Annual Financial Report
for the Year Ended
September 30, 2025

Town of Rancho Viejo Texas

Cascos & Associates, PC

Audit / Accounting / Tax / Consulting

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Brownsville, Texas

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TOWN OF RANCHO VIEJO, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

SEPTEMBER 30, 2025

TOWN OF RANCHO VIEJO, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2025

TOWN OFFICIALS

Mayor	Todd Day
Mayor Pro Tem	Javier Vera
Alderwoman	Vanessa Villarreal
Alderman	Mark A. Johnson
Alderman	Peter Harris
Alderman	Abelardo Gonzalez
Alderman	Marcos Ricoy
Attorney	David F. Irwin
Municipal Judge	Javier Gonzalez
Cameron County Tax Assessor - Collector	Edelmiro Garcia
Town Administrator	Patty Flores
Assistant Town Administrator	Isabel Perales

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Cascos & Associates, PC
Certified Public Accountants
Audit/Accounting/Tax/Consulting

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members
of the Board of Aldermen
Town of Rancho Viejo, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Rancho Viejo (the "Town"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Town'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, each major fund, and the aggregate remaining fund information of the Town, as of September 30, 2025, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town 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

Change in Accounting Principle

As described in the notes to the financial statements, in 2025, the Town adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Error Correction

As described in Note P to the financial statements, in 2025, the Town had to restate net position due to an error correction. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

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TXCPA RIO GRANDE VALLEY

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town'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 Town'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, pension information, other post-employment benefits (OPEB) information and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2026, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town's internal control over financial reporting and compliance.

Cascos & Associates, PC

Cascos & Associates, PC
Brownsville, Texas
July 14, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Town of Rancho Viejo, Texas' (the "Town") annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year ended September 30, 2025. Please read it in conjunction with the Town's financial statements, which follow this section.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by $2,603,013 (net position). Of this amount, $2,564,161 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The net position for the Town decreased by $127,514 during the fiscal year, which includes $445,580 of depreciation expense.
- The general fund balance at September 30, 2025, was $2,443,443, an increase of $125,463 during the fiscal year. Of this amount, $1,300,000 is assigned for street rehab, $300,000 is assigned for operations and $843,443 is unassigned.

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 present Town operations in two categories:

1. Government-Wide financial statements
   The Statement of Net Position and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances.

2. Governmental Fund financial statements
   For governmental activities, these statements tell how the services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

The Town provides for two major types of fund balances, which are nonspendable and spendable. GASB 54 establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

Nonspendable fund balances are balances that cannot be spent because they are either in nonspendable form or they are legally required to be maintained intact. Examples of nonspendable fund balances will be inventory and prepaid items. The Town has no nonspendable fund balance at September 30, 2025.

The spendable fund balances include restricted, committed, assigned, and unassigned based upon the hierarchy of spending constraints. Restricted: fund balances that are constrained by external parties, or imposed by law; committed: fund balances that contain self-imposed constraints of the Town from its highest level of decision making authority (the Board of Alderman of the Town); assigned: fund balances that contain self-imposed constraints of the Town to be used for a particular purpose (the Board of Alderman of the Town or an official to whom which the Town has delegated the authority to assign funds for specific purposes); and unassigned: fund balance of the general fund that has not been constrained for any particular purpose.

Basic Financial Statement Analysis

The basic financial statements report information about the Town using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Town's assets, deferred outflows, liabilities, deferred inflows and net position. All of the current year's revenues, expenses and changes in the net position are accounted for in the statements of revenues, expenses and changes in net position regardless of when cash is received or paid.

The basic financial statements report the Town's net position, and how it has changed. Net position - the difference between the Town's assets, deferred outflows, liabilities and deferred inflows - is one way to measure the Town's financial health or position.

Over time, increases or decreases in the Town's net position are an indicator of whether its financial health is improving or deteriorating.

The Town's net position was $2,603,013 and $2,732,738 at September 30, 2025, and 2024, respectively. An analysis of the Town's net position is shown below:

	2025	2024
Current and other assets	$ 3,354,053	$ 3,320,615
Capital assets, net	2,254,576	2,805,321
Total assets	5,608,629	6,125,936
Deferred outflows of resources	89,940	144,981
Totals deferred outflows of resources	89,940	144,981
Current liabilities	690,601	736,052
Non-current liabilities	2,258,755	2,635,828
Total liabilities	2,949,356	3,371,880
Deferred inflows of resources	146,200	166,299
Totals deferred inflows of resources	146,200	166,299
Net position		
Net investment in capital assets	(72,424)	308,321
Restricted for:		
Police forfeiture funds	108,018	86,982
Debt service	3,258	5,317
Street maintenance and rehabilitation	-	103
Unrestricted	2,564,161	2,332,015
Total net position	$ 2,603,013	$ 2,732,738

Changes in the Town's net position can be determined by reviewing the following condensed Statements of Activities for the year ended September 30,

	2025	2024
Net operating revenues	$ 2,632,710	$ 2,422,192
Operating expenses	2,760,224	2,204,899
Excess (deficit) revenues over (under) expenses	(127,514)	217,293
Net position at beginning, as previously reported	2,732,738	2,457,471
Error Correction	(2,211)	57,974
Net position at end	$ 2,603,013	$ 2,732,738

General Fund Budgetary Highlights

Actual expenditures were $4,304 less than budgeted expenditures.

Analysis of Changes in Capital Assets and Long-Term Debt

At the end of 2025, the Town had invested $2,254,576, net of depreciation, in a broad range of capital assets, including buildings, vehicles and equipment.

Long-term debt, at the end of 2025, included the General Obligation refunding bonds, Series 2012 and the Certificate of Obligation, Series 2016. Private placement debt, General Obligation refunding bonds, Series 2012, is not publicly issued or publicly traded and as a result is not required to be rated by a credit rating agency. The Town paid approximately $170,000 on these notes which left a balance of $2,327,000.

The following table summarizes the Town's capital assets, net of accumulated depreciation, for the year ended September 30, 2025:

	Balance October 1, 2024	Additions	Deletions	Adjustments	Balance September 30, 2025
Capital assets, not being depreciated					
Land	$ 214,188	$ -	$ -	$ -	$ 214,188
Construction in progress	-	-	-	-	-
Total capital assets, not depreciated	214,188	-	-	-	214,188
Capital assets, being depreciated					
Buildings	1,198,152	-	-	-	1,198,152
Improvements	183,920	30,787	-	-	214,707
Vehicles and equipment	924,465	39,258	(44,309)	763	920,177
Infrastructure	4,903,877	-	-	-	4,903,877
Total capital assets, depreciated	7,210,414	70,045	(44,309)	763	7,236,913
Less accumulated depreciation for:					
Buildings	(757,487)	(37,824)	-	(19,119)	(814,430)
Improvements	(72,247)	(9,119)	-	456	(80,910)
Vehicles and equipment	(764,760)	(76,135)	44,309	(50,833)	(847,419)
Infrastructure	(3,024,787)	(322,502)	-	(106,477)	(3,453,766)
Total accumulated depreciation	(4,619,281)	(445,580)	44,309	(175,973)	(5,196,525)
Total capital assets, being depreciated, net	2,591,133	(375,535)	-	(175,210)	2,040,388
Governmental activities, capital assets, net	$ 2,805,321	$ (375,535)	$ -	$ (175,210)	$ 2,254,576

Economic Factors and Next Year's Budgets and Rates

- The Town's revenue budget and rates for next year's operations appear to be sufficient to provide adequate income during this period. The total revenues budgeted for the year ended September 30, 2026, are $2,189,118 while total budgeted expenditures are $2,131,842. Total taxable value for the 2025-2026 fiscal year is $402,161,892 compared to $381,648,552 in the 2024-2025 fiscal year. The tax rate for next year was set at $0.450000/$100 of assessed valuation.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town's business office at (956) 350-4093.

