CITY OF CHIRENO, TEXAS

Annual Financial Report

Fiscal Year Ended September 30, 2025

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CITY OF CHIRENO, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2025

CITY OF CHIRENO, TEXAS
Annual Financial Report
For the Year Ended September 30, 2025

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FINANCIAL SECTION

Goff & Herrington, P.C.
Certified Public Accountants

AJ Goff, CPA
Ronnie Herrington, CPA
Daniel Raney, CPA
Laurie Durbin, CPA

P.O. Box 153320 • Lufkin, TX. 75915 • (936) 634-2345 • Fax:(936) 622-6823

Independent Auditor's Report

Honorable Mayor and Members of the City Council
City of Chireno, Texas

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4-11), budgetary comparison information (page 41), and the TMRS pension and other post-employment benefits (OPEB) schedules (pages 42-55) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the statistical schedules sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Goff & Herrington, P.C.

GOFF & HERRINGTON, P. C.
Certified Public Accountants

April 23, 2026

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Chireno, Texas annual financial report presents our narrative discussion and analysis of the City's financial activities for the year ended September 30, 2025. Please read it in conjunction with the City's financial statements, which immediately follow this section.

Financial Highlights

- The City's total net position was $7,240,039 as of September 30, 2025. Of this amount, $4,356,068 (unrestricted) may be used to meet the City's continuing obligations to citizens, customers and creditors.
- During the year ended September 30, 2025, the City's net position decreased by $10,820 from operations.

Overview of the Financial Statements

This annual financial report consists of three parts - **management's discussion and analysis** (this section), the **basic financial statements**, and **required supplementary information**. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The required supplementary information further explains and supports the information in the financial statements.

Government-wide Financial Statements

The City's annual financial report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's finances. Financial reporting at this level uses a perspective similar to that found in the private sector.

The first of these government-wide financial statements is the **Statement of Net Position.** This is the City wide statement of financial position presenting information that includes all of the City's assets, liabilities, and deferred outflows and inflows, with the difference reported as **net position**. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other non financial factors such as changes to the City's tax base.

The second government-wide financial statement is the **Statement of Activities**, which reports how the City's net position changed during the current year. All current revenues and expenses are included regardless of when the cash is received or paid.

Both of the government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, streets, and parks and recreation. Business-type activities include natural gas utilities.

Effective October 1, 2024, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. As a result, compensated absences liabilities now include additional types of leave, such as sick and personal, when the leave has commenced. The liability is measured based on the leave balances as of September 30, 2025, adjusted for expected usage and applicable compensation rates. Prior year comparative data has been restated to include the liability at September 30, 2024.

Fund Financial Statements

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

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

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

The City maintains one individual governmental fund, the general fund, which is considered a major fund. The City adopts an annual budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds - Proprietary funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The City uses an enterprise fund (a type of proprietary fund) to account for its natural gas utilities operations.

Fiduciary funds - The City does not maintain any fiduciary funds.

Notes to the financial statements - The accompanying notes to the financial statements provide essential information to a full understanding of the government-wide and fund financial statements.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information which includes comparative financial information. Supplementary information follows the notes to the financial statements.

Government-wide Financial Analysis

Net Position. As noted earlier, net position may serve over time as a useful indicator of the City's financial position. The City's assets and deferred outflows exceed liabilities and deferred inflows by $7,240,039 at the close of the fiscal year. A significant portion of the City's net position (39.83%) reflects its investment in capital assets (land, buildings, utility systems, machinery and equipment). The City uses these assets to provide services to the citizens, consequently, these assets are not available for future spending.

The City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and Other Assets		95,244	5,055,490	5,349,325	5,055,490	5,444,569
Capital and Non-Current Assets	517,049	429,986	2,760,081	2,531,616	3,277,130	2,961,602
Total Assets	517,049	525,230	7,815,571	7,880,941	8,332,620	8,406,171
Deferred Outflows - TMRS	-	-	250,373	251,319	250,373	251,319
Total Deferred Outflows	-	-	250,373	251,319	250,373	251,319
Other Liabilities	-	95,244	105,785	94,185	105,785	189,429
Long Term Liabilities	-	-	1,112,332	1,123,054	1,112,332	1,123,054
Total Liabilities		95,244	1,218,117	1,217,239	1,218,117	1,312,483
Deferred Inflows - TMRS	-	-	124,837	87,926	124,837	87,926
Total Deferred Inflows	-	-	124,837	87,926	124,837	87,926
Net Position:						
Investment in Capital Assets, Net of Related Debt	517,049	429,986	2,366,922	2,531,616	2,883,971	2,961,602
Restricted	-	-	-	-	-	-
Unrestricted	-	-	4,356,068	4,295,479	4,356,068	4,295,479
Total Net Position	517,049	433,668	6,722,990	6,827,095	7,240,039	7,257,081

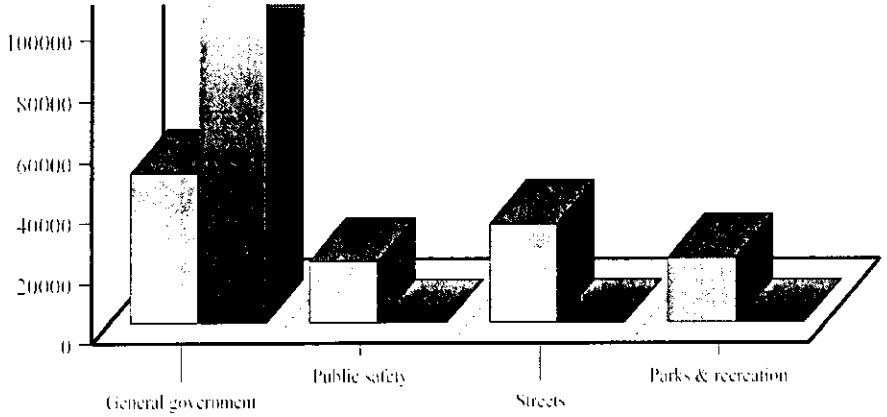
A portion of the City's unrestricted net position (5.85%) represents resources that are subject to internal commitments. The remaining balance of unrestricted net position ($4,356,068) may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

