11,349,628	49	Aaa	AAAM
UMB Fidelity Treasury Fund	\$ 3,189,166	30	Aaa	AAAM
Total	<u>16,660,998</u>	66		

CITY OF DEVINE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE 3 -- RECEIVABLES

A. Receivables

Receivables consist of the following as of September 30, 2025:

	Governmental Funds			Proprietary Fund
	General	Debt Service	Nonmajor Funds	Water and Sewer Fund
<i>Receivables:</i>				
Property Taxes	\$ 163,001	\$ 31,246	\$ -	\$ -
Sales Taxes	288,136	-	-	-
Occupancy Taxes	-	-	154,813	-
Customers	-	-	-	469,184
Franchise Taxes	21,135	-	-	-
Sanitation and Other	160,359	-	-	37,501
Gross Receivables	632,631	31,246	154,813	506,685
Less: Allowance for Uncollectibles	(16,300)	-	-	(10,722)
Net Total Receivables	<u>\$ 616,331</u>	<u>\$ 31,246</u>	<u>\$ 154,813</u>	<u>\$ 495,963</u>

NOTE 4 -- PROPERTY TAX CALENDAR

The City's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the Frio County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A revaluation of all property is required to be completed every four (4) years. The total taxable value as of January 1, 2024, upon which the fiscal 2025 levy was based, was \$322,931,975 (market value less exemptions).

The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. Pursuant to a decision of the Attorney General of the State of Texas, up to \$1.50 per \$100 of assessed valuation may be used for the payment of long-term debt. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended September 30, 2025 was \$0.59 per \$100 of assessed value, which means that the City has a tax margin of \$1.91 for each \$100 value.

Property taxes are recorded as receivables and deferred inflows of resources at the time the taxes are assessed. In governmental funds, revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in the time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with generally accepted accounting principles have been recognized as revenue. In the government wide financial statements, the entire levy is recognized as revenue, net of estimated uncollectible amounts (if any), at the levy date. The current delinquent property tax is \$80.4 thousand.

CITY OF DEVINE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE 5 -- CAPITAL ASSETS

Governmental and Business-type capital asset activity for the year ended September 30, 2025 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$ 531,361	\$ -	\$ -	\$ 531,361
<i>Total Capital Assets Not Being Depreciated</i>	<u>531,361</u>	<u>-</u>	<u>-</u>	<u>531,361</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings	2,730,612	-	-	2,730,612
Utility Improvements	3,607,901	1,177,775	-	4,785,676
Equipment	1,847,517	146,006	-	1,993,523
<i>Total Capital Assets Being Depreciated</i>	<u>8,186,030</u>	<u>1,323,781</u>	<u>-</u>	<u>9,509,811</u>
<i>Accumulated Depreciation:</i>				
Buildings	(904,186)	(89,213)	-	(993,399)
Utility Improvements	(2,822,561)	(52,896)	-	(2,875,457)
Equipment	(1,572,889)	(42,506)	-	(1,615,395)
<i>Total Accumulated Depreciation</i>	<u>(5,299,636)</u>	<u>(184,615)</u>	<u>-</u>	<u>(5,484,251)</u>
Total Capital Assets Being Depreciated, Net	<u>2,886,394</u>	<u>1,139,166</u>	<u>-</u>	<u>4,025,560</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,417,755</u>	<u>\$ 1,139,166</u>	<u>\$ -</u>	<u>\$ 4,556,921</u>
	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities:				
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$ 142,693	\$ -	\$ -	\$ 142,693
Water Rights	402,500	-	-	402,500
Construction in Progress	8,633,043	871,846	(9,016,500)	488,389
<i>Total Assets Not Being Depreciated</i>	<u>9,178,236</u>	<u>871,846</u>	<u>(9,016,500)</u>	<u>1,033,582</u>
<i>Capital Assets, Being Depreciated:</i>				
Plant and Equipment	15,317,533	898,719	9,016,500	25,232,752
<i>Total Capital Assets Being Depreciated</i>	<u>15,317,533</u>	<u>898,719</u>	<u>9,016,500</u>	<u>25,232,752</u>
<i>Accumulated Depreciation:</i>				
Plant and Equipment	(11,417,390)	(409,026)	-	(11,826,416)
<i>Total Accumulated Depreciation</i>	<u>(11,417,390)</u>	<u>(409,026)</u>	<u>-</u>	<u>(11,826,416)</u>
Total Capital Assets Being Depreciated, Net	<u>3,900,143</u>	<u>489,693</u>	<u>9,016,500</u>	<u>13,406,336</u>
Business-Type Activities Capital Assets, Net	<u>\$ 13,078,379</u>	<u>\$ 1,361,539</u>	<u>\$ -</u>	<u>\$ 14,439,918</u>

CITY OF DEVINE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE 5 -- CAPITAL ASSETS (Continued)

Depreciation expense was charged to the governmental and business type functions as follows:

<i>Governmental Activities:</i>	
Animal Control	\$ 2,057
Airport	88,274
Community Center	967
Golf Course	18,785
Library	1,594
Police	39,896
Parks and Recreation	16,869
Streets	16,173
<i>Total Depreciation Expense - Governmental Activities</i>	<u><u>\$ 184,615</u></u>
 <i>Business-Type Activities:</i>	
Water & Sewer	\$ 409,026
<i>Total Depreciation Expense - Business Type Activities</i>	<u><u>\$ 409,026</u></u>

NOTE 6 -- LONG-TERM DEBT

Compensated absences and other postemployment benefit obligations for governmental activities are generally liquidated by the general fund.