EXHIBIT A-1

TOWN OF RANCHO VIEJO, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

	Primary Government
	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 3,121,809
Receivables, (net):	
Property taxes	84,192
Assessments	5,358
Intergovernmental receivable	17,237
Net pension asset	125,457
Capital assets not being depreciated:	
Land	214,188
Capital assets, net of accumulated depreciation:	
Buildings	383,722
Improvements	133,797
Vehicles and equipment	72,758
Infrastructure	1,450,111
Total assets	5,608,629
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow related to pensions	79,356
Deferred outflow related to OPEB	10,584
Total deferred outflows of resources	89,940
LIABILITIES	
Accounts payable	59,773
Deferred revenue	454,828
Non-current liabilities:	
Due in one year	176,000
Due in more than one year	2,234,303
OPEB liability	24,452
Total liabilities	2,949,356
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	130,383
Deferred inflows related to OPEB	15,817
Total deferred inflows of resources	146,200
NET POSITION	
Net investment in capital assets	(72,424)
Restricted for	
Police forfeiture funds	108,018
Debt service	3,258
Street maintenance and rehabilitation	-
Unrestricted	2,564,161
Total net position	$ 2,603,013

The accompanying notes are an integral part of this statement.

EXHIBIT B-1

TOWN OF RANCHO VIEJO, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

		Program Revenues		Net (Expenses) Revenues and Changes in Net Position
			Operating	Primary Government
Functions/Programs	Expenses	Charges for Services	Grants and Contributions	Total
Governmental activities:				
General government	$ 960,463	$ 104,358	$ 155,930	$ (700,175)
Public safety	1,036,438	96,316	78,487	(861,635)
Public works	186,649	1,716	-	(184,933)
Streets	493,236	-	-	(493,236)
Interest and issuance costs	83,438	-	-	(83,438)
Total governmental activities	2,760,224	202,390	234,417	(2,323,417)
Total primary government	$ 2,760,224	$ 202,390	$ 234,417	(2,323,417)

General revenues:	
Taxes:	
Property taxes, levied for general purposes	1,433,081
Property taxes, levied for debt service	250,142
Sales taxes	198,299
Franchise taxes	139,863
Alcohol and beverage	10,203
Investment earnings	160,460
Miscellaneous	3,855
Total general revenues	2,195,903
Change in net position	(127,514)
Net position--beginning of year, as previously reported	2,732,738
Error Correction	(2,211)
Net position--beginning of year, restated	2,730,527
Net position--end of year	$ 2,603,013

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

TOWN OF RANCHO VIEJO, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

	General Fund	Capital Projects Fund	Debt Service Fund	COVID Fiscal Recovery Fund	Other Non-major Fund	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 2,485,979	$ -	$ 3,258	$ 524,554	$ 108,018	$ 3,121,809
Receivables, (net of allowance):						
Property taxes	70,582	-	13,610	-	-	84,192
Assessments	5,358	-	-	-	-	5,358
Intergovernmental receivable	17,237	-	-	-	-	17,237
Due from other funds	-	-	-	-	-	-
Total assets	$ 2,579,156	$ -	$ 16,868	$ 524,554	$ 108,018	$ 3,228,596
LIABILITIES						
Accounts payable	$ 59,773	$ -	$ -	$ -	$ -	$ 59,773
Deferred revenue	-	-	-	454,828	-	454,828
Due to other funds	-	-	-	-	-	-
Total liabilities	59,773	-	-	454,828	-	514,601
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	70,582	-	13,610	-	-	84,192
Unavailable revenue - special assessments	5,358	-	-	-	-	5,358
Total deferred inflows of resources	75,940	-	13,610	-	-	89,550
FUND BALANCES						
Restricted for:						
Public safety	-	-	-	-	108,018	108,018
Debt service	-	-	3,258	-	-	3,258
Assigned to:						
Street maintenance and rehabilitation	1,300,000	-	-	-	-	1,300,000
Operations reserve	300,000	-	-	-	-	300,000
Unassigned	843,443	-	-	69,726	-	913,169
Total fund balances	2,443,443	-	3,258	69,726	108,018	2,624,445
Total liabilities, deferred inflows of resources & fund balances	$ 2,579,156	$ -	$ 16,868	$ 524,554	$ 108,018	$ 3,228,596

The accompanying notes are an integral part of this statement.

TOWN OF RANCHO VIEJO, TEXAS
RECONCILATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

Fund balances -- total governmental funds	$	2,624,445
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.		2,254,576
Some liabilities, including bonds payable, are not due in the current period and therefore not reported in the funds.		(2,410,303)
Property taxes receivable and assessments receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred inflows of resources in the fund financials.		89,550
Included in the items related to debt is the recognition of the Town's net pension asset required by GASB 68 in the amount of $125,457, a deferred resource inflow in the amount of ($130,383), and a deferred resource outflow in the amount $79,356.		74,430
Included in the items related to debt is the recognition of the Town's net OPEB liability required by GASB 75 in the amount of ($24,452), a deferred resource inflow in the amount of ($15,817), and a deferred resource outflow in the amount $10,584.		(29,685)
Net position of governmental activities	$	2,603,013

The accompanying notes are an integral part of this statement.

TOWN OF RANCHO VIEJO, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General Fund	Capital Projects Fund	Debt Service Fund	COVID Fiscal Recovery Fund	Other Non-major Fund	Total Governmental Funds
REVENUES						
Property taxes	$ 1,425,559	$ -	$ 250,142	$ -	$ -	$ 1,675,701
Sales taxes	198,299	-	-	-	-	198,299
Franchise taxes	139,863	-	-	-	-	139,863
Alcohol and beverage taxes	10,203	-	-	-	-	10,203
Licenses and permits	72,249	-	-	-	-	72,249
Intergovernmental	78,487	-	-	155,930	-	234,417
Charges for services	32,109	-	-	-	-	32,109
Fines and forfeitures	96,316	-	-	-	-	96,316
Investment earnings	130,318	-	3,005	26,147	990	160,460
Special assessments	5,571	-	-	-	-	5,571
Total revenues	2,188,974	-	253,147	182,077	990	2,625,188
EXPENDITURES						
General government:						
Administration	318,842	-	-	-	-	318,842
General	183,916	-	-	155,930	-	339,846
Professional	97,259	-	-	-	-	97,259
Public safety:						
General services	30,000	-	-	-	-	30,000
Police	793,644	-	-	-	20,614	814,258
Public works	144,367	-	-	-	-	144,367
Streets	381,501	-	-	-	-	381,501
Debt service:						
Principal	-	-	170,000	-	-	170,000
Interest	-	-	80,868	-	-	80,868
Tax collection	-	-	2,570	-	-	2,570
Capital outlay	70,045	-	-	-	-	70,045
Total expenditures	2,019,574	-	253,438	155,930	20,614	2,449,556
Excess (deficiency) of revenues over (under) expenditures	169,400	-	(291)	26,147	(19,624)	175,632
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	43,937	43,937
Transfers out	(43,937)	-	-	-	-	(43,937)
Total financing sources (uses)	(43,937)	-	-	-	43,937	-
Net change in fund balances	125,463	-	(291)	26,147	24,313	175,632
Fund balances, beginning of year	2,315,043	103	5,317	43,579	86,982	2,451,024
Prior period adjustment	2,937	(103)	(1,768)	-	(3,277)	(2,211)
Fund balances, end of year	$ 2,443,443	$ -	$ 3,258	$ 69,726	$ 108,018	$ 2,624,445

The accompanying notes are an integral part of this statement.