Changes in the City's Net Position

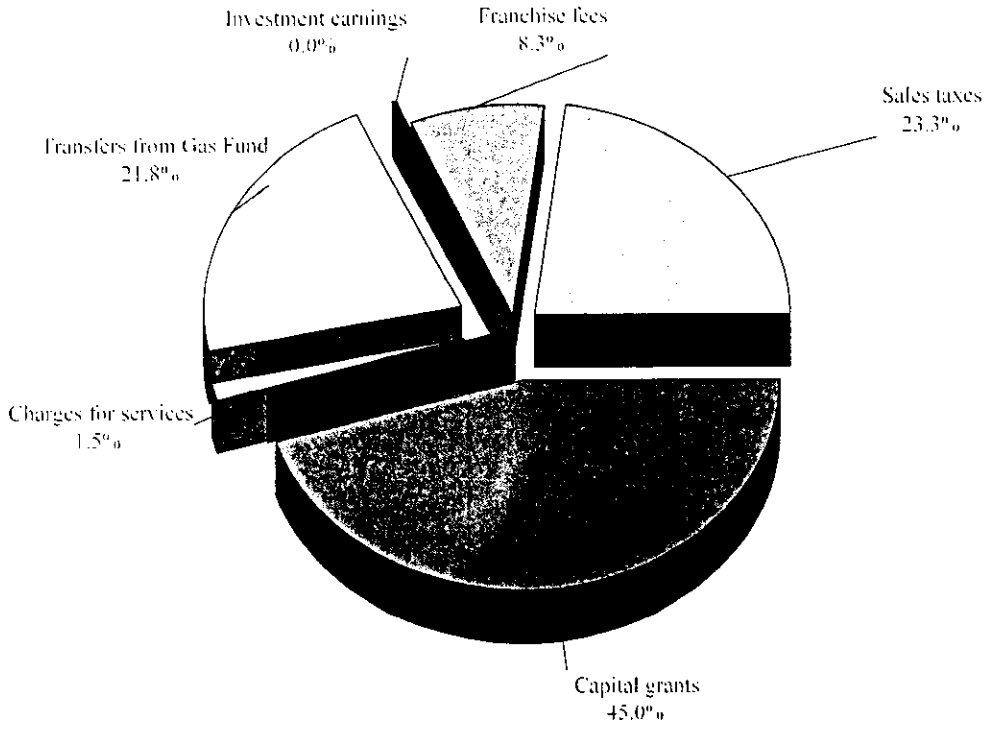
	Governmental Activities		Business-type Activities		Total	
Revenues:	2025	2024	2025	2024	2025	2024
Program Revenues:						
Charges for services	3,120	120	1,991,232	1,956,771	1,994,352	1,956,891
Operating grants and contributions	-	-	-	-	-	-
Capital grants and contributions	95,244	-	-	-	95,244	-
General Revenues:						
Sales taxes	49,319	80,101	-	-	49,319	80,101
Franchise fees	17,537	11,817	-	-	17,537	11,817
Investment earnings	101	655	194,060	137,505	194,161	138,160
Miscellaneous	-	-	-	9,915	-	9,915
Total revenues	165,321	92,693	2,185,292	2,104,191	2,350,613	2,196,884
Expenses:						
General government	49,739	51,878	-	-	49,739	51,878
Public safety	20,315	13,012	-	-	20,315	13,012
Streets	32,810	19,224	-	-	32,810	19,224
Parks and recreation	21,499	18,886	-	-	21,499	18,886
Natural Gas	-	-	2,237,070	1,984,521	2,237,070	1,984,521
Total expenses	124,363	103,000	2,237,070	1,984,521	2,361,433	2,087,521
Transfers	46,105	6,625	(46,105)	(6,625)	-	-
Increase(Decrease) in Net Position	87,063	(3,682)	(97,883)	113,045	(10,820)	109,363
Beginning Net Position	429,986	433,668	6,820,873	6,714,050	7,250,859	7,147,718
Ending Net Position	517,049	429,986	6,722,990	6,827,095	7,240,039	7,257,081

Governmental Activities. Governmental activities increased the City's net position by $87,063, reducing the overall net decrease in the City's total net position.

Expenses and Revenues - Governmental Activities

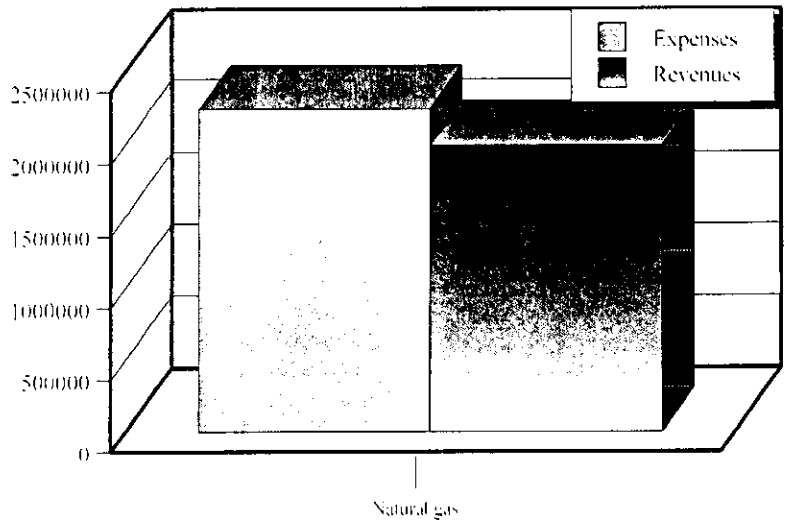


Revenues by Source - Governmental Activities

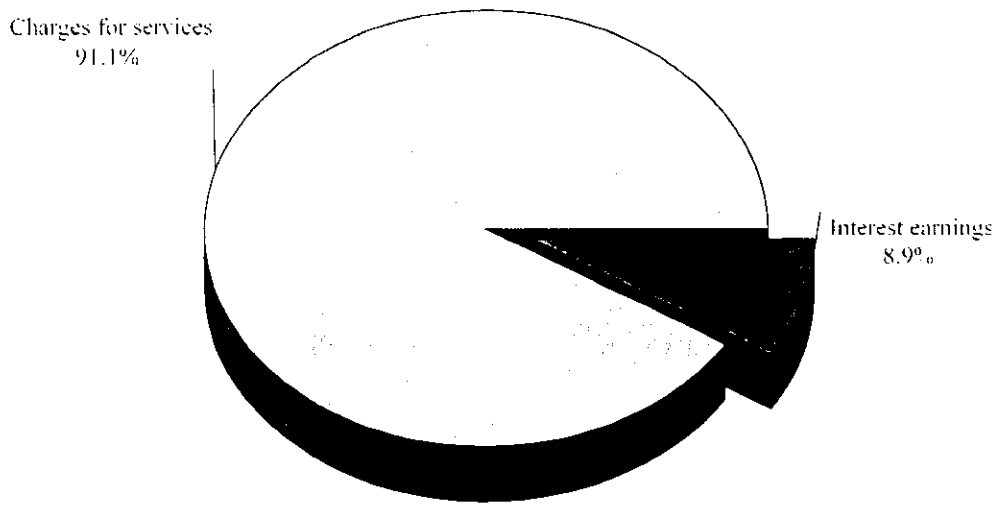


Business-type Activities. Business-type activities decreased the City's net position by $97,883, contributing to the overall net decrease in the City's total net position.

Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities



Financial Analysis of the City's Funds

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported an ending fund balance of $0.

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

Unassigned net position of the proprietary fund at the end of the year amounted to $3,962,909.

General Fund Budgetary Highlights

Over the course of the year, the City monitored its budget as actual results were analyzed. Actual expenditures were $81,512 below the final budget amounts. The most significant positive variances were in the city streets and general maintenance functions, as expenses were less than anticipated.

There was a positive budget variance of $11,483 in overall revenues. This is primarily the result of the sales and franchise tax receipts being more than anticipated.

Capital Asset and Debt Administration

Capital Assets. At the end of the current fiscal year, the City's investment in capital assets for its governmental and business type activities amounts to $2,883,971 (net of accumulated depreciation). This investment in capital assets includes land, buildings, utility systems and improvements, vehicles and equipment, and park facilities.