Long-term debt and obligations payable at September 30, 2025 were comprised of the following individual issues:

	Issue Amount	Maturity	Rate	Balance
<i>Primary Government</i>				
Governmental Activities:				
Certificates of Obligation:				
2021 General Obligation				
Combination Tax & Limited Pledge Revenue	\$ 1,000,000	2036	.75% - 2.3%	\$ 795,000
Total Governmental Long-Term Obligations				<u><u>\$ 795,000</u></u>
	Issue Amount	Maturity	Rate	Balance
Business Type:				
Certificates of Obligation				
2019 General Obligation				
Combination Tax & Limited Pledge Revenue	\$ 1,075,000	2029	1.80%-2.45%	\$ 460,000
2024 General Obligation				
Combination Tax & Limited Pledge Revenue	2,465,000	2044	4%-5%	2,420,000
2025 General Obligation				
Combination Tax & Surplus Revenue	5,665,000	2055	2.76-3.71%	5,665,000
Revenue Bonds				
2018A Revenue Bonds				
Utility System	2,755,000	2048	.61%-2.37%	2,250,000
2018B Revenue Bonds				
Utility System	6,645,000	2048	0.00%	6,025,000
Total Business-Type Long-Term Obligations				<u><u>\$ 16,820,000</u></u>

CITY OF DEVINE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE 6 -- LONG-TERM DEBT (Continued)

On April 1, 2025, the City issued \$5,665,000 Combination Tax and Surplus Revenue Certificates of Obligation, Series 2025A and 2025B, in connection with financial assistance provided by the Texas Water Development Board (TWDB) pursuant to the constitution and general laws of the State of Texas, including Subchapter C of Chapter 271 of the Texas Local Government Code, and an ordinance adopted by the City Council. The Certificates constitute direct and general obligations of the City payable from ad valorem taxes levied against all taxable property within the City and a pledge of certain net revenues of the City's water and sewer system. The Series 2025B certificates bear interest at stated rates ranging from approximately 2.76% to 3.71% over the term of the issue.

The Certificates were issued to finance water system improvements, including planning, design, and construction activities associated with the City's lead service line replacement and related drinking water infrastructure projects, as well as costs of issuance.

The financing also includes principal forgiveness provided through the Texas Water Development Board Drinking Water State Revolving Fund program. Total financial assistance approved for the project was \$11,561,224, of which \$5,665,000 represents repayable Certificates of Obligation and \$5,896,224 represents principal forgiveness provided as additional subsidization. The principal forgiveness consists of \$5,818,163 and \$78,061 associated with the project represents subsidy funding with no repayment obligation, provided the City complies with the terms and conditions of the Principal Forgiveness Agreement. Loan proceeds and principal forgiveness funds are disbursed by the Texas Water Development Board as eligible project costs are incurred. Principal forgiveness is recognized as eligible project costs are incurred and the City becomes entitled to the subsidy under the terms of the financing agreement.

Changes in long-term debt, bonds, notes and certificates were as follows:

	Balance 10/1/2024	Additions	Reductions	Balance 9/30/2025	Due Within One Year
<u>Governmental Activities:</u>					
Certificates of Obligation:					
2021 General Obligation	\$ 860,000	\$ -	\$ (65,000)	\$ 795,000	\$ 65,000
Net Pension liability (Asset)	1,587,922	-	(225,583)	1,362,339	-
Total OPEB Liability	76,901	-	(1,927)	74,974	-
Compensated Absences**	407,900	-	(137,612)	270,288	27,029
	<u>\$ 2,932,723</u>	<u>\$ -</u>	<u>\$ (430,122)</u>	<u>\$ 2,502,601</u>	<u>\$ 92,029</u>
	Balance 10/1/2024	Additions	Reductions	Balance 9/30/2025	Due Within One Year
<u>Business-Type Activities:</u>					
Certificates of Obligation					
Series 2019	\$ 570,000	\$ -	\$ (110,000)	\$ 460,000	\$ 110,000
Series 2024	2,465,000	-	(45,000)	2,420,000	80,000
Premiums	145,569	-	(7,278)	138,291	7,278
Series 2025 TWDB (PP)	-	5,665,000	-	5,665,000	65,000
Loan Forgiveness Payable LF 1001775	-	5,896,224	(400,026)	5,496,198	-
2013 General Obligation	185,000	-	(185,000)	-	-
2018A Revenue Bonds TWDB (PP)	2,325,000	-	(75,000)	2,250,000	75,000
2018B Revenue Bonds TWDB (PP)	6,140,000	-	(115,000)	6,025,000	265,000
Net Pension Liability (Asset)	1,207,011	-	(145,894)	1,061,117	-
Total OPEB Liability	58,454	-	(58)	58,396	-
Compensated Absences**	115,800	797	-	116,597	6,589
	<u>\$ 13,211,834</u>	<u>\$ 11,562,021</u>	<u>\$ (1,083,256)</u>	<u>\$ 23,690,599</u>	<u>\$ 608,867</u>

*PP is Private Placement

** Beginning balances have been restated for prior period adjustments

CITY OF DEVINE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE 6 -- LONG-TERM DEBT (Continued)

The annual requirements to amortize all long-term debt and obligations outstanding, excluding compensated absences, net pension liability and total OPEB Liability, as of September 30, 2025, including interest payments, are as follows:

Governmental Activities:		Public Offering		
Fiscal Year		Principal	Interest	Total
Ending September 30				
2026		\$ 65,000	\$ 14,895	\$ 79,895
2027		65,000	14,115	79,115
2028		70,000	13,270	83,270
2029		70,000	12,220	82,220
2030		70,000	11,030	81,030
2031-2035		375,000	34,043	409,043
2036		80,000	1,840	81,840
		<u>\$ 795,000</u>	<u>\$ 101,413</u>	<u>\$ 896,413</u>

Business -Type Activities:		Public Offering		
Fiscal Year		Principal	Interest	Total
Ending September 30				
2026		190,000	113,070	\$ 303,070
2027		200,000	106,554	306,554
2028		205,000	99,591	304,591
2029		215,000	92,145	307,145
2030		100,000	85,800	185,800
2031-2035		1,970,000	613,650	2,583,650
		<u>\$ 2,880,000</u>	<u>\$ 1,110,810</u>	<u>\$ 3,990,810</u>

		Private Placement		
Fiscal Year		Principal	Interest	Total
Ending September 30				
2026		405,000	298,269	\$ 703,269
2027		470,000	238,851	708,851
2028		470,000	234,039	704,039
2029		475,000	229,155	704,155
2030		485,000	224,041	709,041
2031-2035		2,480,000	1,034,157	3,514,157
2036-2040		2,645,000	862,625	3,507,625
2041-2045		2,820,000	651,169	3,471,169
2046-2050		2,310,000	398,615	2,708,615
2051-2055		1,380,000	156,470	1,536,470
		<u>\$ 13,940,000</u>	<u>\$ 4,327,390</u>	<u>\$ 18,267,390</u>

The TWDB financing includes a principal forgiveness component that is not reflected in the tables above. The outstanding balance will be reduced as project costs are incurred and the related amounts are forgiven by the Texas Water Development Board.