TOWN OF RANCHO VIEJO, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Net change in fund balances -- total governmental funds		$ 175,632
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. This is the amount by which capital outlays exceeded depreciation expense in the current period.		
Capital outlay	70,045	
Adjustments	(175,210)	
Depreciation expense	(445,580)	(550,745)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		170,000
Compensated absences are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		31,065
Some pension-related expenses reported in the governmental activities statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		39,012
Other long-term assets, such as assessments receivable, are not available to pay for current period expenditures and therefore are unearned in the funds.		7,522
Change in net position of governmental activities		$ (127,514)

The accompanying notes are an integral part of this statement.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Rancho Viejo, Texas, (the "Town") is duly incorporated under the general laws type "A" provisions of the State of Texas, which were adopted in an election, held on January 19, 1980. The Town operates under an Aldermanic form of government and is authorized to provide the following services in accordance with State statutes: Public safety (police), streets, sanitation, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (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. The more significant of the Town's accounting policies are described below.

1. *Reporting Entity*

As required by generally accepted accounting principles, these financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. The discussion of component units below summarizes the relevant guidelines considered by the Town in determining their operational or financial relationships.

Blended component units - Blended component units, although legally separate entities, are in substance, part of the government's operations and so data from these units are combined with data of the primary government. The Town does not have any blended component units.

Discretely presented component units - The discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the Town. The Town does not have any discretely presented component units.

Excluded from the reporting entity:

Valley Municipal Utility District No. 2

This potential component unit has a separate elected board and provides services to residents, generally within the geographic boundaries of the Town. This potential component unit is excluded from the reporting entity because the Town does not have the ability to exercise influence over its daily operations, approve budgets, or provide funding.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

2. *Basis of Presentation*

Government-Wide Statements

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are not specifically associated with a program or function and therefore, are clearly identifiable to a particular function. The Town does not allocate indirect expenses in the statement of activities.

Fund Financial Statements

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

The Town reports the following major governmental funds:

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

Capital Projects Fund: The Town uses this fund to account for the financial resources that are restricted, committed, or assigned to expenditures for capital outlay.

Debt Service Fund: The Town accounts for the accumulation of financial resources for the payment of general long-term debt principal, interest and expenditures paid principally from property tax revenue levied by the Town.

COVID Fiscal Recovery Fund: The Town uses this fund to account for this grant which provides a critical source of relief for smaller local governments, many of which had not previously received direct fiscal assistance from the federal government since the onset of the COVID-19 pandemic.

In addition, the Town reports the following non-major governmental fund types:

Special Revenue Fund: The Town accounts for resources restricted to, or assigned for, a specific purpose by the Town or a grantor in a special revenue fund. Most federal and some state financial award programs are accounted for in these funds and sometimes unused balances must be returned to the grantor at the close of specified project periods. The Police Forfeiture Fund is used to account for seizure monies received from the federal government and police department related expenditures.

Governmental funds are used to account for all or most of the Town's general activities. The collection and disbursement of earmarked monies are accounted for in special revenue funds. The General Fund is used to account for all activities of the general government not accounted for in some other fund. However, the Board of Alderman have assigned a portion of the general fund balance for street rehab, security device, and beautification contribution.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

3. *Basis of Accounting*

Government-Wide Fund Financial Statements

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

Governmental Fund Financial Statements

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds 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. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position.

The modified accrual basis of accounting is used by governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). *Measurable* means the amount of the transaction can be determined and *available* means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

Those revenues susceptible to accrual are property taxes, franchise taxes, licenses, interest revenue and charges for services. Sales taxes collected and held by the state at year end on behalf of the Town also are recognized as revenue. Revenues from fines, permits, and property liens are not susceptible to accrual because generally they are not measurable until received in cash.

The Town reports unearned revenue on its combined balance sheet. Unearned revenues arise when a potential revenue does not meet both the *measurable* and *available* criteria for recognition in the current period. Unearned revenues also arise when resources are received by the Town before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

When both restricted an unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

4. *Budgets and Budgetary Accounting*

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund. All annual appropriations lapse at fiscal year-end.

As required by state law, the Mayor submits to the Board of Aldermen the proposed executive budget for the fiscal year at the beginning of such fiscal year. Public hearings are then conducted to obtain taxpayer comments.

The original annual appropriated budgets and any revisions of such budgets that affect the overall fund total expenditures are made through appropriated budget resolutions approved by the Aldermen.The original annual appropriated budgets are adopted by resolutions by the Aldermen prior to the beginning of the fiscal year as required by state law. The final annual amended appropriated budgets are used in this report. The overall fund total of actual expenditures cannot exceed the overall fund total of appropriated expenditures for such funds.

The Mayor is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the overall fund total of appropriated expenditures of any fund must be approved by the Aldermen.

Expenditures may not legally exceed budgeted appropriations at the fund level. During the year, several supplementary appropriations were necessary.

5. *Cash and Cash Equivalents*

For purposes of the basic financial statements, cash and cash equivalents include all highly liquid investments with a maturity of three months or less.

6. *Capital Assets*

Capital assets are reported in the applicable governmental activities column in the government-wide financial statements. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. A capitalization threshold of $1,000 has been established by the Town.

7. *Accumulated Compensated Absences*

It is the Town's policy to permit employees to accumulate an amount of earned but unused vacation and sick leave. Vacation and sick leave are payable upon separation from employment. Any sick leave amount greater than 60 days, will be payable at the end of the year if not yet taken. In governmental funds, the cost of vacation and sick leave is recognized when payments are made to employees. In recognition of this policy, a liability of $83,303 for vacation and sick leave has been recorded in the government-wide financial statements. This amount represents the Town's commitment to fund such costs from current operations.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

8. *Fund Balances*

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

Nonspendable fund balances will include amounts that cannot be spent because they are either in nonspendable form or they are legally required to be maintained intact. Examples of nonspendable fund balances will be inventory and prepaid items.

Restricted fund balances will exist when constraints are placed on the use of those resources that are either externally imposed or imposed by law.

Committed fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Alderman of the Town.

Assigned fund balances will be amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted, nor committed. The intent can be made by either the Board of Alderman of the Town or an official to whom which the Town has delegated authority. Appropriated fund balance and the majority of encumbrances will be reclassified into the assigned category.

Unassigned fund balances will represent those funds that have not been assigned, committed, restricted or considered nonspendable. The general fund will be the only fund that will report unassigned fund balance, unless a deficit fund balance resulting from overspending in other funds exist. Fund balance in other funds will either be assigned, committed, restricted or nonspendable unless the fund reports a deficit.

9. *Net Position*

The Town's net position is classified as follows:

Net investment in capital assets: consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position: consists of net position that is subject to a legally enforceable restriction on their use.

Unrestricted: consists of all other net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

10. *Deferred Outflows and Inflows 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, presents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

10. *Deferred Outflows and Inflows of Resources - continued*

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

11. *Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, such estimates may differ from actual results.

12. *Net Pension and OPEB Liability*

During fiscal year 2015, the Town adopted GASB Statement No. 68 for Accounting and Reporting for Pensions. With GASB 68, the Town must assume their appropriate share of Net Pension Liability of the Texas Municipal Retirement System.

During fiscal year 2018, the Town adopted GASB Statement No. 75 for Accounting and Reporting for Other Post-Employment Benefits Other Than Pensions. With GASB 75, the Town must assume their appropriate share of Net OPEB Liability of the Texas Municipal Retirement System.