City's Capital Assets (net of depreciation)

	Governmental Activities		Business-type activities		Total	
	2025	2024	2025	2024	2025	2024
Land	-	-	156,798	156,798	156,798	156,798
Buildings & improvements	517,049	429,986	252,480	275,676	769,529	705,662
Utility systems	-	-	1,579,671	1,771,655	1,579,671	1,771,655
Vehicles and equipment	-	-	377,973	327,487	377,973	327,487
Construction in progress	-		-	-	-	-
Net capital assets	517,049	429,986	2,366,922	2,531,616	2,883,971	2,961,602

The City's 2025 significant capital expenditures included purchasing a line heater for the gas system, a hydrovac trailer, and other equipment for field use. Budgeted capital expenditures for 2026 include significant improvements to the gas system with grant funds and purchasing vehicles and equipment with fund balance. More detailed information about the City's capital assets is presented in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The City considered many factors when setting the 2026 budget, including estimated sales and franchise tax receipts and fees that will be charged for business-type activities. The City estimates General Fund revenues to decrease by 4.56% from 2025 actual results. The City expects System Fund operating revenues to increase by 10.02% from 2025 actual results.

The 2026 General Fund operating expenditure budget is expected to increase 43.19% from 2025 actual results, mostly related to capital expenditures from the federal recovery grant. The 2026 System Fund operating expense is expected to increase 32.19% from 2025 actual results.

If these estimates are realized, the City's budgetary General Fund balance and the System Fund reserves are expected to remain the same by the close of 2026.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City of Chireno's finances and to demonstrate accountability for the money it receives. If you have any questions about this report or need additional financial information contact the City Secretary, P. O. Box 87, Chireno, Texas 75937.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF CHIRENO, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	-	761,282	761,282
Investments	-	4,247,747	4,247,747
Accounts receivable, net	-	46,461	46,461
Restricted assets:			
Facility replacement fund	-	393,159	393,159
Capital Assets (net of accumulated depreciation):			
Land	-	156,798	156,798
Other capital assets, net of depreciation	517,049	2,210,124	2,727,173
Total assets	517,049	7,815,571	8,332,620
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to TMRS - Pension	-	244,262	244,262
Deferred outflows related to TMRS - OPEB	-	6,111	6,111
Total deferred outflows of resources	-	250,373	250,373
LIABILITIES			
Accounts payable	-	17,222	17,222
Accrued expenses	-	70,317	70,317
Accrued post retirement benefit obligation - current	-	18,246	18,246
Long Term Liabilities:			
Customer meter deposits	-	106,048	106,048
Accrued post retirement benefit obligation - noncurrent	-	462,720	462,720
Net pension liability	-	512,556	512,556
Net OPEB Liability	-	31,008	31,008
Total liabilities	-	1,218,117	1,218,117
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to TMRS - Pension	-	119,322	119,322
Deferred inflows related to TMRS - OPEB	-	5,515	5,515
Total deferred inflows of resources	-	124,837	124,837
NET POSITION			
Net investment in capital assets	517,049	2,366,922	2,883,971
Unrestricted	-	4,356,068	4,356,068
Total net position	517,049	6,722,990	7,240,039

See accompanying notes to the financial statements

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

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Governmental activities:			
General government	49,739	3,120	-
Public safety	20,315	-	-
Streets	32,810	-	-
Parks and recreation	21,499	-	-
Total governmental activities	124,363	3,120	-
Business-type activities:			
Natural gas	2,237,070	1,991,232	-
Total business-type activities	2,237,070	1,991,232	-
	2,361,433	1,994,352	-
General revenues:			
Sales taxes			
Franchise taxes			
Miscellaneous			
Investment earnings			
Transfers			
Total general revenues and transfers			
Change in net position			
Net position, beginning			
Net position, ending			

See accompanying notes to the financial statements

Program Revenues	Net (Expense) Revenues and Changes in Net Position		
Capital Grants and Contributions	Governmental Activities	Business Activities	Total
95,244	48,625	-	48,625
-	(20,315)	-	(20,315)
-	(32,810)	-	(32,810)
-	(21,499)	-	(21,499)
95,244	(25,999)	-	(25,999)
-	-	(245,838)	(245,838)
-	-	(245,838)	(245,838)
95,244	(25,999)	(245,838)	(271,837)
	49,319	-	49,319
	17,537	-	17,537
	-	-	-
	101	194,060	194,161
	46,105	(46,105)	-
	113,062	147,955	261,017
	87,063	(97,883)	(10,820)
	429,986	6,820,873	7,250,859
	517,049	6,722,990	7,240,039

See accompanying notes to the financial statements

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FUND FINANCIAL STATEMENTS

CITY OF CHIRENO, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	-	-	-
Total assets	-	-	-
LIABILITIES			
Unearned revenues - grants	-	-	-
Total fund balances	-	-	-
FUND BALANCE			
Unassigned fund balance	-	-	-
Total fund balances	-	-	-

See accompanying notes to the financial statements

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

Total fund balances - governmental funds	-
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The effect of including beginning balances for capital assets (net of depreciation) in the governmental activities is to increase net position.	429,986
Capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of including the current year capital outlays is to increase net position.	106,076
The current depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(19,013)
Net position of governmental activities	517,049

See accompanying notes to the financial statements

CITY OF CHIRENO, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes:			
Sales taxes	49,319	-	49,319
Franchise taxes	17,537	-	17,537
Charges for services	3,120	-	3,120
Intergovernmental revenues	95,244	-	95,244
Interest income	101	-	101
Total revenues	165,321	-	165,321
EXPENDITURES			
Public safety:			
Fire	10,000	-	10,000
Police	808	-	808
Streets	32,810	-	32,810
Parks and recreation	11,993	-	11,993
Supplies and maintenance	15,160	-	15,160
Legal and accounting	3,500	-	3,500
Capital outlay	106,076	-	106,076
Other current expenses	31,079	-	31,079
Total expenditures	211,426	-	211,426
Excess (deficiency) of revenues over expenditures	(46,105)	-	(46,105)
OTHER FINANCING SOURCES (USES)			
Transfers in	46,105	-	46,105
Total other financing sources and uses	46,105	-	46,105
Net change in fund balance	-	-	-
Fund balance - beginning	-	-	-
Fund balance - ending	-	-	-

See accompanying notes to the financial statements

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

Net change in fund balances - governmental funds	-
Current year capital outlays are expenditures in the governmental fund financial statements but they should be shown as increases in capital assets in the government-wide financial statements. The effect of removing the current year capital outlays is to increase net position.	106,076
Depreciation is not recognized as an expense in governmental fund financial statements since it does not require the use of current financial resources. The net effect of the current year depreciation and retiring assets not fully depreciated is to decrease net position.	(19,013)
Change in net position of governmental activities	87,063

See accompanying notes to the financial statements

CITY OF CHIRENO, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2025

ASSETS	
Current assets:	
Cash and cash equivalents	761,282
Investments	4,247,747
Accounts receivable, net	46,461
Total current assets	5,055,490
Noncurrent assets:	
Restricted cash and cash equivalents	393,159
Capital assets:	
Land	156,798
Other capital assets, net of depreciation	2,210,124
Total noncurrent assets	2,760,081
Total assets	7,815,571
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to TMRS Pension	244,262
Deferred outflows related to TMRS OPEB	6,111
Total deferred outflows of resources	250,373
Total assets and deferred outflows of resources	8,065,944
LIABILITIES	
Current liabilities:	
Accounts payable	17,222
Accrued expenses	70,317
Accrued post employment benefit obligations - current	18,246
Total current liabilities	105,785
Long Term Liabilities:	
Customer meter deposits	106,048
Accrued post retirement benefit obligation - noncurrent	462,720
Net pension liability	512,556
Net OPEB Liability	31,008
Total noncurrent liabilities	1,112,332
Total liabilities	1,218,117
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to TMRS Pension	119,322
Deferred inflows related to TMRS OPEB	5,515
Total deferred inflows of resources	124,837
NET ASSETS	
Invested in capital assets, net of related debt	2,366,922
Committed for facility replacement	393,159
Unassigned	3,962,909
Total net position	6,722,990
Total liabilities, deferred inflows of resources, and net position	8,065,944

