



**FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
MARCH 31, 2025**

**CITY OF WASKOM, TEXAS
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FOR THE YEAR ENDED MARCH 31, 2025**

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DAVID K. GODWIN

CERTIFIED PUBLIC ACCOUNTANT, PLLC

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of City Council
City of Waskom, Texas

Report on the Audit of the Financial Statements

Unmodified and Disclaimer of 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 Waskom, Texas, as of and for the year ended March 31, 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.

Basis for Disclaimer of Opinion on the Opening Balances and Proprietary Fund Cash Flows

We were not engaged as auditors of the City until after March 31, 2025, and, the last audit was performed as of March 31, 2022, therefore, the financial statements for the prior period were not audited. Opening balances are based upon the closing balances of the prior period and reflect the effects of transactions and events of prior periods and accounting policies applied in the prior period. Since, opening balances for accounts payable, accounts receivable, capital assets, depreciation, customer deposits, compensated absences, deferred inflow and deferred outflows enter into the determination of cash flows, we were unable to determine whether any adjustments might have been necessary in respect of the net cash flows from operating activities reported in the proprietary fund cash flow statement

Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on the Opening Balances and Proprietary Fund Cash Flows" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the opening balances and proprietary fund cash flows of the City of Waskom, Texas. Accordingly, we do not express an opinion on the opening balances and proprietary fund cash flows.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waskom, Texas, as of March 31, 2025, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Unmodified Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Waskom, Texas'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 of Waskom, Texas's internal control. Accordingly, no such opinion is expressed.
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- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Waskom, Texas'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 on pages 5 through 15, budgetary comparison information on page 63, and the Texas Municipal Retirement System schedules on pages 64 through 66 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.

Other Reporting Required by Government Auditing Standards

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



David K. Godwin, CPA, PLLC

Tyler, Texas
April 14, 2026

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Management's Discussion and Analysis

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**Management's Discussion and Analysis
For Year Ended March 31, 2025
(Unaudited)**

The Management Discussion and Analysis of the City of Waskom's (City) annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended March 31, 2025. Please read in conjunction with the City's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

Mayor and Council

Keith Slone
Mayor

Jesse Moore
Mayor Pro-Tem

Shirley Hall
Alderman

Ryan Smith
Alderman

Cade Martin
Alderman

Tommy Philpot
Alderman

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$8,618,389(Net Position). Of this amount, \$3,676,122 (Unrestricted Net Position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net position increased by \$1,210,181.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,875,994. Of this amount, \$4,870,318 is unassigned and available for use within the City's fund designation and fiscal policies.
- At the end of the current fiscal year, unassigned fund balance for the general fund was 4,870,318 or 203% of the total general fund expenditures.
- The City's outstanding long-term debt decreased by \$127,644.

CURRENT-YEAR MANAGEMENT DISCUSSION AND ANALYSIS

Due to significant delays by our prior audit firm in completing services for fiscal years 2023 and 2024, coupled with the transition to a new audit firm, prior-year comparative data is omitted from this Management Discussion and Analysis. These delays stemmed from unresolved resource constraints at the prior firm, preventing timely delivery of audited statements despite repeated extensions sought by City management.

Impact on Reporting

The omission aligns with GASB Statement No. 100 guidance, which permits non-restatement of RSI (including MD&A) for periods earlier than those presented when restatement is impracticable, provided a clear explanation is given. Here, the two-year audit backlog made prior-year data unavailable and unreliable for meaningful comparison at issuance, as the new firm prioritized the current fiscal year 2025 to restore compliance.

This year's financial statements stand alone, focusing on current operations, fund balances, and key revenue trends without prior-year benchmarks. Management anticipates full comparative reporting resuming next year once the backlog is cleared, minimizing long-term disruptions.

Path Forward

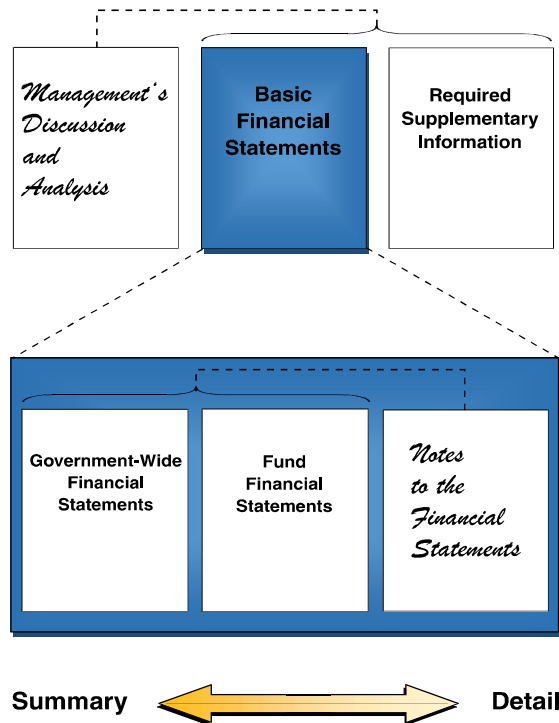
City leadership has implemented internal controls to prevent future delays, timeline progress and monitoring with the new auditor. No material financial impacts arose from the delays themselves, though they highlight a temporary vulnerability under GASB 102 risk disclosure criteria.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City’s annual report consists of a series of financial statements, notes to those statements, and other supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are Government-Wide Financial Statements that provide both long-term and short-term information about the City’s overall financial status.
- The remaining statements are Fund Financial Statements that focus on individual parts of the government, reporting the City’s operations in more detail than the Government-Wide Statements.
 - The Governmental Funds Statements tell how general government services were financed in the short term as well as what remains for future spending.
 - Proprietary Fund Statements offer financial information about the internal service fund used to report activities that provide services to organizations within the City.

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



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

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

**FIGURE A-2
MAJOR FEATURES OF THE CITY'S GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

<i>Type of Statement</i>	Government-Wide	Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire City's (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses.
<i>Required financial statements</i>	• Statement of net position	• Balance sheet	• Statement of net position
	• Statement of activities	• Statement of revenues, expenditures and changes in fund balances	• Statement of revenues, expenses and changes in fund net position • Statement of cash flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of flow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Statements

The Government-Wide Statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two Government-Wide Statements report the City's net position and how it has changed. Net position, the difference between the City's assets and liabilities, is one way to measure the City's financial health or position.

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

The Government-Wide Financial Statements of the City include the governmental activities. The City's basic activities include general government, municipal court, public safety, emergency services, sanitation, highways and streets, and culture and recreation. Fines, forfeitures, service charges, and taxes finance most of these activities.

Fund Financial Statements

The Fund Financial Statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices used by the City to track specific sources and uses of funding for specified activities.

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

The City has two types of funds:

- Governmental funds—Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the year-end balances that are available for spending. Consequently, the Governmental Fund Statements provide a detailed short-term view that helps you determine the level of financial resources that can be spent in the near term to finance the City's programs. Because this information does not encompass the additional long-term focus of the Government-Wide Statements, we provide additional information at the bottom of the Governmental Fund Statements, or on the subsequent page, that explains the relationship (or differences) between them.
- Proprietary funds—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the Government-Wide Statements, provide both long-term and short-term financial information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$8,618,389 as of March 31, 2025.

The largest portion of the City's net position, 57%, or \$4,936,591, reflects its investments in capital assets (e.g., land, building, equipment, vehicles, improvements, and infrastructure), less any outstanding debt used in acquiring those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated to repay these liabilities.