NOTE B - DEPOSITS AND INVESTMENTS

Investment Accounting Policy

The Town is required by Government Code Chapter 2256, The Public Funds Investment Act (the "Act"), to adopt, implement, and publicize an investment policy. That policy must 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 for the portfolio, (8) Investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the Town adhered to the requirements of the Act. Additionally, investment practices of the Town were in accordance with local policies.

The Town's general policy is to report money market investments and short-term participating interest-earning investment contracts at 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 the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

NOTE B - DEPOSITS AND INVESTMENTS – (CONTINUED)

Investment Accounting Policy - continued

The Act determines the types of investments, which are allowable for the Town. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, the state of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Town's policy authorizes all the State allowable investments.

The Town's management believes that it has complied in all material respects with the requirements of the act and the Town's investment policies.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Act, the Town's investment policy, and Government Code Chapter 2257 "Collateral for Public Funds" contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments. To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public fund investment pool created to function as a money market mutual fund must mark its portfolio to market daily, and, to the extent reasonably possible, stabilize at a $1 net asset value. If the ratio of the market value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005, portfolio holdings shall be sold as necessary to maintain the ratio between 0.995 and 1.005.

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

Cash Deposits

At September 30, 2025, the carrying amount of the Town's deposits (cash, certificates of deposit, and interest-bearing savings accounts) was $3,121,809 and the bank balance was $3,186,536.

The Town's cash deposits at September 30, 2025, are maintained primarily at Plains Capital Bank. These deposits were entirely covered by FDIC insurance or by pledged collateral held by the Town's agent bank. The deposits were collateralized in accordance with Texas Law and the Town maintains copies of all safekeeping receipts in the name of the Town. Deposits were properly secured at all times.

NOTE B - DEPOSITS AND INVESTMENTS – (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater sensitivity of its fair value to changes in market interest rates. The Town does not own any long-term investments.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Town does not own any investments other than collateralized bank deposits.

Concentration of Credit Risk

The Investment policy of the Town contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the Act.

Public Funds Investment Pools

The Town had no funds in a public funds investment pool.

NOTE C – RECEIVABLES

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

	General Fund	Debt Service Fund	Total
Receivables:			
Taxes	$ 74,297	$ 14,326	$ 88,623
Assessments	5,358	-	5,358
Intergovernmental receivable	17,237	-	17,237
Gross receivables	96,892	14,326	111,218
Less allowance for uncollectable	(3,715)	(716)	(4,431)
Net total receivables	$ 93,177	$ 13,610	$ 106,787

NOTE C – RECEIVABLES – (CONTINUED)

Property Taxes

Property taxes attach an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent February 1 of the following year, at which time the applicable property is assessed penalties and interest until paid. On July 1, the property is subject to lien plus penalties and interest until paid.

The Town's ad valorem taxes are collected by the Cameron County tax assessor-collector and are disbursed to the Town each month.

	Schedule of Taxes Receivable		
	September 30, 2025		
Taxes Receivable by Year	Debt Service Tax	Maintenance Tax	Total
2006 and prior	$ -	$ 738	$ 738
2007	67	349	416
2008	32	350	382
2009	32	357	389
2010	61	728	789
2011	56	752	808
2012	70	963	1,033
2013	43	922	965
2014	29	559	588
2015	100	1,974	2,074
2016	583	2,169	2,752
2017	572	2,191	2,763
2018	598	2,358	2,956
2019	662	2,694	3,356
2020	1,378	5,647	7,025
2021	1,618	6,573	8,191
2022	1,091	4,445	5,536
2023	1,741	9,399	11,140
2024	5,593	31,129	36,722
	14,326	74,297	88,623
Allowance for uncollectible	(716)	(3,715)	(4,431)
Total receivable at end of year	$ 13,610	$ 70,582	$ 84,192

NOTE D - DELINQUENT PROPERTY LIENS

Current and delinquent property liens have not been reported in the financial statements. It is the Town's policy not to record lien revenues until they become available for appropriation. Accordingly, an amount equal to the liens not yet received has not been reported as unearned revenue. On September 30, 2025, total current and delinquent property liens were $84,192.

NOTE E - CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2024, is as follows:

	Balance October 1, 2024	Additions	Deletions	Adjustments	Balance September 30, 2025
Capital assets, not being depreciated					
Land	$ 214,188	$ -	$ -	$ -	$ 214,188
Construction in progress	-	-	-	-	-
Total capital assets, not depreciated	214,188	-	-	-	214,188
Capital assets, being depreciated					
Buildings	1,198,152	-	-	-	1,198,152
Improvements	183,920	30,787	-	-	214,707
Vehicles and equipment	924,465	39,258	(44,309)	763	920,177
Infrastructure	4,903,877	-	-	-	4,903,877
Total capital assets, depreciated	7,210,414	70,045	(44,309)	763	7,236,913
Less accumulated depreciation for:					
Buildings	(757,487)	(37,824)	-	(19,119)	(814,430)
Improvements	(72,247)	(9,119)	-	456	(80,910)
Vehicles and equipment	(764,760)	(76,135)	44,309	(50,833)	(847,419)
Infrastructure	(3,024,787)	(322,502)	-	(106,477)	(3,453,766)
Total accumulated depreciation	(4,619,281)	(445,580)	44,309	(175,973)	(5,196,525)
Total capital assets, being depreciated, net	2,591,133	(375,535)	-	(175,210)	2,040,388
Governmental activities, capital assets, net	$ 2,805,321	$ (375,535)	$ -	$ (175,210)	$ 2,254,576

Depreciation is provided in the funds in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. The service lives by type of asset are as follows:

Site improvements	25-30 years
Buildings	30 years
Furniture and equipment	3-10 years
Vehicles	3 years

Depreciation was charged to government functions as follows:

General government	$ 156,348
Public safety	180,471
Public works	29,858
Streets	78,903
Total depreciation-governmental activities	$ 445,580

NOTE F - LONG-TERM OBLIGATIONS

Bonds Payable

General Obligation Refunding Bonds, Series 2012 – Construction of Town Hall

On September 11, 2012, the Town authorized issuance of General Obligation Refunding Bonds, Series 2012, in the amount of $572,000. The bonds are payable from levying a continuing direct annual ad valorem tax. These bonds were issued for the purpose of providing funds to refinance a portion of the Town's outstanding debt, for Tax Note, Series 2005 and to pay costs and expenses of the issuance. Principal payments are due on January 1, and interest payments are due semi-annually, January 1 and July 1 of each year commencing January 1, 2013, and continuing thereafter until maturity in 2027 with interest at rates ranging from 1.75% to 4.10%.

Certificate of Obligation, Series 2016 – Street Rehabilitation

On August 25, 2016, the Town authorized issuance of Certificates of Obligation, Series 2016, in the amount of $3,150,000. These bonds were issued for the purpose of paying contractual obligations of the Town to be incurred for certain projects. Principal payments are due on January 1, and interest payments are due annually, March 1 of each year commencing July 26, 2016 and continuing thereafter until maturity in 2036 with interest at rate 3.38%.