See accompanying notes to the financial statements

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

Operating revenues:	
Gas sales	1,970,358
Penalties	12,437
Installation charges	7,350
Other services	1,087
Total operating revenues	1,991,232
Operating expenses:	
Salaries & wages	440,031
Employee benefits	114,736
Cost of services	818,252
Insurance	36,204
Supplies and materials	14,889
Maintenance and repairs	255,959
Utilities	25,750
Depreciation	370,517
Other operating	38,612
Total operating expenses	2,114,950
Operating income	(123,718)
Nonoperating revenues (expenses):	
Gain on sale of assets	-
Post employment insurance benefit (expense)	(8,408)
Pension benefit (expense)	(110,523)
OPEB benefit (expense)	(3,189)
Interest income	194,060
Total nonoperating revenue (expenses)	71,940
Net income before transfers	(51,778)
Transfers to other funds	(46,105)
Change in net position	(97,883)
Total net position - beginning	6,820,873
Total net position - ending	6,722,990

See accompanying notes to the financial statements

CITY OF CHIRENO, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Cash flows from operating activities:	
Receipts from customers	2,012,326
Payments to suppliers and contractors	(1,303,614)
Payments to employees	(540,270)
Net cash provided by operating activities	168,442
Cash flows from noncapital financing activities:	
Operating transfers	(46,105)
Net cash used for noncapital activities	(46,105)
Cash flows from capital and related financing activities:	
Purchases of capital assets	(205,823)
Net cash used for capital activities	(205,823)
Cash flows from investing activities:	
Interest received	17,542
Net cash used for investing activities	17,542
Net increase in cash and cash equivalents	(65,944)
Cash and cash equivalents, beginning	1,220,385
Cash and cash equivalents, ending	1,154,441
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	(123,718)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	370,517
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	11,250
Increase (decrease) in accounts payable	788
Increase (decrease) in accrued liabilities	(100,239)
Increase (decrease) in customer meter deposits	9,844
Net cash provided by operating activities	168,442

See accompanying notes to the financial statements

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The City of Chireno, Texas, (City) operates under Section 4, Article XI of the Texas constitution as a general law city. The City is governed by a Mayor and five council members. The accompanying financial statements present the City's primary government which includes all functions which the City's mayor and council exercise significant influence and are financially accountable. Significant influence or accountability is based on any budget adoption, rate setting, taxing authority, and receipt of significant subsidies from the City.

Government-wide and Fund Financial Statements - The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole. Individual funds are not displayed in the government-wide financial statements. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate fund financial statements are provided for governmental funds and proprietary funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The proprietary fund applies Financial Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which GASB prevails.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Sales taxes, franchise taxes, and interest associated with the current year are all considered susceptible to accrual and so have been recognized as revenues of the current year. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except for those required to be accounted for in another fund.

The City reports the following major proprietary funds:

System Fund - The System Fund accounts for the activities of the City's natural gas utilities.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the general fund and the system fund for franchise taxes. Elimination of these charges would distort the direct cost and program revenues reported for the various functions concerned.

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

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal operations. The principal operating revenues of the System Fund are charges to customers for sales and services. The System Fund also recognizes as operating revenues tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the System Fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Budget - Annual appropriated budgets are adopted for the General Fund and System Fund. All annual appropriation lapse at year end. The General Fund budget presented includes any approved amendments.

Deposits and Investments - The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at cost, which approximates market.

Short-term Interfund Receivables/Payables - During the course of operations, transactions occur between individual funds for advances or for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds.

Capital assets - Capital assets, which includes land, utility systems, buildings, improvements, vehicles and equipment, are reported in the applicable governmental or business-types activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation is provided on all capital assets used in governmental and business type activities over the estimated life of the asset using the straight-line method. The estimated useful lives are:

Assets	Years
Buildings and other improvements	12-30
Utility distribution systems and improvements	12-30
Vehicles and equipment	5-10

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

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

Compensated Absences - The City allows employees to accumulate sick leave and vacation time. Upon termination, the City pays any accumulated vacation that is earned, but not used.

Effective for the fiscal year ending September 30, 2025, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. This statement supersedes GASB Statement No. 16 and establishes a unified framework for recognizing and measuring liabilities associated with compensated absences.
Under GASB 101, a liability is recognized for leave that:

1. Is attributable to services already rendered,
2. Accumulates and carries forward to future periods,
3. Is more likely than not to be used or settled through cash or other means, and
4. Does not expire.

The implementation of GASB 101 resulted in a change in accounting principle. As a result, compensated absences liabilities now include additional types of leave such as parental, military, and jury duty leave, when the leave has commenced. The liability is measured based on the leave balances as of September 30, 2025, adjusted for expected usage and applicable compensation rates.

The City estimates the amount of liability that exists for compensated absences earned but not paid. This estimate is based on the amount earned as of the accrual date less any time used during the year. This generally consisted of vacation and sick/personal leave at September 30, 2025 and amounted to approximately $49,700. This amount is included in accrued expenses on the statement of net position.

Net Position and Fund Balance - Net position reported in the statement of net position include components that are restricted for capital improvements. Unrestricted fund balance in the governmental fund financial statements represents that portion of fund balance that is available for budgeting for future periods.

Fund Balance Policy - The City reports fund balances for governmental funds in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The nonspendable classification represents assets that will be consumed or "must be maintained intact" and therefore will never convert to cash, such as inventories of supplies and endowments. The committed fund balance classification refers to that portion that can only be used for a specific purpose pursuant to constraints imposed by ordinance of the city council, and these restraints can only be removed by the same formal action. Provisions of laws, contracts, and grants specify how fund resources can be used in the restricted classification.

Long-Term Obligations - In the government-wide financial statements, and proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

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

Other Post-Employment Benefits (OPEB) - The fiduciary net position of the TMRS Supplemental Death and Disability Plan (SDD) has been determined using the flow of economic resources, measurement focus, and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from the TMRS SDD Plan's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

Interfund Transactions - Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions are reported as operating transfers. During the year ended September 30, 2025, $46,105 was transferred from the System fund to the General fund.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Statement of Cash Flows - For the purposes of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Subsequent Events - Management has evaluated subsequent events through April 23, 2026, which is the date that these financial statements were available to be issued.

DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments. The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the City 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 stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and 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 Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investments Act, the City has adopted a deposit and investment policy. The following are disclosed concerning risks:

Deposits

Custodial Credit Risk - In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy regarding types of deposits allowed and collateral requirements is that the funds of the City must be deposited under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. The City's cash deposits at September 30, 2025 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Investments

Credit Risk - This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The City was not exposed to credit risk at September 30, 2025.

Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by

depository insurance, are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

As of September 30, 2025, the bank balances of the City's deposits (demand and certificates) were $5,412,370. The City was not exposed to custodial credit risk at September 30, 2025.

Concentration of Credit Risk - This risk is the risk of loss attributed to the magnitude of the government's investment in a single issuer. The City was not exposed to concentration of credit risk for its deposits as all are covered by depository insurance or by pledged collateral as of September 30, 2025 as follows:

FDIC Insurance	$	500,000
Market value of securities pledged		5,174,095
Total Coverage	$	5,674,095

Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The City was not exposed to interest rate risk at September 30, 2025.

Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. The City was not exposed to foreign currency risk at September 30, 2025.

COMMITTED ASSETS

At September 30, 2025, the City's committed assets consisted of the following:

System Fund:		
Resources available for facility replacement	$	393,159
Total System Fund	$	393,159

RECEIVABLES AND UNCOLLECTIBLE ACCOUNTS

The System Fund's significant receivables include amounts due from customers primarily for utility services. These receivables are due within one year. Customer accounts receivable are reported net of an allowance for uncollectible accounts. The allowance amount is estimated based on the City's past experience with collections and is estimated at $28,659 as of September 30, 2025.

CAPITAL ASSETS

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

	Beginning Balance	Additions	Retirements/ Adjustments	Ending Balance
Governmental activities:				
Capital assets, being depreciated:				
Buildings and improvements	445,343	106,076	-	551,419
Total capital assets being depreciated	445,343	106,076	-	551,419
Less accumulated depreciation for:				
Buildings and improvements	15,357	19,013	-	34,370
Total accumulated depreciation	15,357	19,013	-	34,370
Total capital assets, being depreciated, net	429,986	87,063	-	517,049
Governmental activities capital assets, net	429,986	87,063	-	517,049

Business-type activities:	Beginning Balance	Additions	Retirements/ Adjustments	Ending Balance
Land	156,798	-	-	156,798
Buildings and improvements	547,390	-	-	547,390
Utility system and improvements	3,226,318	24,760	-	3,251,078
Vehicles and equipment	945,409	181,063	-	1,126,472
Totals at cost	4,875,915	205,823	-	5,081,738
Less accumulated depreciation:				
Buildings and improvements	271,714	23,196	-	294,910
Utility system and improvements	1,454,663	216,744	-	1,671,407
Vehicles and equipment	617,922	130,577	-	748,499
Total accumulated depreciation	2,344,299	370,517	-	2,714,816
Total capital assets, depreciated, net	2,531,616	(164,694)	-	2,366,922

Depreciation expense was charged to functions of the City as follows:

Business-type activities:	
Natural Gas	370,517
Governmental activities:	
Community services	19,013

POST RETIREMENT BENEFIT OBLIGATION

During the year ended September 30, 1999, the City Council approved providing health insurance benefits to all retired employees and their dependents. Based on this approval, the Gas System would pay 100% of the premium for this insurance until the participant becomes eligible for Medicare supplement coverage, which the Gas System would also pay for. The dependents would only be eligible for continued insurance as long as the former employee was covered. During the year ended September 30, 2003, the City Council curtailed this plan to provide coverage for retirees only and not dependents.

Insurance payments of $18,246 were made for retirees during the year ended September 30, 2025. Payments for insurance benefits are expected to increase slightly over the next five years.

Changes in accrued post retirement benefit cost for the year ended September 30, 2025 are summarized as follows:

	Accrued Post Retirement Benefit Cost	Accumulated Post Retirement Benefit Obligation
Beginning of year	472,559	472,559
Recognition of Components of Net Periodic		
Post Retirement Benefit Cost:		
Service cost	23,628	23,628
Interest cost	14,176	14,176
Actuarial adjustments	(11,151)	(11,151)
Changes in assumptions	-	-
	26,653	26,653
Premium payments	(18,246)	(18,246)
Net Change	8,407	8,407
End of Year	480,966	480,966

The total change in the post retirement benefit for the year ended September 30, 2025 was a increase of $8,407, which consists of premium payments of $18,246 and post retirement benefit accrual actuarial changes of $26,653.

The portion of the Accumulated Post Retirement Benefit Obligation attributable to current retirees was $56,937 at September 30, 2025.

The funded status of the plan at September 30, 2025 is reconciled with the amount shown in the balance sheet as follows:

Accumulated post retirement benefit obligation	480,966
Plan assets at fair value	-
Funded Status	480,966
Unrecognized transition obligation	-
Unrecognized net gains and losses	-
Accrued Post Retirement Benefit Cost	480,966

The estimated liability for these post employment benefits is calculated by management using the alternative measurement method permitted by Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The assumptions used in the computation are as follows:

Assumed annual insurance rate increase (Retirees)	5%
Assumed annual insurance rate increased (Active)	5%
Discount rate used in calculation to present value	6%

Mortality rates are based on the *Periodic Life Table*, published by the Social Security Administration.

A 30% factor was used for likelihood of City Council termination of the plan prior to any current employee receiving benefits.

RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases workers' compensation insurance coverage from Texas Municipal League.

The City maintains other risks of loss coverage with various insurance companies. City management believes such coverage is sufficient to preclude any significant uninsured losses to the City. There have been no significant reductions in insurance coverage. Settled claims have not exceeded the commercial coverage during the current fiscal year.

COMMITMENTS AND CONTINGENCIES

Grants

Intergovernmental grants received by the City are subject to audit and adjustment by the funding agency or its representatives. If grant revenues are received for expenditures which are subsequently disallowed, the City may be required to repay the revenues to the funding agency. In the opinion of City management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements as of September 30, 2025.

DEFINED BENEFIT PENSION PLAN

Plan Description

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

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

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS. At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Employees Covered by Benefit Terms

At the 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	1
Active employees	8
	14

Contributions

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

Employees for the City were required to contribute 5.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 21.96% and 21.89% in calendar years 2025 and 2024, respectively. The city's contributions to TMRS's pension plan for the year ended September 30, 2025 was $93,874, which equated the required contributions.

Net Pension Asset/Liability

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

Actuarial Assumptions:

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

Inflation	2.50% per year
Overall Payroll Growth	3.60% to 11.85%, including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are

projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by 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. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting 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 fiscal year 2023 are summarized in the following table:

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

Discount Rate

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

Changes in the Net Pension Asset/Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) - (b)
Balance at 12/31/2023	$ 2,468,283	$ 1,927,326	$ 540,957
Changes for the year:			
Service cost	68,696	-	68,696
Interest	164,894	-	164,894
Change in benefit terms	-	-	-
Difference between expected and actual expense	56,135	-	56,135
Changes of assumptions	-	-	-
Contributions - employer	-	90,369	(90,369)
Contributions - employee	-	28,899	(28,899)
Net investment income	-	200,173	(200,173)
Benefit payments, including refunds of employee Contributions	(119,502)	(119,502)	-
Administrative expense	-	(1,284)	1,284
Other charges	-	(31)	31
Net Changes	170,223	198,624	(28,401)
Balance at 12/31/2024	**$ 2,638,506**	**$ 2,125,950**	**$ 512,556**

Sensitivity of the net pension asset/liability to changes in the discount rate.

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension (Asset)Liability	$ 848,156	$ 512,556	$ 232,001

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2025, the City recognized pension expense of $103,509.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	91,620	106,877
Changes is actuarial assumptions	-	12,445
Difference between projected and actual Investment earnings	84,840	-
Contributions subsequent to measurement date	67,802	-
Total	$ 244,262	$ 119,322

The amount of $67,802 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending December 31, 2025.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30,	
2026	28,408
2027	46,176
2028	(11,687)
2029	(5,760)
2030	-
Thereafter	-
	57,137

POST EMPLOYMENT-BENEFIT OTHER THAN PENSIONS (OPEB)

Plan description

Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. 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 another post-employment benefit ("OPEB") and is a fixed amount of $7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Benefits provided

TMRS provides supplemental death benefits for retirees. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the plan.