CITY OF DEVINE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE 7 -- PENSION PLAN

Texas Municipal Retirement System

A. Plan Description

The City participates as one of 938 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available Annual Comprehensive Financial Report (ACFR) that can be obtained at www.tmrs.com.

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

B. Benefits Provided

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

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

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

	2024	2023
Inactive Employees or Beneficiaries Currently Receiving Benefit:	22	20
Inactive Employees Entitled to but Not Yet Receiving Benefits	31	28
Active Employees	37	38
	90	86

C. Contributions

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

CITY OF DEVINE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE 7 -- PENSION PLAN (Continued)

Texas Municipal Retirement System (Continued)

C. Contributions (Continued)

Employees for the City were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 17.9% and 18.29% for calendar years 2024 and 2025 respectively. The City's contributions to TMRS for the year ended September 30, 2025 were \$441,606, and were equal to the required contributions.

D. 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.

E. Actuarial Assumptions

The Total Pension Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions: Salary increases were based on a service-related table. Mortality rates for active members are based on the Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements.

Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees 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 MP-2021 to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over period ending 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.

CITY OF DEVINE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE 7 -- PENSION PLAN (Continued)

Texas Municipal Retirement System (Continued)

E. Actuarial Assumptions (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	35.00%	7.10%
Core Fixed Income	6.00%	5.00%
Non-Core Fixed Income	6.00%	6.80%
Other Public and Private Markets	4.00%	7.30%
Real Estate	12.00%	6.70%
Hedge Funds	5.00%	6.40%
Private Equity	13.00%	8.50%
Private Debt	13.00%	8.20%
Infrastructure	6.00%	6.00%
	<u>100.00%</u>	

F. Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee 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 employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CITY OF DEVINE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE 7 -- PENSION PLAN (Continued)

Texas Municipal Retirement System (Continued)

G. Changes in Net Pension Liability (Asset)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at December 31, 2023	\$ 9,006,890	\$ 6,211,957	\$ 2,794,933
Changes for the year:			
Service Cost	281,933	-	281,933
Interest	606,206	-	606,206
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(80,817)	-	(80,817)
Changes of Assumptions	-	-	-
Contributions - Employer	-	400,524	(400,524)
Contributions - Employee	-	134,254	(134,254)
Net Investment Income	-	648,258	(648,258)
Benefit Payments, Including Refunds of Employee Contributions	(334,062)	(334,062)	-
Administrative Expense	-	(4,140)	4,140
Other Changes	-	(97)	97
Net Changes	473,260	844,737	(371,477)
Balance at December 31, 2024	\$ 9,480,150	\$ 7,056,694	\$ 2,423,456

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:

	Discount Rate 5.75%	Discount Rate 6.75%	Discount Rate 7.75%
Net Pension Liability (Asset)	\$ 3,701,428	\$ 2,423,456	\$ 1,362,747

CITY OF DEVINE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE 7 -- PENSION PLAN (Continued)

Texas Municipal Retirement System (Continued)

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

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

For the year ended, the City recognized pension expense of \$282,282.

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
Differences between Expected and Actual Economic Experience	\$ 10,436	\$ 81,838
Changes in Actuarial Assumptions	-	26,849
Differences Between Projected and Actual Investment Earnings	-	86,301
Contributions Subsequent to the Measurement Date	321,164	-
	\$ 331,600	\$ 194,988

The City reported \$321,164 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (December 31, 2024) will be recognized as a reduction of the net pension liability for the year ending December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ended December 31,	
2025	\$ (58,924)
2026	27,540
2027	(107,378)
2028	(45,790)
Thereafter	-
	\$ (184,552)

CITY OF DEVINE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE 8 -- OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an “other post-employment benefit,” or OPEB. Membership in the plan at December 31, 2024, the valuation and measurement date, consisted of:

Inactive Employees or Beneficiaries Currently Receiving Benefits	24
Inactive Employees Entitled to but Not Yet Receiving Benefits	5
Active Employees	37
	66
	66

The SDBF required contribution rates, based on these assumptions, are as follows:

For the Calendar Year Ended December 31,	Total SDBF Contribution Rate	Retiree Portion to SDBF Contribution Rate
2023	0.42%	0.21%
2024	0.37%	0.20%

These contribution rates are based on actuarial assumptions developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2019 to December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. For calculating the OPEB liability and the OPEB contribution rates, the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 100.0%. The assumptions are summarized below:

Inflation	2.50%
Salary Increases	3.60% to 11.85% Including Inflation
Discount Rate	4.08% (Based on Fidelity Index's 20-Year Municipal GO AA Index)
Administrative Expenses	All administrative expenses are paid thru 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.