	Balance October 1, 2024	Retirements	Balance September 30, 2025
General Obligations Refunding Bonds, Series 2012	$ 152,000	$ 50,000	$ 102,000
Certificate of Obligation, Series 2016	2,345,000	120,000	2,225,000
Total	$ 2,497,000	$ 170,000	$ 2,327,000

Annual debt service requirements are as follows:

Year Ending September 30,	Principal	Interest	Total Requirements
2026	$ 176,000	$ 76,230	$ 252,230
2027	181,000	69,829	250,829
2028	190,000	63,375	253,375
2029	195,000	56,869	251,869
2031	205,000	50,109	255,109
2031-2035	1,130,000	140,270	1,270,270
2036-2040	250,000	4,223	254,223
Total	$ 2,327,000	$ 460,905	$ 2,787,905

NOTE G – CHANGES IN LONG –TERM LIABILITIES

Long-term liability activity for the governmental activities for the year ended September 30, 2025, was as follows:

	Balance October 1, 2024	Additions	Retirements	Balance September 30, 2025	Amount Due Within One Year
Bonds Payable	$ 2,497,000	$ -	$ 170,000	$ 2,327,000	$ 176,000
Net Pension Liability/ (Asset)	(51,511)	-	73,947	(125,458)	-
OPEB Liability	24,460	-	8	24,452	-
Compensated Absences	114,368	3,266	34,331	83,303	-
Total	$ 2,584,317	$ 3,266	$ 278,286	$ 2,309,297	$ 176,000

NOTE H - EMPLOYEE RETIREMENT SYSTEM

Plan Description

The Town participates as one of 887 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 agency 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 Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report that can be obtained at *www.tmrs.org*.

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

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the Town, 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 Town-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.

Employee deposit rate	7%
Matching ratio (Town to employee)	1.5 to 1
Years required for vesting	5
Service retirement eligibility	
(expressed as age/years of service	60/5, 0/20
Updated Service Credit	100%
Annuity Increase (to retirees)	0% of CPI

NOTE H - EMPLOYEE RETIREMENT SYSTEM – (CONTINUED)

Employees covered by benefit terms.

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

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	9
Active employees	12
Total	26

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the Town matching percentages are with 100%, 150%, or 200%, both as adopted by the governing body of the Town. Under the state law governing TMRS, the contributions rate for each town 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.

Employees for the Town were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Town were 8.82% and 9.00% in calendar years 2024 and 2025, respectively. The Town's contributions to TMRS for the year ended September 30, 2025, were $63,428, and were equal to the required contribution.

Net Pension Liability

The Town'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.

NOTE H - EMPLOYEE RETIREMENT SYSTEM – (CONTINUED)

Actuarial Assumptions:

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

Valuation Date	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis with Scale MP-2021 (with immediate convergence). Pre-retirement: 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 with scale MP-2021 (with immediate convergence).
Other Information	There were no benefit changes during the year

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-district 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are protected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same tables for healthy retirees are used with at 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 disable. The rates are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements subject to the 3% floor.

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

NOTE H - EMPLOYEE RETIREMENT SYSTEM – (CONTINUED)

Net Pension Liability

The long-term expected rate of return on pension plan investments was determined by the best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighing the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in the fiscal year 2025 are summarized in the following table:

Asset Class	Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global equity	35.0%	9.18%
Core fixed income	6.0%	-2.37%
Non-core fixed income	6.0%	3.47%
Hedge funds	5.0%	6.82%
Other public & private markets	26.0%	13.56%
Real estate	12.0%	1.10%
Infrastructure	6.0%	10.73%
Other private markets	4.0%	3.32%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive 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.

NOTE H - EMPLOYEE RETIREMENT SYSTEM – (CONTINUED)

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 12/31/2023	$ 2,844,837	$ 2,896,347	$ (51,510)
Changes for the year:			
Service cost	112,552	-	112,552
Interest	190,610	-	190,610
Change of benefit terms	-	-	-
Difference between expected and actual experience	27,945	-	27,945
Changes of assumptions	-	-	-
Contributions - employer	-	58,105	(58,105)
Contributions - employee	-	49,242	(49,242)
Net investment income	-	299,682	(299,682)
Benefit payments, including refunds of employee contributions	(154,534)	(154,534)	-
Administrative expense	-	(1,930)	1,930
Other changes	-	(45)	45
Net changes	176,573	250,520	(73,947)
Balance at 12/31/2024	$ 3,021,410	$ 3,146,867	$ (125,457)

Sensitivity of the net pension liability (asset) to changes in the discount rate:

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Town's net pension liability (asset)	$ 308,372	$ (125,457)	$ (479,660)

NOTE H - EMPLOYEE RETIREMENT SYSTEM – (CONTINUED)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2025, the Town recognized pension expense of $21,254.

At September 30, 2025, the Town 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 (net of current year amortization)	$ 33,178	$ 93,573
Changes in actuarial assumptions	1,647	8,835
Difference between projected and actual investment earnings (net of current year amortization)	-	27,975
Contributions subsequent to the measurement date	44,531	-
Total	$ 79,356	$ 130,383

Pension Expense and Deferred Outflows of Resources Related to Pensions

$44,531 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Fiscal Year Ending September 30,	
2026	$ (28,205)
2027	15,987
2028	(65,818)
2029	(17,907)
2030	385
Thereafter	-

NOTE I – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION

TMRS Supplemental Death Benefit Fund

Plan Description:

The Town voluntarily participates in the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF). The SDBF is a single-employer defined benefit Other Postemployment Benefit (OPEB) plan as defined by GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. It is established and administered in accordance with the TMRS Act identically to the Town's pension plan.

Benefits Provided:

The SDBF provides group-term life insurance to Town employees who are active members in TMRS, including or not including retirees. The Town Council opted into this program via an ordinance, and 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.

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other employment benefit and is a fixed amount of $7,500.

The number of employees currently covered by the benefit terms is as follows:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	5
Active employees	12
	21

Contributions:

The Town contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.18% for 2024 and 0.15% for 2025, of which 0.03% and 0.04%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The Town's contributions to the SDBF for the years ended September 30, 2025 and 2024 were $1,842 and $1,116, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

NOTE I – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION – (CONTINUED)

Actuarial Assumptions:

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

Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Discount Rate*	4.08%
Retirees' share of benefit-related costs	$ 0
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. Males 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 setforward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

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

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the following:

Mortality rates – service retirees: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Mortality rates – disabled retirees: 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

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

NOTE I – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION – (CONTINUED)

Discount Rate:

The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. As such, a single discount rate of 2.00% was used to measure the Total OPEB Liability. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO Index” as of December 31, 2024.

Discount Rate Sensitivity Analysis:

The following presents the total OPEB liability of the Town, calculated using the discount rate of 4.08%, as well as what the Town’s total OPEB liability would have been if it were calculated using a discount rate that is 1 percentage point lower (3.08%) or 1 percentage point higher (5.08%) than the current rate.

	1% Decrease in Discount Rate (3.08%)	Discount Rate (4.08%)	1% Increase in Discount Rate (5.08%)
Total OPEB Liability	$ 31,320	$ 24,452	$ 19,420

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs:

At September 30, 2025, the Town reported a liability of $24,452 for its total OPEB Liability. The total OPEB Liability was determined by an actuarial valuation as of December 31, 2024. For the year ended September 30, 2025, the Town recognized OPEB expense of $1,409. There were no changes of benefit terms that affected measurement of the total OPEB Liability during the measurement period.

Changes in the total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/2023	$ 24,460
Changes for the year:	
Service cost	1,618
Interest	949
Difference between expected and actual experience	(479)
Changes of assumptions	(1,885)
Benefit payments, including refunds of employee contributions	(211)
Net changes	(8)
Balance at 12/31/2024	$ 24,452

NOTE I – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION – (CONTINUED)

At September 30, 2025, the Town reported deferred inflows and outflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience (net of current year amortization)	$ 4,074	$ 4,606
Changes in actuarial assumptions	6,343	11,211
Contributions subsequent to the measurement date	167	-
Total	$ 10,584	$ 15,817

Amounts of the reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending September 30,	
2026	$ (1,158)
2027	(1,320)
2028	(1,220)
2029	(1,738)
2030	144
Thereafter	(108)

NOTE J - COMPLIANCE AND ACCOUNTABILITY

a. Finance-Related Legal and Contractual Provision

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," no violations of finance related legal and contractual provisions, occurred during the current year.

b. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or net position at year end, if any, along with remarks which address such deficits:

Fund Name	Amount	Remarks
None Noted	None Noted	No remarks necessary

NOTE K - COMMITMENTS AND CONTINGENCIES

Contingencies

From time to time the Town is a party to legal proceedings generally incidental to its operations. As of year-end there was no litigation outstanding against the Town.