CITY OF WASKOM'S NET POSITION

	Governmental Activities	Business-Type Activities	Total
	2025	2025	2025
Current and Other Assets	\$ 5,200,549	\$ 160,766	\$ 5,361,315
Capital Assets	2,539,343	3,244,103	5,783,446
Total Assets	<u>7,739,892</u>	<u>3,404,869</u>	<u>11,144,761</u>
 Total Deferred Outflows of Resources	 <u>78,531</u>	 <u>42,286</u>	 <u>120,817</u>
 Non-Current Liabilities	 946,346	 1,252,927	 2,199,273
Other Liabilities	87,768	306,697	394,465
Total Liabilities	<u>1,034,114</u>	<u>1,559,624</u>	<u>2,593,738</u>
 Total Deferred Inflows of Resources	 <u>34,744</u>	 <u>18,707</u>	 <u>53,451</u>
 Net Position:			
Invested in Capital Assets,			
Net of Related Debt	2,674,376	2,262,215	4,936,591
Restricted	5,676	-	5,676
Unrestricted	4,069,513	(393,391)	3,676,122
Total Net Position	<u>\$ 6,749,565</u>	<u>\$ 1,868,824</u>	<u>\$ 8,618,389</u>

A portion of net position, \$5,676, is restricted for municipal court security and technology enhancements. The remaining balance of unrestricted net position, \$4,870,318, may be used to meet the government's ongoing obligations to citizens and creditors.

As of March 31, 2025, the City is able to report positive balances in all three categories of net position, for the government as a whole. For its business-type activities, the negative unrestricted fund balance is attributed to GASB's 68 and 75, which mandates recognizing pension and other post employment benefit liabilities, these significantly impact reporting without providing immediate cash outflows.

Analysis of the City's Operations - Overall the City had an increase in net position of \$1,210,181.

Governmental Activities: Net position for the governmental activities increased by \$1,144,690. The remaining change in net position is due to higher-than-expected sales tax collections.

Business-type Activities: Net position from business-type activities increased by \$65,491. This increase was primarily due to operating activities of the City's utilities and interfund payroll transfers.

The following table provides a summary of the City's operations for the year ended March 31, 2025.

CITY OF WASKOM'S CHANGES IN NET POSITION

	Governmental Activities	Business-Type Activities	Total
	2025	2025	2025
Revenues:			
Operating Revenues:			
Charges for Services	\$ 627,572	\$ 945,176	\$ 1,572,748
Other	-	12,549	12,549
General Revenues:			
Taxes	2,574,874	-	2,574,874
Pension Earnings	7,054	-	7,054
Grants & Contributions	-	186,586	186,586
Miscellaneous	9,291	-	9,291
Total Revenues	<u>3,218,791</u>	<u>1,144,311</u>	<u>4,363,102</u>
Expenses:			
General Government	2,202,324	-	2,202,324
Water and Sewer Services	-	1,037,657	1,037,657
Total Expenses	<u>2,202,324</u>	<u>1,037,657</u>	<u>3,239,981</u>
Increase (Decrease) in Total Revenues	<u>1,016,467</u>	<u>106,654</u>	<u>1,123,121</u>
NONOPERATING REVENUES (EXPENSES)			
Interest Income	119,493	1,873	121,366
Interest Expense	-	(34,306)	(34,306)
Total Non-operating Expense	<u>119,493</u>	<u>(32,433)</u>	<u>87,060</u>
OTHER FINANCING SOURCES (USES)			
Operating Transfers from Other Funds	8,730	-	8,730
Operating Transfers to Other Funds	-	(8,730)	(8,730)
Total Other Financing Sources (Uses)	<u>8,730</u>	<u>(8,730)</u>	<u>-</u>
Change in Net Position	1,144,690	65,491	1,210,181
Net Position – Beginning	<u>5,604,875</u>	<u>1,803,333</u>	<u>7,408,208</u>
Net Position – Ending	<u>\$ 6,749,565</u>	<u>\$ 1,868,824</u>	<u>\$ 8,618,389</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'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, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combine ending fund balances of \$4,875,994; of this total amount, \$4,870,318, constitutes a surplus in unassigned fund balance.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

In the general fund, the City’s original budget planned for no increase in the fund balance on a budget basis. The City did not pass any general fund budget amendments during the fiscal year ending 2025.

Actual revenues in all categories were higher than the final budgeted amounts by a total of \$551,215. Actual expenditures not including transfers were lower than final budgeted amounts by a total of \$377,103.

After considering operating transfers, the City had a favorable variance of \$1,041,824 where transfers were made to reimburse the general fund for ongoing operating activities of the City’s utility services; these expenditures were paid from the general funds unassigned fund balance.

CAPITAL ASSETS

The City’s investment in capital assets for its governmental and business-type activities as of March 31, 2025 amounts to \$4,936,591 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements, and infrastructure. The total increase in capital assets for the current fiscal year was \$198,757, or 3.56% and due to capital asset acquisitions exceeding depreciation expenditures.

Major capital asset additions during fiscal year 2025 included \$80,395 for construction of utility system infrastructure, \$101,440 for equipment used in the operations of the utility system, \$237,988 for street repairs, and \$95,754 for vehicles used in separate operations of the public safety department.

CAPITAL ASSETS AT YEAR-END AND ACCUMULATED DEPRECIATION

	Governmental Activities	Business-Type Activities	Total
	2025	2025	2025
Land	\$ 389,906	\$ 85,792	\$ 475,698
Construction in Progress	-	53,925	53,925
Water and Sewer Systems	-	7,708,094	7,708,094
Building	1,242,997	-	1,242,997
Machinery & Equipment	728,818	867,269	1,596,087
Improvements	691,674	-	691,674
Infrastructure	2,126,383	-	2,126,383
Right-to-use software arrangements	9,022	19,197	28,219
Accumulated Depreciation	(2,649,457)	(5,490,174)	(8,139,631)
 Total	\$ 2,539,343	\$ 3,244,103	\$ 5,783,446

Additional information on the City’s capital assets can be found in Note 2 on pages 43 and 44 in the notes of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had three notes payable for \$159,359, which is secured by vehicles and equipment.

OUTSTANDING DEBT AT YEAR-END

	Governmental Activities	Business-Type Activities	Total
	2025	2025	2025
Certificate of obligation	\$ -	\$ 905,000	\$ 905,000
Notes payable	95,754	63,605	159,359
Compensated absences	42,401	23,236	65,637
Net pension liability	800,411	430,991	1,231,402
Total OPEB liability	33,953	18,282	52,235
Right-to-use software arrangements	-	13,283	13,283
Right-to-use lease agreements	7,200	-	7,200
	<u>\$ 979,719</u>	<u>\$ 1,454,397</u>	<u>\$ 2,434,116</u>
Total	<u>\$ 979,719</u>	<u>\$ 1,454,397</u>	<u>\$ 2,434,116</u>

During the fiscal year, the City's outstanding debt decreased by \$127,644, or 4.98%. The decrease was primarily due to the following:

- Annual debt principal payment made on the bonds payable.
- Annual debt principal payment made on the notes payable.
- New notes payable.
- New right-to-use software arrangements.

Additional information on the City's long term-debt can be found in Note 2 on pages 45 through 49 in the notes of this report.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the City of Waskom, Attn: City Secretary at 450 W Texas Avenue, Waskom, Texas 75692.