Employees covered by benefit terms

At December 31, 2024, 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	-
Active employees	8
	13

Contributions

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

Employees for the City were required to contribute 5.0% of their annual gross earnings during the fiscal year. The contribution rates for the City was 0.76% and 0.67% in calendar years 2025 and 2024, respectively. The city's contributions to TMRS's SDD plan for the year ended September 30, 2025, was $3,145, which equated the required contributions .

Net OPEB Liability

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

Actuarial assumptions

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

Inflation	2.50% per year
Overall Payroll Growth	3.60% to 11.85% , including inflation
Discount Rate*	4.08%

**The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2024.*

Discount rate

The discount rate used to measure the total OPEB liability was 4.08 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Asset/Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB (Asset) Liability (a) - (b)
Balance at 12/31/2023	$ 30,784	$ -	$ 30,784
Changes for the year:			
Service cost	826	-	826
Interest	1,140	-	1,140
Change in benefit terms	-	-	-
Difference between expected and actual expense	1,285	-	1,285
Changes of assumptions	(1,128)	-	(1,128)
Contributions - employer	-	1,899	(1,899)
Contributions - employee	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds of employee Contributions	(1,899)	(1,899)	-
Administrative expense	-	-	-
Other charges	-	-	-
Net Changes	224	-	224
Balance at 12/31/2024	**$ 31,008**	**$ -**	**$ 31,008**

Sensitivity of the net OPEB liability to changes in the discount rate and health-care cost trend rates

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

	1% Decrease in Discount Rate (3.08%)	Discount Rate (4.08%)	1% Increase in Discount Rate (5.08%)
City's Net OPEB (Asset)Liability	$ 34,780	$ 31,008	$ 27,863

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2025, the City recognized OPEB expense of $2,322.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	2,709	-
Changes is actuarial assumptions	1,055	5,515
Difference between projected and actual Investment earnings	-	-
Contributions subsequent to measurement date	2,347	-
Total	$ 6,111	$ 5,515

The amount of $2,347 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending December 31, 2025.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30,	
2026	(333)
2027	(972)
2028	(680)
2029	227
2030	7
Thereafter	-
	(1,751)

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REQUIRED SUPPLEMENTARY SCHEDULES

CITY OF CHIRENO, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual	Variance With Final Positive
REVENUES	**Original**	**Final**	**Amounts**	**(Negative)**
Taxes:				
Sales taxes	45,000	45,000	49,319	4,319
Franchise taxes	12,000	12,000	17,537	5,537
Charges for services	1,500	1,500	3,120	1,620
Intergovernmental revenues	95,338	95,338	95,244	(94)
Interest income	-	-	101	101
Total revenues	153,838	153,838	165,321	11,483
EXPENDITURES				
Public safety:				
Fire	12,000	12,000	10,000	2,000
Police	1,050	1,050	808	242
Streets	70,000	70,000	32,810	37,190
Parks and recreation	12,000	12,000	11,993	7

CITY OF CHIRENO, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED DECEMBER 31,

	FY 2025 Plan Yr 2024	FY 2024 Plan Yr 2023	FY 2023 Plan Yr 2022
TOTAL PENSION LIABILITY			
Service cost	68,696	65,073	59,853
Interest (on the Total Pension Liability)	164,894	157,121	148,474
Changes of benefit terms	-	-	-
Difference between expected and actual experience	56,135	37,001	34,106
Changes in assumptions	-	(17,546)	-
Benefit payments, including refunds of employee contributions	(119,502)	(137,085)	(96,793)
Net Change in Total Pension Liability	170,223	104,564	145,640
Total Pension Liability - Beginning	2,468,283	2,363,719	2,218,079
Total Pension Liability - Ending (a)	2,638,506	2,468,283	2,363,719
PLAN FIDUCIARY NET POSITION			
Contributions:			
Employer	90,369	80,696	80,120
Employee	28,899	26,224	25,073
Net investment income	200,173	203,195	(137,539)
Benefit payments, including refund of employee contributions	(119,502)	(137,085)	(96,793)
Administrative expense	(1,284)	(1,293)	(1,190)
Other	(31)	(9)	1,421
Net Change in Plan Fiduciary Net Position	198,624	171,728	(128,908)
Plan Fiduciary Net Position - Beginning	1,927,326	1,755,598	1,884,506
Plan Fiduciary Net Position - Ending (b)	2,125,950	1,927,326	1,755,598
Net Pension (Asset)Liability - Ending (a) - (b)	512,556	540,957	608,121
Plan Fiduciary Net Position as a Percentage of Total Pension Asset/Liability	80.57%	78.08%	74.27%
Covered Payroll	412,837	374,630	358,187
Net Pension Asset/Liability as a Percentage of Covered Payroll	124.15%	144.40%	169.78%

NOTE: GASB 68, Paragraph 81 requires that the data in this schedule be data from the period corresponding with the periods covered as of the measurement dates of December 31, 2024 for fiscal year 2025, December 31, 2023 for fiscal year 2024, December 31, 2022 for fiscal year 2023, December 31, 2021 for fiscal year 2022, December 31, 2020 for fiscal year 2021, December 31, 2019 for fiscal year 2020, December 31, 2018 for fiscal year 2019, December 31, 2017 for fiscal year 2018, December 31, 2016 for fiscal year 2017, and December 31, 2015 for the fiscal year 2016.

See accompanying notes to the financial statements

FY 2022 Plan Yr 2021	FY 2021 Plan Yr 2020	FY 2020 Plan Yr 2019	FY 2019 Plan Yr 2018	FY 2018 Plan Yr 2017	FY 2017 Plan Yr 2016	FY 2016 Plan Yr 2015
51,067	49,050	45,662	45,911	44,656	44,771	44,417
139,997	133,732	127,585	122,294	117,264	112,600	110,928
-	-	-	-	-	-	-
26,428	4,023	9,662	2,460	2,698	447	4,393
-	-	(21)	-	-	-	(725)
(95,807)	(94,191)	(92,864)	(91,431)	(90,049)	(87,270)	(64,159)
121,685	92,614	90,024	79,234	74,569	70,548	94,854
2,096,394	2,003,780	1,913,756	1,834,522	1,759,953	1,689,405	1,594,551
2,218,079	2,096,394	2,003,780	1,913,756	1,834,522	1,759,953	1,689,405
66,780	60,538	55,976	53,966	49,757	50,829	52,485
20,991	20,102	19,151	19,244	18,696	18,948	19,678
218,365	119,180	212,797	(43,097)	177,902	82,426	1,787
(95,807)	(94,191)	(92,864)	(91,431)	(90,049)	(87,270)	(64,159)
(1,010)	(771)	(1,202)	(833)	(922)	(931)	(1,088)
6	(30)	(37)	(43)	(47)	(50)	(53)
209,325	104,828	193,821	(62,194)	155,337	63,952	8,650
1,675,181	1,570,353	1,376,532	1,438,726	1,283,389	1,219,437	1,210,787
1,884,506	1,675,181	1,570,353	1,376,532	1,438,726	1,283,389	1,219,437
333,573	421,213	433,427	537,224	395,796	476,564	469,968
84.96%	79.91%	78.37%	71.93%	78.43%	72.92%	72.18%
299,865	287,177	274,915	267,082	270,681	281,120	255,105
111.24%	146.67%	157.66%	201.15%	146.22%	169.52%	184.23%

CITY OF CHIRENO, TEXAS
SCHEDULE OF PENSION CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30,

	2025	2024	2023
Actuarial Determined Contributions	93,874	87,947	79,931
Contributions in relation to the actuarially determined contribution	(93,874)	(87,947)	(79,931)
Contribution Deficiency (Excess)	-	-	-
Covered Payroll	427,856	412,837	374,630
Contributions as a Percentage of Covered Payroll	21.94%	21.30%	21.34%

NOTE: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the City's respective fiscal years as opposed to the time periods covered by the measurement dates ending December 31 for the respective fiscal years.