Under guidelines from the U.S. Department of Justice and provisions of the State Code of Texas, the Town Police Department may receive proceeds from seized and forfeited money and property. Various procedures are required to be followed before a determination is made as to whether the proceeds from the seized property are awarded to the various law enforcement agencies.

Local law enforcement agencies are specifically required to use these funds to supplement and not supplant the existing funding for law enforcement activities. ln effect, these funds are required to be used for purchases outside the department's operating budget and may not be used to fund purchases included in the police department's annual budget.

NOTE L - OTHER EMPLOYEE BENEFITS

The Town provides medical and life insurance benefits for its employees through a group insurance plan in the state-wide Texas Municipal League Joint Self-Insurance Fund. The plan features medical and life insurance benefits to all participants. Contributions to the plan are based on the marital and family status of an employee. For the year ended September 30, 2025, the Town’s other employee benefit costs totaled $89,310.

NOTE M - RISK MANAGEMENT

The Town is exposed to various uncertainties related to intentional and unintentional torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; health and dental medical claims by employees; and job-related accidents and injuries for which the Town carries commercial insurance coverage. There have been no significant reductions in insurance coverage from the previous year; no negative settlements or jury awards have exceeded insurance coverage in any of the past three years. The Town's risk management program mainly encompasses obtaining property and liability insurance through Texas Municipal League's Intergovernmental Risk-Pool (TML-IRP), and through commercial insurance carriers. The participation of the Town in TML-IRP is limited to payment of premiums. The Town has not had any significant reduction in insurance coverage, and the Town is not aware of any pending claims for which expected liability would exceed the limits of the present insurance coverage.

NOTE N - DEFERRED INFLOWS OF RESOURCES

Unavailable Revenue

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable revenue reported in the fund financial statements were as follows:

Governmental funds	
Delinquent property taxes receivable	$ 84,192
Assessments	5,358
	$ 89,550

NOTE O – SUBSEQUENT EVENTS

On January 28, 2026, the Town received notice of an alleged outstanding balance of $102,976 related to two previously issued change orders and project retainage associated with the 2018 Paving Utility Replacement Project completed during fiscal year 2023. The Town is currently conducting a comprehensive review of all payments made and change orders issued in connection with the project. Based on information presently available, Town management does not anticipate that any additional amounts will be due.

NOTE P – ERROR CORRECTION

During fiscal year 2025, the Town adjusted due from other funds related to the Capital Projects Fund in the amount of $103. An adjustment was made to taxes receivable for the General Fund and the Debt Service Fund in the amount of $2,937 and $1,768 respectively. The Police Forfeiture Fund was adjusted due to an adjusting entry being inadvertently being omitted.

The net effect of these adjustments decreased prior period's net position by $2,211.

	Governmental Activities	Total
Net position 09/30/2024, as previously reported	$ 2,732,738	$ 2,732,738
Error correction:		
General Fund	2,937	2,937
Capital Projects Fund	(103)	(103)
Debt Service Fund	(1,768)	(1,768)
Police Forfeiture Fund	(3,277)	(3,277)
Total error correction:	(2,211)	(2,211)
Net position 09/30/2024, as restated	$ 2,730,527	$ 2,730,527

END OF NOTES.

TOWN OF RANCHO VIEJO, TEXAS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budget Original	Budget Final	Actual	Variance With Final Budget Positive or (Negative)
Revenues:				
Administration costs recovered	$ 15,000	$ 15,000	$ 32,377	$ 17,377
Property taxes	1,431,910	1,429,310	1,439,877	10,567
Discount on property taxes	(25,000)	(25,000)	(31,947)	(6,947)
Penalty and interest on taxes	15,000	15,000	17,629	2,629
Alcohol and beverage tax	8,500	8,500	10,203	1,703
Building permits	63,000	63,000	72,249	9,249
Citations and fines	65,000	65,000	95,248	30,248
Municipal court technology fee	1,200	1,200	1,068	(132)
Franchise fees	115,300	115,300	139,863	24,563
Interest from investments	100,000	100,000	130,318	30,318
Assessment and lien revenue	1,500	1,500	1,716	216
Interest on assessments and liens	-	-	3,855	3,855
Sales tax	170,000	170,000	198,299	28,299
Grant revenue	92,225	92,225	78,487	(13,738)
Donations	1,000	1,000	(268)	(1,268)
Total revenues	2,054,635	2,052,035	2,188,974	136,939
Expenditures:				
General government:				
Administration:				
Salaries and payroll taxes	253,125	271,103	244,991	26,112
Retirement	20,100	20,100	18,312	1,788
Medical insurance	43,600	43,600	47,739	(4,139)
Life insurance	500	500	200	300
Workmen's compensation	800	800	800	-
Bank charges	-	-	4,032	(4,032)
Travel	6,000	6,000	2,178	3,822
Seminars and education	7,200	7,200	590	6,610
Total administration	331,325	349,303	318,842	30,461
General:				
Telephone	3,600	3,600	4,530	(930)
Electricity	8,200	8,200	12,933	(4,733)
General liability insurance	40,000	40,000	29,222	10,778
Legal notices	3,200	3,200	926	2,274
Office supplies	7,500	7,500	6,988	512
Postage	2,000	2,000	807	1,193
Dues and publications	3,300	3,300	5,550	(2,250)
Appraisal and tax collection	40,400	40,400	38,157	2,243
Water	3,500	3,500	3,174	326
Election costs	6,500	6,500	6,412	88
Building/yard maintenance	28,000	28,000	18,402	9,598
Cameron County Court costs	600	600	-	600
Public relations	2,000	2,000	2,028	(28)
Continuing education	1,500	1,500	1,463	37
Parks and recreation	6,000	6,000	5,614	386
Comprehensive planning	50,000	50,000	16,500	33,500
Municipal court supplies	6,200	6,200	4,765	1,435
Technology / Software	-	-	225	(225)
Office equipment	-	-	2,672	(2,672)
Office equipment maintenance	11,200	11,200	23,548	(12,348)
Transfer out to Debt Service	9,155	9,155	-	9,155
Total general	232,855	232,855	183,916	48,939

TOWN OF RANCHO VIEJO, TEXAS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budget			Variance With Final Budget Positive or
	Original	Final	Actual	(Negative)
Expenditures (continued)				
Professional:				
Legal	$ 48,000	$ 48,000	$ 48,493	$ (493)
Audit	15,000	15,000	11,000	4,000
Engineering	-	-	400	(400)
Building inspections	30,000	30,000	25,506	4,494
Municipal judge	14,500	14,500	11,860	2,640
Total professional	107,500	107,500	97,259	10,241
Public safety:				
General services:				
Fire protection contract	30,000	30,000	30,000	-
Total general services	30,000	30,000	30,000	-
Police:				
Salaries and payroll taxes	575,590	575,590	569,186	6,404
Retirement	43,500	43,500	47,015	(3,515)
Medical insurance	117,500	117,500	79,785	37,715
Life insurance	580	580	469	111
Workmen's compensation	17,500	17,500	13,790	3,710
Clothing and accessories	-	-	1,759	(1,759)
Office supplies	6,000	6,000	6,461	(461)
Police investigation	18,000	17,000	19,279	(2,279)
Seminar and education	6,000	7,100	5,776	1,324
Auto repairs	6,600	8,600	12,622	(4,022)
Auto, gas and oil	24,000	22,900	24,606	(1,706)
Police dispatch	4,100	4,100	3,526	574
Travel	-	-	741	(741)
Telephone mobile	-		1,488	(1,488)
Hurricane preparedness	5,000	4,000	7,141	(3,141)
Total police	824,370	824,370	793,644	30,726