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Basic Financial Statements

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Government-Wide Financial Statements

CITY OF WASKOM, TEXAS
STATEMENT OF NET POSITION
MARCH 31, 2025

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 4,635,994	\$ 22,425	\$ 4,658,419
Investments	-	25,835	25,835
Receivables (net of allowances):			
Sales taxes	288,719	-	288,719
Property taxes	82,858	-	82,858
Fines and forfeitures	187,302	-	187,302
Other	-	39,750	39,750
Restricted cash	5,676	72,756	78,432
Capital assets:			
Land and other non-depreciated assets	389,906	139,717	529,623
Other capital assets - net of depreciation	2,149,437	3,104,386	5,253,823
Total Assets	7,739,892	3,404,869	11,144,761
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pensions	77,821	41,904	119,725
Deferred outflows from OPEB	710	382	1,092
Total Deferred Outflows of Resources	78,531	42,286	120,817
LIABILITIES			
Accounts payable and accrued liabilities	54,395	105,227	159,622
Long-term liabilities:			
Due within one year	33,373	201,470	234,843
Due in more than one year	946,346	1,252,927	2,199,273
Total Liabilities	1,034,114	1,559,624	2,593,738
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pensions	25,787	13,885	39,672
Deferred inflows from OPEB	8,957	4,822	13,779
Total Deferred Inflows of Resources	34,744	18,707	53,451
NET POSITION			
Investment in capital assets, net of related debt	2,674,376	2,262,215	4,936,591
Restricted for municipal court	5,676	-	5,676
Unrestricted	4,069,513	(393,391)	3,676,122
Total Net Position	\$ 6,749,565	\$ 1,868,824	\$ 8,618,389

The notes to the financial statements are an integral part of this statement.

**CITY OF WASKOM, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2025**

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Primary government:						
Governmental activities:						
Administration	\$ 615,182	\$ 84,492	\$ -	\$ (530,690)	\$ -	\$ (530,690)
Public safety	750,496	-	-	(750,496)	-	(750,496)
Municipal court	97,418	106,381	-	8,963	-	8,963
Sanitation	393,056	436,699	-	43,643	-	43,643
Emergency services	22,951	-	-	(22,951)	-	(22,951)
Highways and streets	159,214	-	-	(159,214)	-	(159,214)
Culture and recreation	164,007	-	-	(164,007)	-	(164,007)
Total governmental activities	<u>2,202,324</u>	<u>627,572</u>	<u>-</u>	<u>(1,574,752)</u>	<u>-</u>	<u>(1,574,752)</u>
Business-type activities:						
Utility services	<u>1,071,963</u>	<u>945,176</u>	<u>186,586</u>	<u>-</u>	<u>59,799</u>	<u>59,799</u>
Total business-type activities	<u>1,071,963</u>	<u>945,176</u>	<u>186,586</u>	<u>-</u>	<u>59,799</u>	<u>59,799</u>
Total primary government	<u>\$ 3,274,287</u>	<u>\$ 1,572,748</u>	<u>\$ 186,586</u>	<u>(1,574,752)</u>	<u>59,799</u>	<u>(1,514,953)</u>
General revenues:						
Sales taxes				1,789,959	-	1,789,959
Property taxes				737,533	-	737,533
Franchise taxes				47,382	-	47,382
Pension earnings				7,054	-	7,054
Investment earnings				119,493	1,873	121,366
Miscellaneous local and intermediate revenue				9,291	12,549	21,840
Transfers				8,730	(8,730)	-
Total general revenues and transfers				<u>2,719,442</u>	<u>5,692</u>	<u>2,725,134</u>
Change in net position				1,144,690	65,491	1,210,181
Net position - beginning				<u>5,604,875</u>	<u>1,803,333</u>	<u>7,408,208</u>
Net position - ending				<u>\$ 6,749,565</u>	<u>\$ 1,868,824</u>	<u>\$ 8,618,389</u>

The notes to the financial statements are an integral part of this statement.

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Fund Financial Statements

**CITY OF WASKOM, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2025**

	<u>MAJOR FUNDS</u>	
	GENERAL	TOTAL
	FUND	GOVERNMENTAL
		FUNDS
ASSETS		
Cash	\$ 4,635,994	\$ 4,635,994
Receivables (net of allowances):		
Sales taxes	288,719	288,719
Property taxes	82,858	82,858
Fine and forfeitures	187,302	187,302
Restricted cash	<u>5,676</u>	<u>5,676</u>
 Total assets	 <u>\$ 5,200,549</u>	 <u>\$ 5,200,549</u>
 LIABILITIES		
Accounts payable	<u>\$ 54,395</u>	<u>\$ 54,395</u>
 Total liabilities	 <u>54,395</u>	 <u>54,395</u>
 DEFERRED INFLOWS (OF RESOURCES)		
Property taxes	82,858	82,858
Fines, forfeitures, and warrants	<u>187,302</u>	<u>187,302</u>
 Total deferred inflows	 <u>270,160</u>	 <u>270,160</u>
 FUND BALANCES		
Restricted fund balance:		
Municipal court	5,676	5,676
Unassigned fund balance	<u>4,870,318</u>	<u>4,870,318</u>
 Total fund balances	 <u>4,875,994</u>	 <u>4,875,994</u>
 Total liabilities, deferred inflows and fund balances	 <u>\$ 5,200,549</u>	 <u>\$ 5,200,549</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WASKOM, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MARCH 31, 2025

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total fund balances - governmental funds	\$	4,875,994
Capital assets used in governmental activities are not financial resources and, therefore, are not reported on the governmental funds balance sheet.		2,539,343
Long-term pension liability, which is based on GASB 68 reporting requirements, is not due and payable in the current period and therefore is not reported in the governmental fund financial statements:		
Net pension liability		(800,411)
Deferred outflows, related to pension		77,821
Deferred inflows, related to pension		(25,787)
Long-term OPEB liability, which is based on GASB 75 reporting requirements, is not due and payable in the current period and therefore is not reported in the governmental fund financial statements:		
Net OPEB liability		(33,953)
Deferred outflows, related to OPEB		710
Deferred inflows, related to OPEB		(8,957)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported on the governmental funds balance sheet.		
Leased equipment		(7,200)
Compensated absences		(42,401)
Outstanding fines, forfeitures and warrants are a long-term asset and not available to pay for current period expenditures and therefore is deferred in the funds.		187,302
Increases in long-term liabilities on capital assets should be shown as an expenditure in the government-wide statement of activities, however, current financial resources are not consumed in the governmental funds.		(95,754)
Delinquent property taxes receivable is a long-term asset and not available to pay for current period expenditures and therefore is deferred in the funds.		82,858
Net position of governmental activities	<u>\$</u>	<u>6,749,565</u>

CITY OF WASKOM, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2025

	<u>MAJOR FUNDS</u>	
	<u>GENERAL FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES		
Taxes:		
Sales	\$ 1,789,959	\$ 1,789,959
Property	738,964	738,964
Franchise	47,382	47,382
Fines and forfeitures	100,190	100,190
Licenses and permits	2,385	2,385
Charges for services	82,107	82,107
Sanitation services	436,699	436,699
Interest income	119,493	119,493
Miscellaneous	9,291	9,291
	<u>3,326,470</u>	<u>3,326,470</u>
Total revenues		
EXPENDITURES		
Administration	584,698	584,698
Public safety	713,013	713,013
Municipal court	99,862	99,862
Sanitation	393,056	393,056
Emergency services	22,951	22,951
Highways and streets	54,677	54,677
Culture and recreation	124,465	124,465
Debt service	26,418	26,418
Capital outlay	379,012	379,012
	<u>2,398,152</u>	<u>2,398,152</u>
Total expenditures		
Excess (deficiency) of revenues over (under) expenditures	<u>928,318</u>	<u>928,318</u>
OTHER FINANCING SOURCES (USES)		
Operating transfers from other funds	8,730	8,730
Leased assets	9,022	9,022
Capital financing	95,754	95,754
	<u>113,506</u>	<u>113,506</u>
Total other financing sources (uses)		
Net change in fund balances	1,041,824	1,041,824
Fund balances - beginning of year	<u>3,834,170</u>	<u>3,834,170</u>
Fund balances - end of year	<u>\$ 4,875,994</u>	<u>\$ 4,875,994</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WASKOM, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2025