CITY OF DEVINE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE 8 -- OTHER POST EMPLOYMENT BENEFIT (OPEB) (Continued)

The City's Total OPEB Liability (TOL), based on the above actuarial factors, as of December 31, 2024 was calculated as follows:

	Total OPEB Liability
Balance at December 31, 2023	\$ 135,355
Changes for the year:	
Service Cost	5,594
Interest	5,120
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	(1,543)
Changes of Assumptions or Other Inputs	(6,457)
Benefit Payments	(4,699)
Net Changes	(1,985)
Balance at December 31, 2024	\$ 133,370

There is no separate trust maintained to fund this Total OPEB Liability. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

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

	Discount Rate 3.08%	Discount Rate 4.08%	Discount Rate 5.08%
Total OPEB Liability	\$ 156,055	\$ 133,370	\$ 115,203

For the year ended September 30, 2025, the City recognized OPEB expense of \$5,902. Also as of September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ -	\$ 1,968
Changes in Actuarial Assumptions	-	21,630
Contributions Subsequent to the Measurement Date	1,299	-
	\$ 1,299	\$ 23,598

CITY OF DEVINE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE 8 -- OTHER POST EMPLOYMENT BENEFIT (OPEB) (Continued)

Deferred outflows of resources in the amount of \$1,299 is related to OPEB benefits resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the total OPEB liability for the subsequent plan year ended December 31, 2025 (fiscal year ended September 30, 2026). Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended December 31,			
2025		\$	(7,275)
2026			(10,788)
2027			(4,847)
2028			(688)
2029			-
Thereafter			-
		\$	(23,598)

NOTE 9 -- TRANSFERS

Transfers at September 30, 2025 are noted below

From	To	Amount	Purpose
General Fund	Non-Major Fund	\$ 138,372	Transfer fund balances and cash to a new fund
Debt Service	Water and Wastewater	200,000	In support of utility fund
		\$ 338,372	

The inter-fund receivables and payables are as follows:

From	To	Amount	Purpose
General Fund	Non-Major Fund	\$ 28,122	Short Term Borrowing
Water and Wastewater	Debt Service	\$ 240,786	Short Term Borrowing
Water and Wastewater	General Fund	11,889	Short Term Borrowing
		\$ 280,797	

CITY OF DEVINE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE 10 -- TAX INCREMENT REINVESTMENT FINANCING ZONE (TIF)

The City of Devine approved a resolution in 2013 to create a tax increment financing reinvestment zone to support revitalization activities between Medina County and the City of Devine. The Tax Increment Financing Reinvestment Zone (the “Zone”) extend until December 31, 2038. The Tax Increment Reinvestment Zone Financing Plan provides for tax increment allowable expenses in the approximate amount of \$8,095,000 The City contributed \$91,734 in fiscal year 2025 to the Zone.

NOTE 11 -- RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are set annually by TML. Liability by the City is generally limited to the contributed amounts.

NOTE 12 – COMMITMENTS

Warhorse Pump Station Improvements

At fiscal year-end, the City had outstanding construction and engineering commitments related to the Warhorse Pump Station Improvements project. The remaining commitments consisted of \$30,695 for engineering services and \$711,142 for construction, for total outstanding commitments of \$741,837. Additional costs of \$35,236 have been incurred for other project-related expenses.

TWDB 2025 Bond Drinking Water Project

The City also has outstanding commitments related to the TWDB 2025 Bond Drinking Water project. Remaining commitments include \$1,120,412 for design and planning services and \$393,083 for grant administration services, totaling \$1,513,495 in remaining project commitments.

NOTE 14 -- PRIOR PERIOD ADJUSTMENT

As of October 1, 2024, the City implemented GASB Statement 101 related to compensated absences. This led to the recording of a liability for sick leave and vacation that are more likely than not to be taken in the future. Beginning net position was adjusted for the liability incurred in prior years.

	Governmental Activities	Business-Type Activities
Beginning Net Position, Previously Reported	\$ 4,494,690	\$ 8,220,053
Understated Compensated Absences	(292,016)	(65,096)
Beginning Net Position, Restated	\$ 4,202,674	\$ 8,154,957

NOTE 13 – NEW FUNDS ESTABLISHED

The City established new special revenue funds during the fiscal year to separately account for restricted resources and other purposes. The funds include the Airport Fund, Court Technology and Security Fund, Child Safety Fund, and Police Forfeiture Fund, each created to ensure proper tracking and reporting of revenues dedicated to these specific purposes.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - General Fund
- Schedule of Changes in Net Pension Liability and Related Ratios - Last 10 Plan Years
- Schedule of Contributions - Last 10 Fiscal Years
- Schedule of Changes in Total Other Post-Employment Benefit Liability and Related Ratios

CITY OF DEVINE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
 BUDGET AND ACTUAL
 GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2025
 (WITH COMPARATIVE ACTUAL TOTALS FOR 2024)

	Budgeted Amounts		2025	Variance With	2024
	Original	Final	Actual Amounts	Final Budget - Positive (Negative)	Actual
REVENUES					
Property Taxes	\$ 1,326,500	\$ 1,326,500	\$ 1,375,647	\$ 49,147	\$ 1,318,930
Sales Taxes	1,790,000	1,790,000	1,791,317	1,317	1,801,694
Franchise Taxes	185,000	185,000	184,815	(185)	187,464
Payment in Lieu of Property Tax	-	-	5,520	5,520	4,880
Licenses and Permits	53,300	53,300	68,654	15,354	55,225
Rent	6,500	6,500	4,925	(1,575)	6,775
Fines and Forfeitures	79,975	79,975	126,308	46,333	85,820
Health and Sanitation Fees	1,122,136	1,122,136	1,049,683	(72,453)	1,127,092
Grants	50,000	50,000	533,288	483,288	145,380
Interest Income	11,140	11,140	40,684	29,544	14,299
Miscellaneous	3,000	1,329,434	21,906	(1,307,528)	23,590
	<u>4,627,551</u>	<u>5,953,985</u>	<u>5,202,747</u>	<u>(751,238)</u>	<u>4,771,149</u>

CITY OF DEVINE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2025
(WITH COMPARATIVE ACTUAL TOTALS FOR 2024)

