



FINANCIAL STATEMENTS – MODIFIED CASH BASIS

of the

City of Dalworthington Gardens, Texas

For the Year Ended
September 30, 2025

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City of Dalworthington Gardens, Texas

FINANCIAL STATEMENTS – MODIFIED CASH BASIS

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Dalworthington Gardens, Texas:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying basic financial statements – modified cash basis of the major funds and the aggregate remaining fund information of the City of Dalworthington Gardens, Texas (the “City”) as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements – modified cash basis as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the net assets, and the changes to net assets for the year then ended, on the basis of accounting described in Note I.D.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Dalworthington Gardens, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Basis of Accounting and limited footnotes

We draw your attention to Note I.D. of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (“US GAAP”).

Further, US GAAP financial statements include management’s discussion and analysis, budget to actual schedules, schedules over the net pension and OPEB liabilities, footnotes over capital assets, debt, and the net pension liability. These items have been omitted from these financial statements that are presented on a modified cash basis.

Our opinions are not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with Note I.D.; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City'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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Brooks Watson & Co.

Brooks Watson & Co., PLLC
Certified Public Accountants
Houston, Texas
March 26, 2025

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***FINANCIAL STATEMENTS
(MODIFIED CASH BASIS)***

City of Dalworthington Gardens, Texas

STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS GOVERNMENTAL FUNDS

September 30, 2025

	General	Park and Recreation Facilities Development Corp.	Capital Projects	Debt Service
<u>Assets</u>				
Cash and cash equivalents	\$ 2,533,662	\$ 759,159	\$ 1,792,589	\$ -
Restricted cash	117,294	-	-	75,412
Receivables, net	189,435	23,215	-	9,925
Prepaid items	45,781	2,259	-	-
Total Assets	\$ 2,886,172	\$ 784,633	\$ 1,792,589	\$ 85,337
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 211,899	\$ 5,872	\$ 301,425	\$ 1,500
Unearned revenue	57,544	-	-	-
Total Liabilities	269,443	5,872	301,425	1,500
<u>Net Assets</u>				
Net Assets	\$ 2,616,729	\$ 778,761	\$ 1,491,164	\$ 83,837

See Notes to Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 5,085,410
528,946	721,652
69,389	291,964
5,528	53,568
<u>\$ 603,863</u>	<u>\$ 6,152,594</u>

\$ 6,702	\$ 527,398
-	57,544
<u>6,702</u>	<u>584,942</u>

<u>\$ 597,161</u>	<u>\$ 5,567,652</u>
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City of Dalworthington Gardens, Texas
STATEMENT OF CHANGES TO NET ASSETS - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2025

	<u>General</u>	<u>Park and Recreation Facilities Development Corp.</u>	<u>Capital Projects</u>	<u>Debt Service</u>
<u>Revenues</u>				
Property tax	\$ 2,402,048	\$ -	\$ -	\$ 369,603
Sales tax	546,240	136,233	-	-
Franchise and local taxes	68,007	-	-	-
License and permits	260,443	-	-	-
Fines and forfeitures	506,357	-	-	-
Oil and gas mineral rights	70,749	-	-	-
Interest income	226,290	31,725	5,733	7,007
Intergovernmental	21,245	-	-	-
Other revenues	53,101	2,220	-	-
Total Revenues	4,154,480	170,178	5,733	376,610
<u>Expenditures</u>				
Current:				
Municipal court	222,262	-	-	-
Administrative	456,212	-	-	-
Police	2,044,449	-	-	-
Fire	606,076	-	-	-
Public works	299,942	-	-	-
Parks and recreation	-	123,455	-	-
Capital outlay	53,125	-	1,161,043	-
Debt Service:				
Principal	55,179	-	-	185,000
Interest and fiscal charges	8,278	-	-	176,394
Bond costs	-	-	-	1,500
Total Expenditures	3,745,523	123,455	1,161,043	362,894
Excess of Revenues				
Over (Under) Expenditures	408,957	46,723	(1,155,310)	13,716
<u>Other Financing Sources (Uses)</u>				
Lease issuance	13,414	-	-	-
Sale of capital assets	16,650	-	-	-
Transfers (out)	(1,207,265)	-	-	-
Transfers in	66,000	-	1,195,265	-
Total Other Financing (Sources)	(1,111,201)	-	1,195,265	-
Change in net assets	(702,244)	46,723	39,955	13,716
Beginning net assets	3,318,973	732,038	1,451,209	70,121
Ending Net Assets	\$ 2,616,729	\$ 778,761	\$ 1,491,164	\$ 83,837