TOWN OF RANCHO VIEJO, TEXAS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budget			Variance With Final Budget Positive or
	Original	Final	Actual	(Negative)
Expenditures (continued)				
Public Works				
Lighting expense	$ 51,000	$ 51,000	$ 53,037	$ (2,037)
Signs & safety markers	3,500	2,950	4,175	(1,225)
Lot mowing	2,000	2,000	820	1,180
Common area maintenance	76,500	77,500	71,582	5,918
Beautification project	10,000	10,000	200	9,800
Community alert system	2,500	2,550	2,410	140
Animal control	2,500	3,000	5,166	(2,166)
Security devices	8,350	7,350	3,362	3,988
Mosquito spraying	8,500	8,500	3,475	5,025
Fire prevention	-	-	140	(140)
Total public works	164,850	164,850	144,367	20,483
Streets				
Street rehabilitation and engineering	70,000	70,000	381,501	(311,501)
Street reserve	75,000	75,000	-	75,000
Total streets	145,000	145,000	381,501	(236,501)
Capital outlay				
Land	100,000	100,000	-	100,000
Equipment	-	-	34,970	(34,970)
Office equipment	5,000	5,000	4,288	712
Buildings	65,000	65,000	30,787	34,213
Total capital outlay	170,000	170,000	70,045	99,955
Total expenditures	2,005,900	2,023,878	2,019,574	4,304
Excess of revenues over expenditures	$ 48,735	$ 28,157	169,400	$ 141,243
Other financing sources (uses):				
Transfers out (use)	-	-	(43,937)	43,937
Net Change in Fund Balance				
Fund balance, beginning of year			2,315,043	
Prior Period Adjustment			2,937	
Fund balance, end of year			$ 2,443,443	

TOWN OF RANCHO VIEJO, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Stewardship, Compliance, and Accountability

Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund. All annual appropriations lapse at fiscal year- end.

As required by state law, the Mayor submits to the Board of Aldermen the proposed executive budget for the fiscal year prior to the beginning of such fiscal year. Public hearings are then conducted to obtain taxpayer comments.

The original annual appropriated budgets and any revisions of such budgets that affect the overall fund total expenditures are made through appropriated budget resolutions approved by the Board of Aldermen. The original annual appropriated budgets are adopted by resolutions by the Board of Aldermen prior to the beginning of the fiscal year as required by state law. The final annual amended appropriated budgets are used in this report. The overall fund total of actual expenditures cannot exceed the overall fund total of appropriated expenditures for such funds.

The Mayor is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the overall fund total of appropriated expenditures of any fund must be approved by the Board of Aldermen.

TOWN OF RANCHO VIEJO, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	2015	2016	2017
Total pension liability			
Services cost	$ 57,686	$ 65,539	$ 63,439
Interest (on the total pension liability)	156,488	161,481	171,921
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(2,640)	25,912	(29,493)
Change in assumptions	38,536	-	-
Benefit payments, including refunds of employee contributions	(97,222)	(97,222)	(97,222)
Net change in total pension liability	152,848	155,710	108,645
Total pension liability - beginning	2,255,309	2,408,157	2,563,867
Total pension liability - ending	$ 2,408,157	$ 2,563,867	$ 2,672,512
Plan Fiduciary net position			
Contributions - employer	$ 38,491	$ 33,716	$ 38,818
Contributions - employee	35,359	37,884	36,670
Net investment income	3,357	152,259	329,552
Benefit payments, including refunds of employee contributions	(97,222)	(97,222)	(97,222)
Administrative expense	(2,044)	(1,719)	(1,708)
Other	(101)	(93)	(87)
Net change in plan fiduciary net position	(22,160)	124,825	306,023
Plan fiduciary net position - beginning	2,274,599	2,252,438	2,377,263
Plan fiduciary net position - ending	$ 2,252,439	$ 2,377,263	$ 2,683,286
Net pension liability/(asset)	$ 155,718	$ 186,604	$ (10,774)
Plan fiduciary net position as a percentage of the total pension liability	93.53%	92.72%	100.40%
Covered-employee payroll	$ 505,129	$ 541,194	$ 523,856
Net pension liability/(asset) as a percentage of covered employee payroll	30.83%	34.48%	-2.06%

EXHIBIT D-3

2018	2019	2020	2021	2022	2023	2024
$ 65,888	$ 66,956	$ 68,127	$ 79,139	$ 80,370	$ 104,006	$ 112,552
177,684	182,732	178,456	175,440	177,279	181,985	190,610
-	-	-	-	-	123,644	-
(24,080)	(87,313)	6,966	(3,056)	(153,632)	13,118	27,945
-	10,029	-	-	-	(13,957)	-
(146,215)	(144,261)	(328,400)	(279,070)	(170,726)	(168,784)	(154,534)
73,277	28,143	(74,851)	(27,547)	(66,709)	240,012	176,573
2,672,512	2,745,789	2,773,932	2,699,081	2,671,534	2,604,825	2,844,837
$ 2,745,789	$ 2,773,932	$ 2,699,081	$ 2,671,534	$ 2,604,825	$ 2,844,837	$ 3,021,410
$ 43,744	$ 38,300	$ 36,541	$ 33,522	$ 35,430	$ 36,389	$ 58,105
38,180	38,799	38,120	42,977	43,511	46,313	49,242
(80,389)	392,189	217,005	367,285	(217,252)	308,539	299,682
(146,215)	(144,261)	(328,400)	(279,070)	(170,726)	(168,784)	(154,534)
(1,553)	(2,216)	(1,405)	(1,702)	(1,885)	(1,970)	(1,930)
(81)	(67)	(55)	13	2,250	(14)	(45)
(146,314)	322,744	(38,194)	163,025	(308,672)	220,473	250,520
2,683,287	2,536,972	2,859,716	2,821,522	2,984,547	2,675,875	2,896,348
$ 2,536,973	$ 2,859,716	$ 2,821,522	$ 2,984,547	$ 2,675,875	$ 2,896,348	$ 3,146,868
$ 208,816	$ (85,784)	$ (122,441)	$ (313,013)	$ (71,050)	$ (51,511)	$ (125,458)
92.40%	103.09%	104.54%	111.72%	102.73%	101.81%	104.15%
$ 545,430	$ 554,269	$ 544,578	$ 613,955	$ 621,579	$ 661,614	$ 703,452
38.28%	-15.48%	-22.48%	-50.98%	-11.43%	-7.79%	-17.83%

TOWN OF RANCHO VIEJO, TEXAS
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Fiscal Year	**2016**	**2017**	**2018**	**2019**
Actuarial determined contribution	$ 35,604	$ 36,257	$ 42,464	$ 39,809
Contributions in relation to the actuarially determined contribution	(35,604)	(36,257)	(42,464)	(39,809)
Contribution deficiency (excess)	-	-	-	-
Covered employee payroll	$ 505,129	$ 541,194	$ 523,856	$ 545,430
Contributions as a percentage of covered employee payroll	7.05%	6.70%	8.11%	7.30%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.6% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table based on rates that are vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis with Scale MP-2021 (with immediate convergence). Pre-retirement: 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 with scale MP-2021 (with immediate convergence).