2022	2021	2020	2019	2018	2017	2016
77,390	62,749	57,453	55,282	53,019	49,225	54,195
(77,390)	(62,749)	(57,453)	(55,282)	(53,019)	(49,225)	(54,195)
-	-	-	-	-	-	-
358,187	299,865	287,177	274,915	267,082	270,681	281,120
21.61%	20.93%	20.01%	20.11%	19.85%	18.19%	19.28%

CITY OF CHIRENO, TEXAS
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED DECEMBER 31,

	FY 2025 Plan Yr 2024	FY 2024 Plan Yr 2023
TOTAL OPEB LIABILITY		
Service cost	826	749
Interest (on the Total OPEB Liability)	1,140	1,129
Changes of benefit terms	-	-
Difference between expected and actual experience	1,285	1,714
Changes in assumptions	(1,128)	558
Benefit payments, including refunds of employee contributions	(1,899)	(1,723)
Net Change in Total OPEB Liability	224	2,427
Total OPEB Liability - Beginning	30,784	28,357
Total OPEB Liability - Ending (a)	31,008	30,784
PLAN FIDUCIARY NET POSITION		
Contributions:		
Employer	1,899	1,723
Employee	-	-
Net investment income	-	-
Benefit payments, including refund of employee contributions*	(1,899)	(1,723)
Administrative expense	-	-
Other	-	-
Net Change in Plan Fiduciary Net Position	-	-
Plan Fiduciary Net Position - Beginning	-	-
Plan Fiduciary Net Position - Ending (b)	-	-
Net OPEB (Asset)Liability - Ending (a) - (b)	31,008	30,784
Plan Fiduciary Net Position as a Percentage of Total OPEB Asset/Liability	0.00%	0.00%
Covered Payroll	412,837	374,630
Net OPEB Asset/Liability as a Percentage of Covered Payroll	7.51%	8.22%

**Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.*

NOTE: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2025 2024, 2023, 2022, 2021, 2020, 2019 and 2018 are based on the December 31, 2024, 2023, 2022, 2021, 2020, 2019, 2018 and 2017 measurement dates, respectively.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

FY 2023 Plan Yr 2022	FY 2022 Plan Yr 2021	FY 2021 Plan Yr 2020	FY 2020 Plan Yr 2019	FY 2019 Plan Yr 2018	FY 2018 Plan Yr 2017
1,433	1,169	890	575	660	534
672	692	823	931	838	854
-	-	-	-	-	-
927	494	138	(72)	58	-
(9,662)	856	3,540	3,624	(1,399)	1,571
(1,612)	(1,289)	(402)	(356)	(330)	(240)
(8,242)	1,922	4,989	4,702	(173)	2,719
36,599	34,677	29,688	24,986	25,159	22,440
28,357	36,599	34,677	29,688	24,986	25,159
1,612	1,289	402	356	330	240
-	-	-	-	-	-
-	-	-	-	-	-
(1,612)	(1,289)	(402)	(356)	(330)	(240)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
28,357	36,599	34,677	29,688	24,986	25,159
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
358,187	299,865	287,177	274,915	267,082	270,681
7.92%	12.21%	12.08%	10.80%	9.36%	9.29%

CITY OF CHIRENO, TEXAS
SCHEDULE OF OPEB CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30,

	2025	2024
Actuarial Determined Contributions	3,145	2,682
Contributions in relation to the actuarially determined contribution	(3,145)	(2,682)
Contribution Deficiency (Excess)	-	-
Covered Payroll	427,856	412,837
Contributions as a Percentage of Covered Payroll	0.74%	0.65%

NOTE: GASB Codification, Vol. 2 P50.238 requires that the data in this schedule be presented as of the City's respective fiscal years as opposed to the time periods covered by the measurement dates ending December 31 of the preceding year.

NOTE: Information in this schedule should be provided for the years where data is available. Eventually, 10 years of data should be presented.

2023	2022	2021	2020	2019	2018
2,284	1,887	1,298	700	642	575
(2,284)	(1,887)	(1,298)	(700)	(642)	(575)
-	-	-	-	-	-
374,630	358,187	299,865	287,177	274,915	267,082
0.61%	0.53%	0.43%	0.24%	0.23%	0.22%

CITY OF CHIRENO, TEXAS
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
CITY OF CHIRENO RETIREE INSURANCE PLAN
FOR THE YEAR ENDED SEPTEMBER 30,

	2025	2024
TOTAL OPEB LIABILITY		
Service cost	23,628	27,718
Interest (on the Total OPEB Liability)	14,176	16,631
Changes of benefit terms	-	-
Difference between expected and actual experience	(11,151)	(49,085)
Changes in assumptions	-	(59,612)
Benefit payments, including refunds of employee contributions	(18,246)	(17,449)
Net Change in Total OPEB Liability	8,407	(81,797)
Total OPEB Liability - Beginning	472,559	554,356
Total OPEB Liability - Ending (a)	480,966	472,559
PLAN FIDUCIARY NET POSITION		
Contributions:		
Employer	18,246	17,449
Employee	-	-
Net investment income	-	-
Benefit payments, including refund of employee contributions	(18,246)	(17,449)
Administrative expense	-	-
Other	-	-
Net Change in Plan Fiduciary Net Position	-	-
Plan Fiduciary Net Position - Beginning	-	-
Plan Fiduciary Net Position - Ending (b)	-	-
Net OPEB (Asset)Liability - Ending (a) - (b)	480,966	472,559
Plan Fiduciary Net Position as a Percentage of Total OPEB Asset/Liability	0.00%	0.00%
Covered Payroll	412,837	374,630
Net OPEB Asset/Liability as a Percentage of Covered Payroll	116.50%	126.14%

**Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.*

NOTE: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2025, 2024, 2023, 2022, 2021, 2020, 2019 and 2018 are based on the December 31, 2024, 2023, 2022, 2021, 2020, 2019, 2018 and 2017 measurement dates, respectively.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

2023	2022	2021	2020	2019	2018
29,446	31,633	54,292	23,214	23,420	47,831
17,668	18,980	14,350	13,929	14,052	28,104
-	-	-	-	-	-
(98,032)	(86,786)	-	-	-	-
32,884	8,973	103,838	(5,384)	(23,729)	(40,533)
(16,534)	(16,534)	(18,167)	(17,698)	(17,861)	(17,522)
(34,568)	(43,734)	154,313	14,061	(4,118)	17,880
588,924	632,658	478,345	464,284	468,402	450,522
554,356	588,924	632,658	478,345	464,284	468,402
16,534	16,534	18,167	17,698	17,861	17,522
-	-	-	-	-	-
-	-	-	-	-	-
(16,534)	(16,534)	(18,167)	(17,698)	(17,861)	(17,522)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
554,356	588,924	632,658	478,345	464,284	468,402
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
358,187	299,865	287,177	274,915	267,082	270,681
154.77%	196.40%	220.30%	174.00%	173.84%	173.05%