See Notes to Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 2,771,651
406,909	1,089,382
-	68,007
-	260,443
29,611	535,968
-	70,749
19,832	290,587
-	21,245
493	55,814
456,845	5,163,846
18,773	241,035
-	456,212
166,712	2,211,161
-	606,076
6,849	306,791
-	123,455
221,831	1,435,999
14,741	254,920
4,557	189,229
-	1,500
433,463	5,826,378
23,382	(662,532)
-	13,414
-	16,650
	(1,207,265)
12,000	1,273,265
12,000	96,064
35,382	(566,468)
561,779	6,134,120
\$ 597,161	\$ 5,567,652

City of Dalworthington Gardens, Texas

STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS PROPRIETARY FUND

September 30, 2025

	<u>Water, Sewer & Sanitation</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 999,574
Prepaid expenses	31,110
Receivables, net	304,366
Total Assets	<u>1,335,050</u>
<u>Liabilities</u>	
Accounts payable and accrued liabilities	285,534
Customer deposits	87,387
Total Liabilities	<u>372,921</u>
<u>Net Assets</u>	
Net Assets	<u>\$ 962,129</u>

See Notes to Financial Statements.

City of Dalworthington Gardens, Texas
STATEMENT OF CHANGES TO NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND
For the Year Ended September 30, 2025

		<u>Water, Sewer & Sanitation</u>
<u>Revenues</u>		
Water sales	\$	1,521,372
Sewer revenue		770,709
Refuse collection		220,212
Other revenue		27,668
Investment income		24,121
Total Revenues		<u>2,564,082</u>
 <u>Expenditures</u>		
Cost of water		663,066
Cost of sewer		431,201
Cost of refuse		249,382
Personnel		656,197
Material, utilities & maintenance		139,888
Contracted and other services		176,923
Debt service - interest		3,069
Capital outlay		69,048
Total Expenditures		<u>2,388,774</u>
 <u>Other Financing Sources (Uses)</u>		
Transfers (out)		<u>(66,000)</u>
Total Other Financing Sources (Uses)		(66,000)
Change in Net Assets		109,308
Beginning net assets		<u>852,821</u>
Ending Net Assets	\$	<u><u>962,129</u></u>

See Notes to Financial Statements.

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City of Dalworthington Gardens, Texas
NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS
September 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Dalworthington Gardens, Texas, Texas (the “City”) was incorporated on July 19, 1949 under Title 28, Revised Civil Statutes of Texas, 1928, Chapters 1-10, as amended, relating to cities and towns. The City operates under an aldermanic form of government and provides the following services as authorized by the general laws of the State of Texas as a duly incorporated general law City and subsequent City ordinances; public safety (police and fire), highway and streets, sanitation, water and sewer, public improvements, planning and zoning, and general administrative services.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government’s operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

B. Financial Statement Presentation

These financial statements – include all funds of the City according to the modified cash basis of accounting as described within note I.D. This presentation and its contents are fully covered within the table of contents within this report.

C. Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. In the fund financial statements, the accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, as appropriate.

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS, *Continued*

September 30, 2025

The government reports the following major governmental funds:

General Fund

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, court, community development, police, fire, and public works.

Debt Service Fund

The debt service fund is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of governmental funds. The primary source of revenue for debt service is local property taxes.

Capital Projects Fund

The capital projects fund accounts for the acquisition and construction of the government's major capital projects, other than those financed by proprietary funds.