	Budgeted Amounts		2025 Actual Amounts	Variance With Final Budget - Positive (Negative)	2024 Actual
	Original	Final			
EXPENDITURES					
Administration	\$ 382,290	\$ 470,690	\$ 460,836	\$ 9,854	\$ 335,553
Municipal Court	104,285	116,919	105,796	11,123	70,360
Street	545,908	1,602,508	476,201	1,126,307	314,108
Police	1,355,235	1,446,035	1,312,078	133,957	1,056,759
Health and Sanitation	973,408	973,408	942,897	30,511	919,786
Animal Control	225,083	225,083	210,407	14,676	179,763
Parks and Recreation	81,988	81,988	36,712	45,276	14,985
Golf Course	39,500	117,500	67,555	49,945	53,483
Library	203,421	203,421	202,178	1,243	155,573
Airport	122,550	122,550	84,850	37,700	178,739
Community Center	25,602	25,602	21,776	3,826	15,089
Code Enforcement	133,200	133,200	159,132	(25,932)	145,264
Emergency Management	14,350	14,350	1,058	13,292	18,533
Capital Outlay	344,815	344,815	1,323,780	(978,965)	326,134
TOTAL EXPENDITURES	4,551,635	5,878,069	5,405,256	472,813	3,784,129
Excess (Deficiency) of Revenues Over (Under) Expenditures	75,916	75,916	(202,509)	(278,425)	987,020
OTHER FINANCING SOURCES (USES)					
Transfers Out	-	-	(138,372)	(138,372)	(92,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(138,372)	(138,372)	(92,000)
Net Change in Fund Balance	75,916	75,916	(340,881)	(416,797)	895,020
Fund Balances , Beginning	2,778,906	2,778,906	2,778,906	-	1,883,886
Fund Balances, Ending	\$ 2,854,822	\$ 2,854,822	\$ 2,438,025	\$ (416,797)	\$ 2,778,906

CITY OF DEVINE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2025

Budgetary Information – The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriation budget approved by the City Council and as such is a good management control device. Annual budgets are adopted for the general fund, utility fund, Lodging Fund, Texas Commission on Law Enforcement Fund (TCOLE), Unclaimed Property Fund, Airport, Court Technology and Security, Child Safety, Police Forfeiture, TIF Fund, Home Program fund and the Debt Service Fund. Of these budgets, the General Fund, Texas Commission on Law Enforcement (TCOLE), Lodging, and the Debt Service Fund are legally adopted. The general fund budget exceeded the code enforcement department.

Budgetary preparation and control is exercised at the fund level. The city administrator is authorized to transfer budget amounts between accounts within a department. These transfers cannot increase the overall budgeted expenditures.



CITY OF DEVINE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES – NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN PLAN YEARS

	Total Pension Liability			
	2015	2016	2017	2018
Service Cost	\$ 128,659	\$ 165,807	\$ 205,888	\$ 221,419
Interest (on the Total Pension Liability)	262,136	326,844	357,395	397,975
Changes of Benefit Terms	605,272	646,960	-	-
Difference between Expected and Actual Experience	(67,120)	65,984	169,723	131,753
Change of Assumptions	53,414	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(62,081)	(96,994)	(155,138)	(124,016)
Net Change in Total Pension Liability	920,280	1,108,601	577,868	627,131
Total Pension Liability - Beginning	3,106,240	4,160,760	5,269,361	5,847,229
Total Pension Liability - Ending	<u>\$ 4,026,520</u>	<u>\$ 5,269,361</u>	<u>\$ 5,847,229</u>	<u>\$ 6,474,360</u>
	Plan Fiduciary Net Position			
	2015	2016	2017	2018
Contributions - Employer	\$ 137,430	\$ 204,547	\$ 282,988	\$ 300,137
Contributions - Employee	79,715	82,164	103,722	111,640
Net Investment Income	3,161	155,456	366,634	(97,193)
Benefit Payments, Including Refunds of Employee Contributions	(62,081)	(96,994)	(155,138)	(124,016)
Administrative Expense	(1,925)	(1,754)	(1,897)	(1,874)
Other	(94)	(95)	(96)	(97)
Net Change in Plan Fiduciary Net Position	156,206	343,324	596,213	188,597
Plan Fiduciary Net Position - Beginning	2,141,381	2,297,587	2,640,911	3,237,124
Plan Fiduciary Net Position - Ending	<u>\$ 2,297,587</u>	<u>\$ 2,640,911</u>	<u>\$ 3,237,124</u>	<u>\$ 3,425,721</u>
Net Pension Liability - Ending	\$ 1,728,933	\$ 2,628,450	\$ 2,610,105	\$ 3,048,639
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	57.06%	50.12%	55.36%	52.91%
Covered Payroll	\$ 1,719,860	\$ 1,643,285	\$ 1,728,698	\$ 1,860,662
Net Pension Liability as a Percentage of Covered Payroll	100.53%	159.95%	150.99%	163.85%

Total Pension Liability					
2019	2020	2021	2022	2023	2024
\$ 247,708	\$ 239,021	\$ 232,683	\$ 234,469	\$ 243,406	\$ 281,933
440,552	482,919	517,810	539,741	574,504	606,206
-	-	-	-	-	-
44,981	28,053	(136,526)	16,402	8,313	(80,817)
37,226	-	-	-	(55,723)	-
<u>(143,026)</u>	<u>(133,916)</u>	<u>(325,930)</u>	<u>(253,977)</u>	<u>(306,160)</u>	<u>(334,062)</u>
627,441	616,077	288,037	536,635	464,340	473,260
6,474,360	7,101,801	7,717,878	8,005,915	8,542,550	9,006,890
<u>\$ 7,101,801</u>	<u>\$ 7,717,878</u>	<u>\$ 8,005,915</u>	<u>\$ 8,542,550</u>	<u>\$ 9,006,890</u>	<u>\$ 9,480,150</u>