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds	\$ 1,041,824
The depreciation of capital assets used in governmental activities is not reported in the funds.	(220,278)
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide statement of activities.	379,012
Net delinquent property tax collections provide current financial resources to the funds (but has no effect on net assets).	(1,431)
The portion of fines, forfeitures and warrants receivable which are measurable and available are recognized as revenue in the funds. The remainder of the receivables are deferred and, therefore, are not reported in the governmental activities.	6,191
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Leased equipment	(9,022)
Decreases in long-term liabilities do not require the use of current financial resources; therefore, are not reported as expenditures in the governmental funds:	
GASB 68 Pension adjustments	5,014
GASB 75 Other post employment benefit adjustments	2,040
Compensated absences	10,676
Increases in long-term liabilities on capital assets should be shown as an expenditure in the government-wide statement of activities, however, current financial resources are not consumed in the governmental funds.	(95,754)
Repayments of loan principal consumes the current financial resources of the governmental funds which report the effect as an expenditure, however, there is no expense on the statement of activities.	<u>26,418</u>
Change in net position of governmental activities	<u>\$ 1,144,690</u>

CITY OF WASKOM, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
MARCH 31, 2025

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND <u>WATER AND SEWER</u>
ASSETS	
Current assets:	
Cash	22,425
Investments	25,835
Accounts receivable (net)	<u>39,750</u>
Total current assets	<u>88,010</u>
Noncurrent assets:	
Restricted cash	72,756
Capital assets:	
Land	85,792
Water and sewer systems	7,708,094
Machinery and equipment	867,269
Right-to-use software arrangements	19,197
Construction in progress	53,925
Less: accumulated depreciation	<u>(5,490,174)</u>
Total noncurrent assets	<u>3,316,859</u>
Total assets	<u>3,404,869</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows from pensions	41,904
Deferred outflows from OPEB	<u>382</u>
Total deferred outflows of resources	<u>42,286</u>
LIABILITIES	
Current liabilities:	
Accounts payable	14,198
Accrued interest	4,782
Customer deposits	86,247
Bonds payable	175,000
Loans payable	19,475
Right-to-use software arrangements	6,386
Net OPEB liability	<u>609</u>
Total current liabilities	306,697
Non-current liabilities:	
Long-term portion of obligations and notes	774,130
Right-to-use software arrangements	6,897
Compensated absences	23,236
Net pension liability	430,991
Net OPEB liability	<u>17,673</u>
Total liabilities	<u>1,559,624</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from pensions	13,885
Deferred inflows from OPEB	<u>4,822</u>
Total deferred inflows of resources	<u>18,707</u>
NET POSITION	
Investment in capital assets, net of related debt	2,262,215
Unrestricted	<u>(393,391)</u>
Total net position	<u>\$ 1,868,824</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WASKOM, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2025

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND <u>WATER AND SEWER</u>
OPERATING REVENUES	
Water services and penalties	924,498
Services	20,678
Grants	186,586
Other	<u>12,549</u>
Total operating revenues	<u>1,144,311</u>
OPERATING EXPENSES	
Personnel services	411,444
Contract labor	98,898
Depreciation	161,009
Maintenance	96,440
Utilities	75,815
Chemicals and supplies	169,339
Analysis and lab fees	15,342
Permits and licenses	5,919
Professional fees	610
Training and education	1,102
Other	<u>1,739</u>
Total operating expenses	<u>1,037,657</u>
Operating income	<u>106,654</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	1,873
Interest expense	<u>(34,306)</u>
Total nonoperating expenses	<u>(32,433)</u>
Income before operating transfers	<u>74,221</u>
TRANSFERS	
Transfers out	<u>(8,730)</u>
Total transfers	<u>(8,730)</u>
Change in net position	65,491
Net position - beginning of year	<u>1,803,333</u>
Net position - end of year	<u>\$ 1,868,824</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF WASKOM, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2025**

Increase (Decrease) In Cash and Cash Equivalents

	BUSINESS-TYPE ACTIVITIES
	ENTERPRISE FUND
	WATER AND SEWER
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 945,176
Other cash receipts	199,135
Payments to suppliers for goods and services	(545,199)
Payments to employees for services	(375,382)
Net cash provided by operating activities	<u>223,730</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers-out to other funds	<u>(8,730)</u>
Net cash used in non-capital financing activities	<u>(8,730)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(201,032)
Principal repayments on debt	(105,622)
Interest on debt	(34,306)
Net cash used in capital and related financing activities	<u>(340,960)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>1,873</u>
Net cash provided by investing activities	<u>1,873</u>
Net decrease in cash and cash equivalents	(124,087)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>219,268</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 95,181</u>
Reconciliation of Operating Income to Net Cash provided by (used in) Operating Activities	
Operating income	\$ 106,654
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	161,009
Changes in assets and liabilities:	
Increase (decrease) in accounts payable	(42,924)
Increase (decrease) in pension liability	(34,506)
Increase (decrease) in OPEB liability	(1,556)
Increase (decrease) in deferred inflows	8,201
Increase (decrease) in accrued liabilities	4,227
Increase (decrease) in compensated absences	13,330
Increase (decrease) in customer deposits	(4,695)
Decrease (increase) in deferred outflows	24,062
Decrease (increase) in investments	(322)
Decrease (increase) in accounts receivable	(9,750)
Total adjustments	<u>117,076</u>
Net cash provided by operating activities	<u>\$ 223,730</u>

The notes to the financial statements are an integral part of this statement.

Notes to the Financial Statements

CITY OF WASKOM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The City of Waskom, Texas (City) was incorporated in 1894 and operates under the laws of the State of Texas as a Type A General Law Municipality. The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Boards (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and reporting framework and the more significant accounting principles and practices of the City are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended March 31, 2025.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government. Governmental activities include programs supported primarily by taxes and other intergovernmental revenues. Business-type activities include operations that 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 or identifiable activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity.

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 or identifiable activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Interfund activities between governmental funds appear as due to/due froms on the governmental fund balance sheet and as other resources and other uses on the governmental fund statement of revenues, expenditures and changes in fund balance. All interfund transactions between governmental funds are eliminated on the government-wide statements.

CITY OF WASKOM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Government-Wide and Fund Financial Statements - continued

The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and proprietary. The City considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are non-operating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. All other expenses are non-operating.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, 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 the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year-end.

CITY OF WASKOM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued

Revenues from local sources consist primarily of taxes. Tax revenue and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The City considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

The proprietary fund types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

The City reports the following major governmental funds:

General Fund – The general fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

The City reports the following major proprietary fund:

Water and Sewer Fund – This fund is utilized for the operations of the water and sewer provided by the City for the community.

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

CITY OF WASKOM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Cash and Cash Equivalents

The City's cash and cash equivalents includes amounts on hand and in demand deposits.

Investments

State statutes and the City's investment policy authorize the City to invest in obligations of the U.S. Treasury, State of Texas obligations, certificates of deposit, commercial paper, corporate bonds, repurchase agreements, and mutual funds.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at year-end are referred to as either "Due to/from Other Funds" (i.e., the current portion of the interfund loan) or "Advances to/from Other Funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "Due to/from Other Funds."

Property Taxes Receivable are shown net of an allowance for uncollectibles. The allowance is equal to zero (0) percent of delinquent property taxes receivable at March 31, 2025. The City's ad valorem taxes are levied on October 1 but do not become due until January 1 of the following year. Taxes become past due February 1 and become delinquent June 30. The City's taxes become a lien on real property on the due date of January 1. This lien is effective until the taxes are paid.

Long-Term Liabilities

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

In the fund financial statements, governmental fund types report the face amount of the debt issued as Other Financing Sources and debt payments as Expenditures.