CITY OF CHIRENO, TEXAS
SCHEDULE OF OPEB CONTRIBUTIONS
CITY OF CHIRENO RETIREE INSURANCE PLAN
FOR THE YEAR ENDED SEPTEMBER 30,

	2025	2024	2023
Required Contributions	18,246	17,449	16,534
Contributions in relation to the required contribution	(18,246)	(17,449)	(16,534)
Contribution Deficiency (Excess)	-	-	-
Covered Payroll	427,856	412,837	374,630
Contributions as a Percentage of Covered Payroll	4.26%	4.23%	4.41%

See accompanying notes to the financial statements

2022	2021	2020	2019	2018
16,534	18,167	17,522	17,861	17,522
(16,534)	(18,167)	(17,522)	(17,861)	(17,522)
-	-	-	-	-
358,187	299,865	274,915	274,915	267,082
4.62%	6.06%	6.37%	6.50%	6.56%

CITY OF CHIRENO
NOTES TO THE REQUIRED SUPPLEMENTARY SCHEDULES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE A: NOTES TO THE PENSION SCHEDULES

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	20 years (longest amortization loader)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Other Information:	There were no benefit changes during the year.

NOTE B: NOTES TO THE OPEB SCHEDULES

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later. The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period ended December 31, 2022.

Methods and Assumptions Used to Determine Contribution Rates:

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.

NOTE B: NOTES TO THE OPEB SCHEDULES (continued)

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 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.
Other Information:	The discount rate was based on the Bond Buyer "20-Bond GO Index" rate closest to, but not later than December 31, 2024. The actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

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OTHER SUPPLEMENTAL SCHEDULES

CITY OF CHIRENO, TEXAS
COMPARATIVE STATEMENT OF NET POSITION
ENTERPRISE FUNDS
SEPTEMBER 30, 2025 AND 2024

ASSETS	**2025**	**2024**
Current assets:		
Cash and cash equivalents	761,282	843,790
Investments	4,247,747	4,071,229
Accounts receivable, net	46,461	57,711
Total current assets	5,055,490	4,972,730
Noncurrent assets:		
Restricted cash and cash equivalents	393,159	376,595
Capital assets:		
Land	156,798	156,798
Other capital assets, net of depreciation	2,210,124	2,374,818
Total noncurrent assets	2,760,081	2,908,211
Total assets	7,815,571	7,880,941
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to TMRS Pension	244,262	244,548
Deferred outflows related to TMRS OPEB	6,111	6,771
Total deferred outflows of resources	250,373	251,319
Total assets and deferred outflows of resources	8,065,944	8,132,260
LIABILITIES		
Current liabilities:		
Accounts payable	17,222	16,434
Accrued expenses	70,317	66,523
Accrued post employment benefit obligations - current	18,246	17,450
Total current liabilities	105,785	100,407
Long Term Liabilities:		
Customer meter deposits	106,048	96,204
Accrued post retirement benefit obligation - noncurrent	462,720	455,109
Net pension liability	512,556	540,957
Net OPEB Liability	31,008	30,784
Total noncurrent liabilities	1,112,332	1,123,054
Total liabilities	1,218,117	1,223,461
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to TMRS Pension	119,322	81,571
Deferred inflows related to TMRS OPEB	5,515	6,355
Total deferred inflows of resources	124,837	87,926
NET ASSETS		
Invested in capital assets, net of related debt	2,366,922	2,531,616
Committed for facility replacement	393,159	376,595
Unassigned	3,962,909	3,912,662
Total net position	6,722,990	6,820,873
Total liabilities, deferred inflows of resources, and net position	8,065,944	8,132,260

CITY OF CHIRENO TEXAS
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - ENTERPRISE FUNDS
FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024

	2025	2024
Operating revenues:		
Gas sales	1,970,358	1,947,738
Penalties	12,437	12,261
Installation charges	7,350	2,187
Other services	1,087	85
Total operating revenues	1,991,232	1,956,771
Operating expenses:		
Salaries & wages	440,031	422,622
Employee benefits	114,736	79,251
Cost of services	818,252	687,123
Insurance	36,204	40,933
Supplies and materials	14,889	14,732
Maintenance and repairs	255,959	293,303
Utilities	25,750	22,195
Depreciation	370,517	389,159
Other operating	38,612	29,467
Total operating expenses	2,114,950	1,978,785
Operating income	(123,718)	(22,014)
Nonoperating revenues (expenses):		
Gain on sale of assets	-	9,915
Post employment insurance benefit (expense)	(8,408)	81,797
Pension benefit (expense)	(110,523)	(84,909)
OPEB benefit (expense)	(3,189)	(2,624)
Interest income	194,060	137,505
Total nonoperating revenue (expenses)	71,940	141,684
Net income before transfers	(51,778)	119,670
Transfers to other funds	(46,105)	(6,625)
Change in net position	(97,883)	113,045
Total net position - beginning	6,820,873	6,714,050
Prior period adjustment (GASB 101)	-	(6,222)
Total net position - ending	6,722,990	6,820,873

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FEDERAL AWARDS SECTION

Goff &Herrington, P.C.
Certified Public Accountants
A.J. Goff, CPA
Ronnie Herrington, CPA
Daniel Raney, CPA
Laurie Durbin, CPA
P.O. Box 153320 • Lufkin, TX. 75915-3320 • (936) 634-2345 • Fax:(936) 622-6823

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

Honorable Mayor and Members of the City Council
City of Chireno, 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, the business-type activities, each major fund, and the aggregate remaining fund information of City of Chireno, Texas, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Chireno, Texas' basic financial statements, and have issued our report thereon dated April 23, 2026.

Internal Control Over Financial Reporting

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

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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies, which are identified as **2025-1**.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Goff & Herrington, P.C.

GOFF & HERRINGTON
Certified Public Accountants

April 23, 2026

CITY OF CHIRENO, TEXAS
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

2025-1 Segregation of Duties

Segregation of duties refers to assigning tasks among personnel so that no one person handles substantially all aspects of a transaction. Control over many of the financial transactions of the City is limited due to the limited number of personnel involved in accounting and financial areas.

Recommendation: Segregation of duties in a small organization such as yours is difficult, and we understand that it is often not economically feasible for the City to employ a larger accounting staff. However, it is imperative that management and the City Council be involved in the financial affairs of the City to provide oversight and independent review functions.

Management Response: Management and the City Council will continue to be involved in monitoring daily operations. They are cognizant of the lack of segregating of duties and realize the possible consequences.

CITY OF CHIRENO, TEXAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

2024-1 Segregation of Duties

Management and the City Council will continue to be involved in monitoring daily operations. The City Administrator will review financial information and bank activity on a monthly basis.

This issue still exists for fiscal year 2025.

2024-2 - Financial Reporting: Internal Controls over Financial Reporting - Reconciliation of Accounts

The City is required to maintain internal controls over financial reporting to provide a high level of assurance that the amounts reported in the financial statements are accurate and valid. Cash and other accounts should be reconciled on a timely basis.

This issue was corrected for fiscal year 2025.

CITY OF CHIRENO, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2025

2025-1 Segregation of Duties

Management and the City Council will continue to be involved in monitoring daily operations. The City Administrator will review financial information and bank activity on a monthly basis.

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