Plan Fiduciary Net Position					
2019	2020	2021	2022	2023	2024
\$ 339,024	\$ 328,037	\$ 307,393	\$ 330,789	\$ 347,781	\$ 400,524
123,957	118,425	114,060	114,748	120,200	134,254
531,305	325,511	642,427	(413,616)	630,739	648,258
(143,026)	(133,916)	(325,930)	(253,977)	(306,160)	(334,062)
(2,993)	(2,099)	(2,962)	(3,566)	(3,993)	(4,140)
(89)	(82)	20	4,257	(28)	(97)
848,178	635,876	735,008	(221,365)	788,539	844,737
3,425,721	4,273,899	4,909,775	5,644,783	5,423,418	6,211,957
<u>\$ 4,273,899</u>	<u>\$ 4,909,775</u>	<u>\$ 5,644,783</u>	<u>\$ 5,423,418</u>	<u>\$ 6,211,957</u>	<u>\$ 7,056,694</u>

\$ 2,827,902	\$ 2,808,103	\$ 2,361,132	\$ 3,119,132	\$ 2,794,933	\$ 2,423,456
60.18%	63.62%	70.51%	63.49%	68.97%	74.44%
\$ 2,065,958	\$ 1,973,751	\$ 1,902,003	\$ 1,912,475	\$ 2,003,341	\$ 2,237,566
136.88%	142.27%	124.14%	163.09%	139.51%	108.31%

CITY OF DEVINE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CITY CONTRIBUTIONS
 LAST TEN FISCAL YEARS*

<u>Fiscal Year</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to the Actuarially Determined Contributions in</u>	<u>Contribution] Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2025	\$ 441,606	\$ 441,606	\$ -	\$ 2,426,941	18.20%
2024	386,597	386,597	-	2,178,564	17.75%
2023	340,520	340,520	-	1,962,498	17.35%
2022	314,799	314,799	-	1,850,219	17.01%
2021	313,566	313,566	-	1,924,511	16.29%
2020	323,515	323,515	-	1,952,938	16.57%
2019	338,205	338,205	-	2,069,671	16.34%
2018	291,567	291,567	-	1,800,908	16.19%
2017	262,836	262,836	-	1,689,824	15.55%
2016	197,955	197,955	-	1,719,860	11.51%

CITY OF DEVINE
 REQUIRED SUPPLEMENTARY INFORMATION
 NOTES TO SCHEDULE OF CITY CONTRIBUTIONS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	21 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 are specific to the City's plan of benefits. Last updated for the 2023 valuation pursuant to an experience study of the period 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Change in Assumptions:	2023: New Mortality assumptions 2019: New Retirement and mortality assumptions 2015: Investment rate of return lowered from 7% to 6.75%
Changes in benefits:	2024: Employee contribution rate increased from 5% to 6%

CITY OF DEVINE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES – TOTAL OTHER POST-EMPLOYMENT BENEFIT LIABILITY
AND RELATED RATIOS
LAST EIGHT CALENDAR YEARS*

	Total OPEB Liability			
	2017	2018	2019	2020
Service Cost	\$ 3,457	\$ 4,466	\$ 4,339	\$ 5,921
Interest on Total OPEB Liability	3,424	3,495	4,025	3,732
Changes of Benefit Terms	-	-	-	-
Difference between Expected and Actual Experience	-	3,231	(1,857)	(2,113)
Change of Assumptions or Other Inputs	8,086	(7,555)	20,742	19,964
Benefit Payments	(346)	(558)	(826)	(790)
Net Change in Total OPEB Liability	14,621	3,079	26,423	26,714
Total OPEB Liability - Beginning	89,026	103,647	106,726	133,149
Total OPEB Liability - Ending	<u>\$ 118,268</u>	<u>\$ 106,726</u>	<u>\$ 133,149</u>	<u>\$ 159,863</u>
Covered Payroll	\$ 1,860,662	\$ 2,065,958	\$ 1,973,751	\$ 1,902,003
Total OPEB Liability as a Percentage of Covered Payroll	6.36%	5.17%	6.75%	8.40%

	Total OPEB Liability			
	2021	2022	2023	2024
Service Cost	\$ 7,414	\$ 8,224	\$ 3,806	\$ 5,594
Interest on Total OPEB Liability	3,249	3,245	5,130	5,120
Changes of Benefit Terms	-	-	-	-
Difference between Expected and Actual Experience	417	3,266	(3,319)	(1,543)
Change of Assumptions or Other Inputs	4,931	(58,973)	6,866	(6,457)
Benefit Payments	(2,281)	(2,677)	(3,806)	(4,699)
Net Change in Total OPEB Liability	13,730	(46,915)	8,677	(1,985)
Total OPEB Liability - Beginning	159,863	173,593	126,678	135,355
Total OPEB Liability - Ending	<u>\$ 173,593</u>	<u>\$ 126,678</u>	<u>\$ 135,355</u>	<u>\$ 133,370</u>
Covered Payroll	\$ 1,912,475	\$ 2,003,341	\$ 2,237,566	\$ 2,426,941
Total OPEB Liability as a Percentage of Covered Payroll	9.08%	6.32%	6.05%	5.50%

*GASB Statement No. 75 requires 10 years of data to be provided in this schedule. The City will develop the schedule prospectively as data becomes available.

NOTES TO SCHEDULE OF CHANGES

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

SUPPLEMENTARY INFORMATION

Supplementary information includes combining nonmajor individual fund statements which are not required by the GASB, nor a part of the basic financial statements.

FUND DESCRIPTIONS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues and expenditures that are legally restricted for a specific purpose.

- **Lodging** Accounts for hotel occupancy tax revenues and expenditures, funding mainly the community and conference centers.
- **TCOLE (TEXAS COMMISSION ON LAW ENFORCEMENT)** – Accounts for financial resources allocated for law enforcement training and related activities, funded by the Texas Commission on Law Enforcement (TCOLE).
- **Unclaimed Property** - Accounts for money or assets that the City is unable to locate the rightful owner of after 3 years.
- **Airport Fund** – Accounts for revenues and expenditures related to the operation and maintenance of the City’s airport facilities, including fuel sales, hangar leases, and other airport-related services.
- **Court Technology and Security Fund** – Accounts for revenues and expenditures related to municipal court technology improvements and court security, funded by court costs assessed in municipal court cases in accordance with state law.
- **Child Safety Fund** – Accounts for revenues and expenditures dedicated to programs that promote child safety within the community, funded by court costs assessed in municipal court cases as authorized by state law.
- **Police Forfeiture Fund** – Accounts for revenues and expenditures associated with property seized and forfeited as part of law enforcement activities in accordance with state forfeiture laws. Funds are used for law enforcement purposes permitted by statute.
- **TIF (TAX INCREMENT FINANCING) Fund** - Accounts for the revenues and expenditures, funding the designated redevelopment area for public improvements.
- **HOME Program**- Accounts for federal funding received to expand affordable housing for low-income households.