CITY OF WASKOM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance-continued

Capital Assets

Capital assets, which include land, buildings, equipment, and infrastructure (roads and bridges), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of three (3) years. Such assets are recorded at historical cost where records are available or at an estimated fair market value at the date of acquisition where no historical records exist. Donated capital assets are recorded at estimated fair market value at the date of donation. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide statements regardless of their amount.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, equipment, and infrastructure of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Water and sewer system	30
Building and improvements	20
Infrastructure	20
Equipment	7
Vehicles	5

In the case of initial capitalization of general infrastructure assets (i.e., those reported by the governmental activities), public domain property including roads, bridges, curbs and gutters, streets and sidewalks and similar assets prior to March 31, 2008 have not been capitalized by the City. Additional capital assets, constructed or acquired each period subsequent to March 31, 2008, are capitalized and reported at historical cost.

CITY OF WASKOM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance-continued

Fund Balance Classification

The City has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the City Council, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the City Council takes the same highest-level action to remove or change the constraint.

Assigned fund balance – amounts the City Council intends to use for a specific purpose. Intent can be expressed by the Mayor or the City Secretary, through which the City Council has delegated the authority.

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). When it is appropriate for fund balance to be assigned, the City Council designated the authority to the Mayor and the City Secretary (such as the purchase of fixed assets, construction, debt service, or for other purposes).

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

CITY OF WASKOM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance-continued

Compensated Absences

Compensated vacations are granted to all full-time regular employees of the City. Regular employees earn five (5) days of vacation per year, after two years, ten (10) days per year, after ten years, fifteen (15) days per year, after fifteen years, twenty (20) days per year, and after twenty years of employment, the employee will receive twenty-five (25) days of vacation. Six (6) days of personal leave is granted to each employee every year. Sixty (60) days of personal leave may be carried from one calendar year to the next and upon termination of employment, thirty (30) days of personal time along with any earned and unused vacation is paid.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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 or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Accordingly, items are unavailable revenue, and are reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Statement of Cash Flows

For purposes of the statement of cash flows, the proprietary fund considers all cash on hand and demand deposits to be cash equivalents.

**CITY OF WASKOM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Stewardship, Compliance, and Accountability

Budgetary Data

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the general fund. The City holds a public hearing on the proposed budget prior to its adoption. All appropriations lapse at fiscal year-end.

The budget is legally enacted and once approved, can only be amended by approval of a majority of the Council members. Amendments are presented to the Council at its regular meetings.

Expenditures in Excess of Budgeted Amounts

The following is a summary of expenditures in excess of appropriations for the General Fund:

<u>Department</u>	<u>Expenditures</u>	<u>Budget</u>	<u>Variance</u>
Sanitation	\$ 393,056	\$ 390,000	\$ (3,056)

Use of Estimates

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

**CITY OF WASKOM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025**

NOTE 2: DETAILED NOTES ON ALL FUNDS

Deposits

The City's balances were completely covered by federal deposit insurance or collateralized at March 31, 2025. The City's deposits are categorized to give an indication of the level of risk assumed by the City at fiscal year-end. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the City or by its agent in the City's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 - Uncollateralized.

Deposits categorized by level of risk for cash and cash equivalents are as follows:

<u>Cash & Cash Equivalents</u>	<u>Bank Balance</u>	<u>Category</u>			<u>Carrying Amount</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
General fund	\$ 4,641,670	\$ 250,000	\$ 4,391,670	\$ -	\$ 4,641,670
Proprietary fund	95,181	-	95,181	-	95,181
Total	<u>\$ 4,736,851</u>	<u>\$ 250,000</u>	<u>\$ 4,486,851</u>	<u>\$ -</u>	<u>\$ 4,736,851</u>

**CITY OF WASKOM, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 MARCH 31, 2025**

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Investments

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

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the City did adhere to the requirements of the Act.

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

The City’s certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the State. The FDIC currently insures the first \$250,000 of the City’s deposits at each financial institution. Deposit balances over \$250,000 are insured by the collateral pool. As of March 31, 2025, the carrying amount of the City’s certificates of deposit were as follows:

Certificates of Deposit	Maturity	Fair Value
<i>Business-type activities:</i>		
Water and sewer fund	Various <1 year	\$ 25,835
	Total	\$ 25,835

Economic Dependence

The City’s operations are funded by taxes and revenues collected from the residents of the City of Waskom, Texas. Accordingly, the City is economically dependent on the property values and the local economy of the City and surrounding area.

CITY OF WASKOM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Property Tax

The assessed valuation (net of exemptions) was \$237,660,663 for 2025 (with taxes due January 1, 2024) levied at a rate of \$0.296655 per hundred-dollar valuation.

Receivables

Receivables as of year-end for the City’s major government fund, including applicable allowances for uncollectible accounts, are as follows:

Receivables	Primary Government General Fund	Business-Type Water and Sewer Fund	Total
Accounts	\$ -	\$ 73,712	\$ 73,712
Fines	234,127	-	234,127
Taxes	371,577	-	371,577
Gross receivables	605,704	73,712	679,416
Less: Allowance for uncollectables	(46,825)	(33,962)	(80,787)
Total	\$ 558,879	\$ 39,750	\$ 598,629

Interfund Transfers

Transfers are indicative of funding for capital projects, debt service, and subsidies of various City operations. The composition of inter-fund transfers from/to other funds as of March 31, 2025, is as follows:

Funds	Transfers in	Transfers out
General	\$ 8,730	\$ -
Water and sewer	-	(8,730)
Total	\$ 8,730	\$ (8,730)

CITY OF WASKOM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Capital Assets

The following is a summary of the changes in the capital assets during the fiscal year:

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<i>Governmental activities</i>				
<u>Non-depreciable assets:</u>				
Land	\$ 389,906	\$ -	\$ -	\$ 389,906
Construction in progress	189,695	-	(189,695)	-
<u>Depreciable assets:</u>				
Buildings	1,242,997	-	-	1,242,997
Machinery and equipment	633,064	95,754	-	728,818
Infrastructure	1,698,701	427,682	-	2,126,383
Improvements	655,425	36,249	-	691,674
Right-to-use lease agreements	-	9,022	-	9,022
Accumulated depreciation	(2,429,179)	(220,278)	-	(2,649,457)
Governmental activities, net	<u>2,380,609</u>	<u>348,429</u>	<u>(189,695)</u>	<u>2,539,343</u>
<i>Business-type activities</i>				
<u>Non-depreciable assets:</u>				
Land	85,792	-	-	85,792
Construction in progress	407,930	80,395	(434,400)	53,925
<u>Depreciable assets:</u>				
Water and sewer systems	7,273,694	434,400	-	7,708,094
Machinery and equipment	765,829	101,440	-	867,269
Right-to-use software arrangements	-	19,197	-	19,197
Accumulated depreciation	(5,329,165)	(161,009)	-	(5,490,174)
Business-type activities, net	<u>3,204,080</u>	<u>474,423</u>	<u>(434,400)</u>	<u>3,244,103</u>
Capital assets, net	<u>\$ 5,584,689</u>	<u>\$ 822,852</u>	<u>\$ (624,095)</u>	<u>5,783,446</u>

CITY OF WASKOM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Capital Assets - continued

Depreciation expense for governmental activities was charged to Functions/Programs as follows:

Administration	\$ 33,493
Public safety	42,706
Highways and streets	104,537
Parks and recreation	<u>39,542</u>
Total depreciation expense	<u>\$ 220,278</u>

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters for which the City carries commercial insurance. There have been no significant reductions in insurance coverage during the year ending March 31, 2025.

The City is a member of the Texas Municipal League (TML) Intergovernmental Risk Pool, a public entity risk pool, participating in workers' compensation, general liability, law enforcement liability, errors and omissions liability, automobile liability, automobile physical damage, real and personal property coverage, and employee health insurance.

Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state and federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial. No reportable litigation was pending against the City as of March 31, 2025.

Related Parties

In the ordinary course of business, the City has and expects to continue to have transactions with its employees and elected officials. In the opinion of management, such transactions were on substantially the same terms, including interest rates and collateral, as those prevailing at the time of comparable transactions with other persons and did not involve more than a normal risk of collectability or present any other unfavorable features to the City.