Other Information:

Notes	There were no benefit changes during the year.

EXHIBIT D-4

2020	2021	2022	2023	2024	2025
$ 37,714	$ 36,677	$ 35,613	$ 35,771	$ 52,360	$ 63,428
(37,714)	(36,677)	(35,613)	(35,771)	(52,360)	(63,428)
-	-	-	-	-	-
$ 554,269	$ 544,578	$ 613,955	$ 643,466	$ 688,072	$ 728,960
6.80%	6.73%	5.80%	5.56%	7.61%	8.70%

TOWN OF RANCHO VIEJO, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFITS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Plan Year ended December 31,	2017	2018
A. Total OPEB liability		
Service Cost	$ 471	$ 600
Interest (on the total OPEB Liability)	553	576
Differences between expected and actual experience	-	312
Changes in assumptions	1,718	(1,616)
Benefit payments, including refunds of employee contributions	(52)	(55)
Net change in total OPEB liability	2,690	(183)
Total OPEB liability - beginning	$ 14,433	$ 17,123
Total OPEB liability - ending	17,123	16,940
B. Covered payroll	$ 523,856	$ 545,430
C. Total OPEB liability as a percentage of covered payroll	3.27%	3.11%

Note: This schedule is required to have 10 years of information, but the information prior to 2017 is not available.

Note: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

EXHIBIT D-5

2019	2020	2021	2022	2023	2024
$ 554	$ 871	$ 2,579	$ 2,673	$ 1,588	$ 1,618
638	599	645	719	758	949
(974)	2,736	2,126	(6,739)	2,528	(479)
4,266	5,576	1,657	(16,152)	1,873	(1,885)
(55)	(54)	(246)	(249)	(397)	(211)
4,429	9,728	6,761	(19,748)	6,350	(8)
$ 16,940	$ 21,369	$ 31,097	$ 37,858	$ 18,110	$ 24,460
21,369	31,097	37,858	18,110	24,460	24,452
$ 554,269	$ 544,578	$ 613,955	$ 621,579	$ 661,614	$ 703,452
3.86%	5.71%	6.17%	2.91%	3.70%	3.48%

TOWN OF RANCHO VIEJO, TEXAS
SCHEDULE OF OPEB CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFITS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Fiscal Year ended September 30,	**2017**	**2018**
Actuarial determined contribution	$ 466	$ 522
Contributions in relation to the actuarially determined contribution	(466)	(522)
Contribution deficiency (excess)	-	-
Covered payroll	$ 523,856	$ 545,430
Contributions as a percentage of covered payroll	-0.09%	-0.10%

NOTES TO SCHEDULE OF CONTRIBUTIONS

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	N/A
Amortization Method	N/A
Remaining Amortization Period	N/A
Asset Valuation Method	N/A
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	4.08%
Retirement Age	N/A
Mortality	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 convergance).b Mortality rates - disabled retirees: 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for amles 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 morality improvements subject to the floor.

Other Information: There were no benefit changes during the year.

Note: This schedule is required to have 10 years of information, but the information prior to 2017 is not available.

2019	2020	2021	2022	2023	2024
$ 583	$ 677	$ 683	$ 1,116	$ 1,280	$ 1,161
(583)	(677)	(683)	(1,116)	(1,280)	(1,161)
-	-	-	-	-	-
$ 554,269	$ 544,578	$ 613,955	$ 621,579	$ 661,614	$ 703,452
-0.11%	-0.12%	-0.11%	-0.18%	-0.19%	-0.17%

EXHIBIT E-1

TOWN OF RANCHO VIEJO, TEXAS
NON-MAJOR FUND
COMBINING BALANCE SHEET
SEPTEMBER 30, 2025

	Police Forfeiture Fund	Total Non-major Fund
ASSETS		
Cash	$ 108,018	$ 108,018
Total assets	$ 108,018	$ 108,018
FUND BALANCE		
Restricted for:		
Public safety	$ 108,018	$ 108,018
Total fund balance	108,018	108,018
Total liabilities and fund balance	$ 108,018	$ 108,018

TOWN OF RANCHO VIEJO, TEXAS
NON-MAJOR FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Police Forfeiture Fund	Total Non-major Fund
Revenues		
Investment earnings	$ 990	$ 990
Fines and forfeitures	-	-
Total revenues	990	990
Expenditures		
Public safety	20,614	20,614
Total expenditures	20,614	20,614
Excess (deficit) of revenues over (under) expenditures	(19,624)	(19,624)
Other financing sources (uses)		
Transfers In	43,937	43,937
Fund balance, beginning of year	86,982	86,982
Prior Period Adjustment	(3,277)	(3,277)
Fund balance, end of year	$ 108,018	$ 108,018

EXHIBIT E-3

TOWN OF RANCHO VIEJO, TEXAS
INSURANCE COVERAGE
SEPTEMBER 30, 2025

Type of Coverage	From	To	Amount of Coverage
Insurer - International Catastrophe Insurance Managers, LLC			
Windstorm and Hail:			
Building	06/12/24	06/12/25	$1,100,000
Insurer - Texas Municipal League Joint Self-Insurance Fund			
Liability:			
General Liability	10/01/24	10/01/25	5,000,000
Automobile Liability	10/01/24	10/01/25	5,000,000
Law Enforcement Liability	10/01/24	10/01/25	5,000,000
Errors and Omissions Liability	10/01/24	10/01/25	5,000,000
Automobile Physical Damage	10/01/24	10/01/25	as scheduled
Value paper and records and EDP Media	10/01/24	10/01/25	10,000
Accounts Receivable	10/01/24	10/01/25	10,000
Loss of Revenue, extra expense and rents	10/01/24	10/01/25	50,000
Personal Property of Employees & Officials	10/01/24	10/01/25	5,000
Leasehold interest	10/01/24	10/01/25	5,000
Outdoor trees and shrubs	10/01/24	10/01/25	10,000
Blanket Limit - Real and Personal Property	10/01/24	10/01/25	2,132,317
Newly Acquired Property	10/01/24	10/01/25	1,000,000
Pollutant Cleanup and Removal	10/01/24	10/01/25	20,000 each premises
Transit Limit	10/01/24	10/01/25	1,000,000
Boiler and Machinery	10/01/24	10/01/25	100,000
Workmens' Compensation Liability	10/01/24	10/01/25	statutory
Fire Hall	10/01/24	10/01/25	88,259
Town Hall	10/01/24	10/01/25	1,433,503
Playground equipment	10/01/24	10/01/25	122,344
Flag pole	10/01/24	10/01/25	1,454
Security cameras	10/01/24	10/01/25	36,644
Generator	10/01/24	10/01/25	37,804
Cyber Liability and Data Breach	10/01/24	10/01/25	1,000,000
Insurer - Merchants Mutual Bonding Company			
Surety Bonds:			
Town Administrator	09/22/24	09/22/25	10,000
Public Officials (8 policemen) each various renewal dates			5,000

Note: All policies have been renewed.

Cascos & Associates, PC

Certified Public Accountants

Audit/Accounting/Tax/Consulting

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

To the Honorable Mayor and Members
of the Board of Aldermen
Town of Rancho Viejo, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Rancho Viejo (the "Town"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated July 14, 2026.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Texas Society of Certified Public Accountants

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TXCPA RIO GRANDE VALLEY

Purpose of This Report

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

Cascos & Associates, PC

Cascos & Associates, PC
Brownsville, Texas
July 14, 2026