BUDGET TO ACTUAL - DEBT SERVICE FUNDS

Debt Service funds are used to accumulate funds to pay debt.

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

	Special Revenue Funds		
	Lodging Tax Fund	TCOLE Fund	Unclaimed Property Fund
ASSETS			
Cash and Cash Equivalents	\$ 80,663	\$ 3,204	\$ 124
Accounts Receivable	1,458	-	-
Due from Other Funds	-	-	-
	-	-	-
TOTAL ASSETS	\$ 82,121	\$ 3,204	\$ 124
LIABILITIES AND FUND BALANCE			
<i>Liabilities:</i>			
Accounts Payable	\$ -	\$ -	\$ 122
Due to Other Funds	-	-	-
<i>Total Liabilities</i>	-	-	122
<i>Fund Balance:</i>			
Restricted	82,121	3,204	2
<i>Total Fund Balances</i>	82,121	3,204	2
TOTAL LIABILITIES AND FUND BALANCES	\$ 82,121	\$ 3,204	\$ 124

CITY OF DEVINE
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 SEPTEMBER 30, 2025

	Special Revenue Funds			
	Airport Fund	Court Technology & Security Fund	Child Safety Fund	Police Forfeiture Fund
ASSETS				
Cash and Cash Equivalents	\$ 39,298	\$ 61,482	\$ 9,026	\$ 2,763
Accounts Receivable	-	-	-	-
Due from Other Funds	28,122	-	-	-
TOTAL ASSETS	<u>\$ 67,420</u>	<u>\$ 61,482</u>	<u>\$ 9,026</u>	<u>\$ 2,763</u>
LIABILITIES AND FUND BALANCE				
<i>Liabilities:</i>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-
<i>Total Liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund Balance:</i>				
Restricted	67,420	61,482	9,026	2,763
<i>Total Fund Balances</i>	<u>67,420</u>	<u>61,482</u>	<u>9,026</u>	<u>2,763</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 67,420</u>	<u>\$ 61,482</u>	<u>\$ 9,026</u>	<u>\$ 2,763</u>

CITY OF DEVINE
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 SEPTEMBER 30, 2025

	Special Revenue Funds		Total Nonmajor Governmental Funds	2024
	TIF Fund	HOME Program Fund		
ASSETS				
Cash and Cash Equivalents	\$ 148,291	\$ 5,121	\$ 349,972	\$ 173,760
Accounts Receivable	-	153,355	154,813	2,021
Due from Other Funds	-	-	28,122	11
TOTAL ASSETS	<u>\$ 148,291</u>	<u>\$ 158,476</u>	<u>\$ 532,907</u>	<u>\$ 175,792</u>
LIABILITIES AND FUND BALANCE				
<i>Liabilities:</i>				
Accounts Payable	\$ -	\$ 156,293	\$ 156,415	\$ 122
Due to Other Funds	-	-	-	33,503
<i>Total Liabilities</i>	<u>-</u>	<u>156,293</u>	<u>156,415</u>	<u>33,625</u>
<i>Fund Balance:</i>				
Restricted	148,291	2,183	376,492	142,167
<i>Total Fund Balances</i>	<u>148,291</u>	<u>2,183</u>	<u>376,492</u>	<u>142,167</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 148,291</u>	<u>\$ 158,476</u>	<u>\$ 532,907</u>	<u>\$ 175,792</u>

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

	Special Revenue Funds		
	Lodging Tax Fund	TCOLE Fund	Unclaimed Property Fund
REVENUES			
Occupancy Taxes	\$ 16,136	\$ -	\$ -
Property Taxes	-	-	-
Charges for Services	-	-	-
Fines and Forfeitures	-	-	-
Grants and Donations	-	2,511	-
Interest Income	237	9	-
TOTAL REVENUES	<u>16,373</u>	<u>2,520</u>	<u>-</u>
EXPENDITURES			
Current:			
Administration	9,857	-	-
Police	-	1,686	-
TOTAL EXPENDITURES	<u>9,857</u>	<u>1,686</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,516</u>	<u>834</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	6,516	834	-
Fund Balances, Beginning	75,605	2,370	2
Fund Balances, Ending	<u>\$ 82,121</u>	<u>\$ 3,204</u>	<u>\$ 2</u>

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

	Special Revenue Funds			
	Airport Fund	Court Technology & Security Fund	Child Safety Fund	Police Forfeiture Fund
REVENUES				
Occupancy Taxes	\$ -	\$ -	\$ -	\$ -
Property Taxes	-	-	-	-
Charges for Services	30,078	-	-	-
Fines and Forfeitures	-	1,633	-	-
Grants and Donations	-	-	-	-
Interest Income	30	4,399	136	2
TOTAL REVENUES	<u>30,108</u>	<u>6,032</u>	<u>136</u>	<u>2</u>
EXPENDITURES				
Current:				
Administration	-	-	-	-
Police	-	2,000	-	1,001
TOTAL EXPENDITURES	<u>-</u>	<u>2,000</u>	<u>-</u>	<u>1,001</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>30,108</u>	<u>4,032</u>	<u>136</u>	<u>(999)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	37,312	57,450	8,890	3,762
TOTAL OTHER FINANCING SOURCES (USES)	<u>37,312</u>	<u>57,450</u>	<u>8,890</u>	<u>3,762</u>
Net Change in Fund Balance	67,420	61,482	9,026	2,763
Fund Balances, Beginning	-	-	-	-
Fund Balances, Ending	<u>\$ 67,420</u>	<u>\$ 61,482</u>	<u>\$ 9,026</u>	<u>\$ 2,763</u>