CITY OF WASKOM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Long-Term Liabilities

Obligations currently outstanding and reported as liabilities of the City are comprised of the following:

<u>Governmental Activities</u>	<u>Interest Rates</u>	<u>Original Issue Amount</u>	<u>Maturity Date</u>	<u>Yearend Balance</u>
Note Payable - 2021 Chevy Tahoe	4.25%	\$ 35,932	10/15/2024	\$ -
Note Payable - 2021 Chevy Silverado	4.25%	35,060	4/17/2024	-
Note Payable - 2025 Ford Explorer	8.50%	53,973	12/27/2027	53,973
Note Payable - 2024 Chevy Silverado	8.50%	41,781	7/15/2027	41,781
<u>Business-Type Activities</u>				
Certificate of Obligation, Series 2014	2.605%	2,400,000	2/15/2030	905,000
Note Payable - 2022 Chevy Silverado	4.25%	36,000	2/10/2025	-
Note Payable - Mini Excavator & Dump Trailer	8.50%	63,605	11/20/2027	63,605
Total obligations		<u>\$ 2,666,351</u>		<u>\$ 1,064,359</u>

The changes in the general long-term debt as of March 31, 2025 are as follows:

<u>Governmental Activities</u>	<u>Balance 3/31/2024</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 3/31/2025</u>	<u>Due Within One Year</u>
Notes payable	\$ 24,596	\$ 95,754	\$ (24,596)	\$ 95,754	\$ 29,317
Compensated absences	53,077	-	(10,676)	42,401	-
Net pension liability	864,494	-	(64,083)	800,411	-
Total OPEB liability	36,842	-	(2,889)	33,953	1,131
Right-to-use lease agreements	-	9,022	(1,822)	7,200	2,923
<u>Business-Type Activities</u>					
Certificate of obligation	1,075,000	-	(170,000)	905,000	175,000
Notes payable	12,510	63,605	(12,510)	63,605	19,475
Compensated absences	9,906	13,330	-	23,236	-
Net pension liability	465,497	-	(34,506)	430,991	-
Total OPEB liability	19,838	-	(1,556)	18,282	609
Right-to-use software arrangements	-	19,197	(5,914)	13,283	6,386
Total	<u>\$ 2,561,760</u>	<u>\$ 200,908</u>	<u>\$ (328,552)</u>	<u>\$ 2,434,116</u>	<u>\$ 234,841</u>

**CITY OF WASKOM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025**

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Long-Term Liabilities - continued

Annual debt service requirements for the City’s notes payable are as follows:

Year Ending March 31	Notes Payable					
	Governmental Activities		Business-Type Activities			Total
	Principal	Interest	Principal	Interest		
2026	\$ 29,319	\$ 8,252	\$ 19,475	\$ 5,482	\$ 62,528	
2027	31,845	5,725	21,153	3,803	62,526	
2028	34,590	2,981	22,977	1,980	62,528	
Total	\$ 95,754	\$ 16,958	\$ 63,605	\$ 11,265	\$ 187,582	

Annual debt service requirements for the City’s bonds payable are as follows:

Year Ending March 31	Business-Type Activities		
	Series 2014		
	Principal	Interest	Total
2026	\$ 175,000	\$ 23,575	\$ 198,575
2027	175,000	19,017	194,017
2028	180,000	14,458	194,458
2029	185,000	9,769	194,769
2030	190,000	4,950	194,950
Total	\$ 905,000	\$ 71,768	\$ 976,768

**CITY OF WASKOM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025**

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Leases

Lease agreements are summarized as follows:

<u>Description</u>	<u>Lease Date</u>	<u>Payment Terms</u>	<u>Payment Amount</u>	<u>Interest Rate</u>	<u>Total Lease Liability</u>	<u>Yearend Balance</u>
Applied Concepts Stalker Radar #1	4/1/2024	36 Months	\$ 94.47	8.500%	\$ 2,993	\$ 2,078
Applied Concepts Stalker Radar #2	10/1/2024	36 Months	94.47	8.000%	3,015	2,561
Applied Concepts Stalker Radar #3	10/1/2024	36 Months	94.47	8.000%	3,015	2,561
Total					<u>\$ 9,023</u>	<u>\$ 7,200</u>

The Police Department currently has three ACI – Stalker Radar equipment leases with one beginning on April 1, 2024 and two beginning on October 10, 2024 for a term of thirty-six (36) months or three years at a fixed interest rate of 8.50% and 8.00%. These leases are renewable and the City will not acquire the equipment at the end of the three years.

Annual requirements to amortize long-term obligations and related interest are as follows:

<u>Year Ending March 31</u>	<u>Governmental Activities</u>	
	<u>Lease Payment Schedule</u>	
	<u>Principal</u>	<u>Interest</u>
2026	\$ 2,923	\$ 478
2027	3,171	231
2028	1,106	26
Total	<u>\$ 7,200</u>	<u>\$ 735</u>

CITY OF WASKOM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Subscription-Based Information Technology Arrangements

The City implemented Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, in fiscal year 2023. The City has two (2) software arrangements that require recognition under GASBS No. 96. The software amortization expense is included on the Statement of Revenues, Expenses and Changes in Fund Net Position related to the City's intangible asset of five software systems, which is included in the capital assets table as Intangible Right-to-Use Software Arrangements.

The City recognizes subscription-based information technology arrangement (SBITA) liabilities and intangible right-to-use assets for software as follows:

The Master Meter AMR System software arrangement is a three-year agreement, initiated in fiscal year 2025 with an annual payment of \$1,430. At the inception, the City has used an 8.00% interest rate for this arrangement based on the prime rate as published by the *Wall Street Journal*. The City has an option to extend this arrangement for 12 additional months and is likely to exercise that option for two (2) additional years. There is no option to purchase the software.

The Harris Computer Systems water and sewer utility billing system software arrangement is a three-year agreement, initiated in fiscal year 2025 with an annual payment of \$6,019. At the inception, the City has used an 8.00% interest rate for this arrangement based on the prime rate as published by the *Wall Street Journal*. The City has an option to extend this arrangement for 12 additional months and is likely to exercise that option for two (2) additional years. There is no option to purchase the software.

**CITY OF WASKOM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025**

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Subscription-Based Information Technology Arrangements – continued

These assets will be amortized over the lease terms of three years with \$19,197 recorded as intangible right-to-use software arrangements in the General Fund and Water Sewer Fund capital assets.

SBITA agreements are summarized as follows:

<u>Business-Type Activities</u>	<u>SBITA Date</u>	<u>Payment Terms</u>	<u>Payment Amount</u>	<u>Interest Rate</u>	<u>Total SBITA Liability</u>	<u>Yearend Balance</u>
Right-to-use software arrangements						
Harris Computer Systems	4/1/2024	36 months	6,019	8.00%	15,512	10,733
Master Meter AMR System	4/1/2024	36 months	1,430	8.00%	3,685	2,550
				Total	<u>\$ 19,197</u>	<u>\$ 13,283</u>

A summary of the principal and interest amounts for the remaining arrangements includes the following principal and interest payments:

<u>Year Ending June 30</u>	<u>SBITA Payment Schedule</u>	
	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2026	\$ 6,386	\$ 1,063
2027	6,897	552
Total	<u>\$ 13,283</u>	<u>\$ 1,615</u>

**CITY OF WASKOM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025**

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Texas Municipal Retirement System Plan

Plan Description – The City participates as one of 930 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at 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 Member’s benefit is calculated based on the sum of the Member’s contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

Plan provisions for the City were as follows:

Plan Year	2024	2023
Employee deposit rate	7%	7%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	10	10
Service retirement eligibility (expressed as age/years of service)	60/10, 0/20	60/10, 0/20

**CITY OF WASKOM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025**

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Texas Municipal Retirement System Plan – continued

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	15
Inactive employees entitled to but not yet receiving benefits	11
Active employees	18
Total	44

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 24.12% and 23.29% in calendar years 2023 and 2024, respectively. The City’s contributions to TMRS for the year ended March 31, 2025 were \$216,682, and were equal to the required contributions.