Park and Recreation Facilities Development Corporation

This Corporation was created to implement the General Park Facilities Development Plan. This shall be done in coordination with the necessary contracting parties to research, develop, prepare, finance, and implement this plan. The primary source of revenues for this fund is sales taxes.

The government reports the following nonmajor governmental funds, which are combined into one aggregate nonmajor fund for reporting purposes. Those funds included within that aggregation are the following funds: municipal court security, municipal court automation, public safety seizures, crime prevention and control, & street sales tax.

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, net assets, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The proprietary funds have been presented according to the modified cash basis. Revenues

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS, *Continued*

September 30, 2025

include charges for services and other supplementary types of revenues. Expenditures include costs of materials, contracts, personnel, debt service, and capital outlay.

The government reports the following major enterprise fund:

Water, Sewer, & Sanitation Fund

This fund is used to account for the provision of water, sewer & garbage services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer distribution systems, water collection systems, and contract garbage services. The fund also accounts for the accumulation of resources for and the payment of long-term debt. All costs are financed through charges to utility customers.

D. Measurement Focus and Basis of Accounting

This report uses the modified cash basis of accounting for all funds of the City. This basis of accounting is different than generally accepted accounting principles within the U.S (“US GAAP”). Under the modified cash basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable and earned or legally owed to the City). Measurable means the amount of the transaction can be reasonably determined. Revenues susceptible to accrual include charges for services and interest on temporary investments.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All funds within this report are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Statements of these funds present increases (i.e., revenues and other financing resources) and decreases (i.e., expenditures and other financing uses) in net assets.

Property taxes, sales taxes, franchise taxes, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues in the current period. Other receipts become measurable when earned or when a legal claim is obtained by the City, and are recognized as revenue at that time.

Under the modified cash basis of accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due. Further, under this basis of accounting, no long term assets or liabilities are recorded. Income and expenditures for long term assets acquired and long term liabilities including debt and pensions are recognized as expenditures when paid.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS, *Continued*

September 30, 2025

For example, payments for debt principal and capital asset additions are expended when paid under the modified cash basis of accounting.

Further, related disclosures over long term assets and long term liabilities that would be included for accrual financial statements according to US GAAP, are excluded within this report, as they are not relevant to these financial statements that are presented on the modified cash basis of accounting.

E. Assets, Liabilities, and Net Assets

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as LOGIC or TexSTAR, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Obligations of the U.S. Government
- Direct obligations of the State of Texas or its agencies
- Obligations of states, agencies, counties, cities, and other political subdivisions
- Fully collateralized certificates of deposit
- No-load money market mutual funds
- Statewide investment pools

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS, *Continued*

September 30, 2025

2. Fair Value Measurement

The City has applied Governmental Accounting Standards Board (“GASB”) Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

3. Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either “interfund receivables/payables” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds” in the fund financial statements.

All trade receivables are shown net of any allowance for uncollectible amounts.

4. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Penalties are calculated after February 1 up to the date collected by the City. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

5. Program Revenues

Amounts reported as *program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided or fines imposed by a given function or segment, and (2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS, *Continued*

September 30, 2025

6. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

7. Net assets balance

These financial statements present the net assets balance, which is the difference between assets and liabilities. This balance does not reflect any potential restrictions or other categorizations that may be required under US GAAP reporting.

8. 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 expenditures during the reporting period. Actual results could differ from those estimates.

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As stated in I.E.1., the City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The City's investments in 2a7-like pools such as TexStar are included in this category. Although the City's investments in TexStar and LOGIC are available for immediate withdrawal, disclosure of the pool's weighted average maturity and bond

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS, *Continued*

September 30, 2025

rating are required. The City had the following deposits considered to be cash and cash equivalents at year end:

Investment Type	Carrying Value	Weighted Average Maturity Days
TexStar investment pool	1,630,569	24
LOGIC investment pool	4,205,261	47
Total fair value	\$ 5,835,830	

Interest rate risk In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed one year; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

Credit risk The City’s investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than “A” or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency, No-load money market mutual funds registered and regulated by the SEC and must maintain a stable net asset value of \$1.00 per share, Certificates of deposits which are fully FDIC insured or collateralized from a depository institution doing business in the State of Texas, not to exceed 5 years to stated maturity, and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service. As of September 30, 2025, the City’s investment in TexSTAR and LOGIC was rated AAAM by Standard & Poor’s.