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

	Special Revenue Funds		Total Nonmajor Governmental Funds	2024
	TIF Fund	HOME Program Fund		
REVENUES				
Occupancy Taxes	\$ -	\$ -	\$ 16,136	\$ 19,051
Property Taxes	91,734	-	91,734	6,464
Charges for Services	-	-	30,078	-
Fines and Forfeitures	-	-	1,633	-
Grants and Donations	-	321,332	323,843	2,513
Interest Income	-	-	4,813	333
TOTAL REVENUES	<u>91,734</u>	<u>321,332</u>	<u>468,237</u>	<u>28,361</u>
EXPENDITURES				
Current:				
Administration	5,450	352,290	367,597	20,980
Police	-	-	4,687	796
TOTAL EXPENDITURES	<u>5,450</u>	<u>352,290</u>	<u>372,284</u>	<u>21,776</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>86,284</u>	<u>(30,958)</u>	<u>95,953</u>	<u>6,585</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	30,958	138,372	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>30,958</u>	<u>138,372</u>	<u>-</u>
Net Change in Fund Balance	86,284	-	234,325	6,585
Fund Balances, Beginning	62,007	2,183	142,167	135,582
Fund Balances, Ending	<u>\$ 148,291</u>	<u>\$ 2,183</u>	<u>\$ 376,492</u>	<u>\$ 142,167</u>

CITY OF DEVINE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
LODGING FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		2025 Actual Amounts	Variance with Final Budget- Positive (Negative)	2024 Actual Amounts
	Original	Final			
REVENUES					
Lodging Taxes	\$ 20,000	\$ 20,000	\$ 16,136	\$ (3,864)	\$ 19,051
Interest Income	40	40	237	197	322
TOTAL REVENUES	<u>20,040</u>	<u>20,040</u>	<u>16,373</u>	<u>(3,667)</u>	<u>19,373</u>
EXPENDITURES					
Administrative	9,324	9,324	9,857	(533)	9,785
TOTAL EXPENDITURES	<u>9,324</u>	<u>9,324</u>	<u>9,857</u>	<u>(533)</u>	<u>9,785</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>10,716</u>	<u>10,716</u>	<u>6,516</u>	<u>(4,200)</u>	<u>9,588</u>
Net Change in Fund Balance	10,716	10,716	6,516	(4,200)	9,588
FUND BALANCE, BEGINNING	<u>75,605</u>	<u>75,605</u>	<u>75,605</u>	<u>-</u>	<u>66,017</u>
FUND BALANCE, ENDING	<u>\$ 86,321</u>	<u>\$ 86,321</u>	<u>\$ 82,121</u>	<u>\$ (4,200)</u>	<u>\$ 75,605</u>

CITY OF DEVINE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
TCOLE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025
(WITH COMPARATIVE ACTUAL TOTALS FOR 2024)

	Budgeted Amounts		2025 Actual Amounts	Variance with Final Budget- Positive (Negative)	2024 Actual Amounts
	Original	Final			
REVENUES					
Grants	\$ -	\$ -	\$ 2,511	\$ 2,511	\$ 2,513
Interest Income	2	2	9	7	10
TOTAL REVENUES	<u>2</u>	<u>2</u>	<u>2,520</u>	<u>2,518</u>	<u>2,523</u>
EXPENDITURES					
Police	-	-	1,686	(1,686)	796
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>1,686</u>	<u>(1,686)</u>	<u>796</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2</u>	<u>2</u>	<u>834</u>	<u>(4,204)</u>	<u>1,727</u>
Net Change in Fund Balance	2	2	834	(4,204)	1,727
FUND BALANCE, BEGINNING	<u>2,370</u>	<u>2,370</u>	<u>2,370</u>	<u>-</u>	<u>643</u>
FUND BALANCE, ENDING	<u>\$ 2,372</u>	<u>\$ 2,372</u>	<u>\$ 3,204</u>	<u>\$ (4,204)</u>	<u>\$ 2,370</u>

CITY OF DEVINE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025
(WITH COMPARATIVE ACTUAL TOTALS FOR 2024)

	Budgeted Amounts		2025 Actual Amounts	Variance With Final Budget - Positive (Negative)	2024 Actual
	Original	Final			
REVENUES					
Property Taxes	\$ 278,445	\$ 278,445	\$ 309,512	\$ 31,067	\$ 301,892
Interest Income	1,900	1,900	1,722	(178)	2,388
TOTAL REVENUES	<u>278,445</u>	<u>278,445</u>	<u>311,234</u>	<u>30,889</u>	<u>304,280</u>
EXPENDITURES					
<i>Debt Service:</i>					
Principal	250,000	250,000	65,000	185,000	225,000
Interest and Fiscal Charges	18,465	18,465	15,778	2,687	17,259
TOTAL EXPENDITURES	<u>268,465</u>	<u>268,465</u>	<u>80,778</u>	<u>187,687</u>	<u>242,259</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>9,980</u>	<u>9,980</u>	<u>230,456</u>	<u>220,476</u>	<u>62,021</u>
OTHER FINANCING SOURCES (USES)					
Transfers Out	-	-	(200,000)	(200,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>
Net Change in Fund Balance	<u>9,980</u>	<u>9,980</u>	<u>30,456</u>	<u>20,476</u>	<u>62,021</u>
FUND BALANCE - BEGINNING	<u>474,008</u>	<u>474,008</u>	<u>474,008</u>	<u>-</u>	<u>411,987</u>
FUND BALANCE - ENDING	<u>\$ 483,988</u>	<u>\$ 483,988</u>	<u>\$ 504,464</u>	<u>\$ 20,476</u>	<u>\$ 474,008</u>

THE CITY OF



Devine
TEXAS