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

Actuarial assumptions:

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

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
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%.

**CITY OF WASKOM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025**

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Texas Municipal Retirement System Plan – continued

Actuarial assumptions – continued:

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 the most recent Scale MP- 2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2012. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are 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 2025 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	35.00%	7.10%
Core Fixed Income	6.00%	5.00%
Non-Core Fixed Income	6.00%	6.80%
Other Public and Private Markets	23.00%	21.50%
Real Estate	12.00%	6.70%
Hedge Funds	5.00%	6.40%
Private Equity	13.00%	8.50%
Total	<u>100.00%</u>	

CITY OF WASKOM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Texas Municipal Retirement System Plan – continued

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 liability:

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2023	\$ 3,957,284	\$ 2,627,293	\$ 1,329,991
Changes for the year:			
Service cost	\$ 157,407	\$ -	\$ 157,407
Interest	266,414	-	266,414
Changes in current period benefits*	-	-	-
Difference between expected and actual experience	19,652	-	19,652
Changes of assumptions	-	-	-
Contributions - employer	-	209,875	(209,875)
Contributions - employee	-	60,909	(60,909)
Net investment income	-	273,070	(273,070)
Benefit payments, including refunds of employee contributions	(178,227)	(178,227)	-
Administrative expense	-	(1,751)	1,751
Other changes	-	(41)	41
Net changes	265,246	363,835	(98,589)
Balance at 12/31/2024	\$ 4,222,530	\$ 2,991,128	\$ 1,231,402

* For TMRS, the “changes in current period benefits” includes substantively automatic benefit status changes, if applicable.

**CITY OF WASKOM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025**

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Texas Municipal Retirement System Plan – continued

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

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

	1% Decrease in Discount Rate 5.75%	Current Rate Assumption 6.75%	1% Increase in Discount Rate 7.75%
City’s net pension liability (asset)	\$ 1,773,889	\$ 1,231,402	\$ 782,032

Pension plan fiduciary net position:

Detailed information about the pension plan’s Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at tmrs.com.

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

For the year ended March 31, 2025, the City recognized pension earnings of \$7,714.

At March 31, 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	\$ 40,720	\$ -
Changes in actuarial assumptions	-	9,189
Difference between projected and actual investment earnings	-	30,483
Contributions subsequent to the measurement date	79,005	-
Total	\$ 119,725	\$ 39,672

**CITY OF WASKOM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025**

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Texas Municipal Retirement System Plan – continued

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions – continued

Employer contributions to TMRS for the period April 1, 2024 through December 31, 2024, were \$138,055 as reported in the basic financial statements. Contributions made subsequent to the December 31, 2024 measurement date through September 30, 2025 (the City’s fiscal year-end) will be recognized as a reduction of the net pension liability in the fiscal year ending March 31, 2026. These contributions were \$79,005.

The amount of \$79,005 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 March 31, 2025. Other amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	
2025	\$ 22,830
2026	36,276
2027	(38,914)
2028	(19,144)
2029	-
Thereafter	<u>-</u>
Total	<u>\$ 1,048</u>

CITY OF WASKOM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Postemployment Benefits Other Than Pensions (OPEB): Supplemental Death Benefits Fund

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

Benefits Provided – The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

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	15
Inactive employees entitled to but not yet receiving benefits	11
Active employees	18
Total	44

Contributions – The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year.

Schedule of contributions:

Plan Year	2023	2022
Total SDB Contribution (Rate)	.34%	.17%
Retiree Portion of SDB Contribution (Rate)	.14%	.09%

**CITY OF WASKOM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025**

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

(OPEB): Supplemental Death Benefits Fund – continued

Actuarial assumptions:

Summary of actuarial assumptions:	
Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Discount rate*	4.08%
Retirees' share of benefit-related costs	\$0.00
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year setforward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

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

Changes in the OPEB liability:

	Total OPEB Liability
Balance at 12/31/2022	\$ 56,680
Changes for the year:	
Service cost	\$ 1,392
Interest	2,130
Change of benefit terms	-
Difference between expected and actual experience	(3,605)
Changes of assumptions	(2,622)
Benefit payments	(1,740)
Net changes	(4,445)
Balance at 12/31/2023	\$ 52,235

**CITY OF WASKOM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025**

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

(OPEB): Supplemental Death Benefits Fund – continued

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

	1% Decrease in Discount Rate 3.08%	Current Rate Assumption 4.08%	1% Increase in Discount Rate 5.08%
City's net pension liability (asset)	\$ 61,525	\$ 52,235	\$ 44,813

OPEB expense:

	OPEB Expense
Service cost	\$ 1,392
Interest	2,130
Change of benefit terms	-
Employer administrative costs	-
Recognition of deferred outflows/inflows of resources:	
Differences between expected and actual experience	(1,800)
Changes of assumptions	(3,124)
Total OPEB expense	\$ (1,402)

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

At March 31, 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	\$ -	\$ 3,803
Changes in assumptions and other inputs	-	9,976
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	1,092	-
Total	\$ 1,092	\$ 13,779

**CITY OF WASKOM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025**

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

(OPEB): Supplemental Death Benefits Fund – continued

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future OPEB expense (excluding city-provided contributions made subsequent to the measurement date):

Year ended December 31:	
2025	\$ (6,037)
2026	(5,670)
2027	(629)
2028	(1,196)
2029	(247)
Thereafter	-
Total	\$ (13,779)

Accounting Standards

The GASB has issued the following Statement(s) which were implemented during the current fiscal year as shown below:

GASB Statement No. 100 – “*Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62.*” The objectives of this Statement are to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The Statement will become effective for fiscal years beginning after June 15, 2023. All applicable provisions have been included in the City’s financial statements as of March 31, 2025.

GASB Statement No. 101 – “*Compensated Absences.*” The objectives of this Statement are to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The Statement will become effective for fiscal years beginning after December 15, 2023. All applicable provisions have been included in the City’s financial statements as of March 31, 2025

CITY OF WASKOM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Accounting Standards – continued

The GASB has issued the following Statements which will become effective in future years as shown below:

GASB Statement No. 102 – “*Certain Risk Disclosures.*” The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 103 – “*Financial Reporting Model Improvements.*” The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 104 – “*Disclosure of Certain Capital Assets.*” The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 105 – “*Subsequent Events.*” The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. The requirements of this Statement are effective for fiscal years beginning after June 15, 2026. Management has not yet determined the impact of this Statement on its financial statements.

OMB Circular A-133 – State of Texas Single Audit Circular

The City did not expend \$750,000 or more in federal or state awards during 2025. As a result, a Single Audit in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular was not required for the year ended March 31, 2025.

Subsequent Events

Management has evaluated subsequent events through April 14, 2026, which is the date the financial statements were made available to management.