Custodial credit risk – In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2025, the market values of pledged securities and FDIC exceeded bank balances.

Custodial credit risk – investments For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investment policy

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS, *Continued*

September 30, 2025

requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

TexSTAR

The Texas Short Term Asset Reserve Fund ("TexSTAR") is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code ("ICA"), and the Public Funds Investment Act, Chapter 2256, Texas Government Code ("PFIA"). TexSTAR was created in April 2002 by contract among its participating governmental units and is governed by a board of directors. J.P. Morgan Investment Management Inc. ("JPMIM"), Hilltop Securities Inc. ("HTS") and Hilltop Securities Asset Management, LLC ("HSAM") serve as Administrators for TexSTAR. JPMIM provides investment management services, HTS provides marketing and distribution services and HSAM provides administrative services. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. ("JPMCB") and/or its subsidiary J.P. Morgan Investor Services Co. At September 30, 2024, the fair value of the position in TexSTAR approximates fair value of the shares. There were no limitations or restrictions on withdrawals.

TexSTAR operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexSTAR uses amortized cost rather than fair value to report net position to compute share prices. Accordingly, the fair value of the position in TexSTAR are the same as the value of TexSTAR shares.

LOGIC

Local Government Investment Cooperative ("LOGIC") was organized in May 1994 to conform with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code ("ICA"), and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code ("PFIA"). The ICA and the PFIA provide for the creation of public funds investment pools and authorize eligible governmental entities ("Participants") to invest their public funds and funds under their control through the investment pools. Only eligible local governments and agencies of the State of Texas may become Participants.

LOGIC's governing body is a five-member board of trustees ("Board") comprised of individuals who are employees, officers or elected officials of Participants in the fund or who do not have a business relationship with the Fund and are qualified to advise. A maximum of two Advisory Directors will serve in a non-voting advisory capacity to the Board. JPMIM

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS, *Continued*

September 30, 2025

provides investment management services to the Board and HTS provides Participant administrative, marketing and distribution services to the Board. JPMCB and/or its subcontractors or delegates provide custodial, fund accounting, and depository services. At September 30, 2024, the fair value of the position in LOGIC approximates fair value of the shares. There were no limitations or restrictions on withdrawals.

B. Receivables

The following comprise receivable balances of the primary government at year end:

	<u>General</u>	<u>Park & Rec. Facilities Dev. Corp.</u>	<u>Debt Service</u>	<u>Nonmajor Gov.</u>	<u>Water Sewer Sanitation</u>
Taxes					
Property	\$ 80,308	\$ -	\$ 9,925	\$ -	\$ -
Sales	92,858	23,215	-	69,389	-
Franchise	7,148	-	-	-	-
Accounts	10,046	-	-	-	417,366
Allowance	(925)	-	-	-	(113,000)
Total	<u><u>\$ 189,435</u></u>	<u><u>\$ 23,215</u></u>	<u><u>\$ 9,925</u></u>	<u><u>\$ 69,389</u></u>	<u><u>\$ 304,366</u></u>

C. Interfund Transactions

Transfers between the primary government funds during the current fiscal year were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General fund	Proprietary fund	\$ 66,000
Capital projects fund	General fund	1,195,265
Nonmajor Fund	General Fund	12,000

III. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with over 2,700 other Texas governments & political subdivisions in the Texas Municipal League’s Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS, *Continued*

September 30, 2025

participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past four years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

C. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the City could result. The City does not anticipate that it will have an arbitrage liability.

D. Subsequent Events

There were no material subsequent events through March 26, 2025, the date the financial statements were available to be issued.