Required Supplementary Information

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**CITY OF WASKOM, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2025**

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUES				
Taxes:				
Sales	\$ 649,275	\$ 649,275	\$ 1,789,959	\$ 1,140,684
Property	650,000	650,000	738,964	88,964
Franchise	53,020	53,020	47,382	(5,638)
Fines and forfeitures	211,450	211,450	100,190	(111,260)
Licenses and permits	2,300	2,300	2,385	85
Charges for services	683,610	683,610	82,107	(601,503)
Sanitation services	437,500	437,500	436,699	(801)
Interest income	85,100	85,100	119,493	34,393
Miscellaneous	3,000	3,000	9,291	6,291
	<u>2,775,255</u>	<u>2,775,255</u>	<u>3,326,470</u>	<u>551,215</u>
EXPENDITURES				
Administration	785,640	785,640	584,698	200,942
Public safety	715,130	715,130	713,013	2,117
Municipal court	119,413	119,413	99,862	19,551
Sanitation	390,000	390,000	393,056	(3,056)
Emergency services	23,800	23,800	22,951	849
Highways and streets	72,100	72,100	54,677	17,423
Culture and recreation	130,000	130,000	124,465	5,535
Debt service	26,418	26,418	26,418	-
Capital outlay	512,754	512,754	379,012	133,742
	<u>2,775,255</u>	<u>2,775,255</u>	<u>2,398,152</u>	<u>377,103</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>928,318</u>	<u>928,318</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers from other funds	-	-	8,730	8,730
Leased assets	-	-	9,022	9,022
	<u>-</u>	<u>-</u>	<u>113,506</u>	<u>113,506</u>
Excess (deficiency) of revenues & other sources over expenditures & other (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>1,041,824</u>	<u>\$ 1,041,824</u>
Fund balance - beginning of year			<u>3,834,170</u>	
Fund balance - end of year			<u>\$ 4,875,994</u>	

TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 YEARS (WILL ULTIMATELY BE DISPLAYED)
(UNAUDITED)

	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability									
Service cost	\$ 157,407	\$ 133,959	\$ 119,298	\$ 111,280	\$ 55,269	\$ 57,224	\$ 62,118	\$ 62,702	\$ 61,858
Interest (on the total pension liability)	266,414	248,078	235,253	218,000	157,332	153,688	147,524	139,198	131,063
Changes of benefit terms	-	-	-	752,527	-	-	-	-	-
Difference between expected and actual experience	19,652	72,786	23,333	91,650	5,192	(52,551)	(13,052)	(7,087)	9,895
Change of assumptions	-	(25,899)	-	-	-	9,080	-	-	-
Benefit payments, including refunds of employee contributions	(178,227)	(159,786)	(230,633)	(108,050)	(91,017)	(133,958)	(71,693)	(70,651)	(94,776)
Net change in total pension liability	265,246	269,138	147,251	1,065,407	126,776	33,483	124,897	124,162	108,040
Total pension liability - beginning	3,540,895	3,688,146	3,540,895	2,475,488	2,348,712	2,315,229	2,190,332	2,066,170	1,958,130
Total pension liability - ending (a)	\$ 3,806,141	\$ 3,957,284	\$ 3,688,146	\$ 3,540,895	\$ 2,475,488	\$ 2,348,712	\$ 2,315,229	\$ 2,190,332	\$ 2,066,170
Plan fiduciary net position									
Contributions - employer	\$ 209,875	\$ 185,157	\$ 149,610	\$ 45,903	\$ 46,374	\$ 46,794	\$ 51,325	\$ 53,407	\$ 47,640
Contributions - employee	60,909	55,651	50,519	34,775	33,949	34,766	37,739	38,093	37,219
Net investment income	273,070	264,294	(182,224)	291,267	158,444	286,811	(56,777)	228,293	104,023
Benefit payments, including refunds of employee contributions	(178,227)	(159,786)	(230,633)	(108,050)	(91,017)	(133,958)	(71,693)	(70,651)	(94,776)
Administrative expense	(1,751)	(1,681)	(1,577)	(1,347)	(1,025)	(1,620)	(1,097)	(1,183)	(1,186)
Other	(41)	(12)	1,881	9	(40)	(49)	(56)	(60)	(64)
Net change in plan fiduciary net position	363,835	343,622	(212,423)	262,558	146,686	232,744	(40,559)	247,899	92,856
Plan fiduciary net position - beginning	2,496,094	2,283,671	2,496,094	2,233,536	2,086,850	1,854,106	1,894,665	1,646,766	1,553,910
Plan fiduciary net position - ending (b)	\$ 2,859,929	\$ 2,627,293	\$ 2,283,671	\$ 2,496,094	\$ 2,233,536	\$ 2,086,850	\$ 1,854,106	\$ 1,894,665	\$ 1,646,766
Net pension liability - ending [(a) - (b)]	\$ 946,212	\$ 1,329,991	\$ 1,404,475	\$ 1,044,801	\$ 241,952	\$ 261,862	\$ 461,123	\$ 295,667	\$ 419,404
Plan fiduciary net position as a percentage of total pension liability	70.84%	66.39%	61.92%	70.49%	90.23%	88.85%	80.08%	86.50%	79.70%
Covered employee payroll	\$ 870,131	\$ 795,007	\$ 721,705	\$ 695,503	\$ 678,986	\$ 695,315	\$ 754,781	\$ 761,869	\$ 744,385
Net pension liability as a percentage of covered employee payroll	141.52%	167.29%	194.61%	150.22%	35.63%	37.66%	61.09%	38.81%	56.34%

**TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
LAST 10 YEARS (WILL ULTIMATELY BE DISPLAYED)
(UNAUDITED)**

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 279,247	266,845	187,163	47,805	47,805	47,054	52,515	54,274	51,618
Contributions in relation to the actuarially determined contribution	279,247	266,845	187,163	47,805	47,805	47,054	52,515	54,274	51,618
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
Covered employee payroll	837,495	795,007	721,705	680,503	674,122	674,122	754,781	761,869	744,385
Contributions as a percentage of covered employee payroll	33.34%	33.57%	25.93%	7.02%	7.09%	6.98%	6.96%	7.12%	6.93%

NOTES TO THE SCHEDULE OF CONTRIBUTIONS

Valuation Date:	
Notes	Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.
Methods and assumptions used to determine	
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20 Years (longest amortization ladder)
Asset valuation method	10 year smoothed market, 12% soft corridor
Inflation	2.5%
Salary increases	3.60% to 11.85% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2023 valuation pursuant to an experience study of the period 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:	
Notes	There were no benefit changes during the year.

**TEXAS MUNICIPAL RETIREMENT SYSTEM
SUPPLEMENTAL DEATH BENEFITS FUND
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST 10 YEARS (WILL ULTIMATELY BE DISPLAYED)
(UNAUDITED)**

	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability							
Service cost	\$ 1,392	\$ 1,193	\$ 2,093	\$ 2,017	\$ 1,833	\$ 1,460	\$ 1,736
Interest (on the total OPEB liability)	2,130	2,089	410	1,499	1,632	1,802	1,645
Changes of benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	(3,605)	647	(2,158)	(3,065)	2,629	(1,524)	(489)
Change of assumptions	(2,622)	2,512	(24,544)	2,399	10,056	9,124	(3,621)
Benefit payments	(1,740)	(1,511)	(1,299)	(1,043)	(272)	(278)	(226)
Net change in total OPEB liability	(4,445)	4,930	(24,498)	1,807	15,878	10,584	(955)
Total OPEB liability - beginning	56,680	51,750	76,248	74,441	58,563	47,979	48,934
Total OPEB liability - ending	\$ 52,235	\$ 56,680	\$ 51,750	\$ 76,248	\$ 74,441	\$ 58,563	\$ 47,979
Covered employee payroll	\$ 336,877	\$ 795,007	\$ 721,705	\$ 695,503	\$ 678,986	\$ 695,315	\$ 754,781
Total OPEB liability as a percentage of covered employee payroll	6.17%	7.13%	7.17%	10.96%	10.96%	8.42%	6.36%

Compliance and Internal Control



DAVID K. GODWIN

CERTIFIED PUBLIC ACCOUNTANT, PLLC

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

To the Honorable Mayor and Members of City Council
City of Waskom, 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 the City of Waskom, Texas (City), as of and for the year ended March 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 14, 2026.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.



David K. Godwin, CPA, PLLC

Tyler, Texas

April 14, 2026
