

CITY OF WEST, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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Independent Auditor's Report

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To the City Council
City of West, Texas

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of the governmental activities and the business-type activities of City of West, Texas (the City) as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In my opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the business-type activities of the City as of September 30, 2025, and the changes in financial position and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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 to error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, I

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

I am 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 I 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 4-9 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. I have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods

of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements that comprise the City's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In my opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated January 6, 2026 on my consideration of the City's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Bill Sanders

Waco, Texas
January 6, 2026

**CITY OF WEST, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025**

Within this section of the City of West, Texas' (the City) annual financial report, the City's management provides narrative discussion and analysis of the financial activities of the City for the year ended September 30, 2025. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights:

The City's assets exceeded its liabilities by \$27,003,816 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$25,968,897. The City's financial position improved significantly during the year.

Total net position is comprised of the following:

- (1) Capital assets, net of related debt, of \$16,438,050 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
- (2) Net assets of \$3,608,382 are restricted by debt covenants imposed outside the City.
- (3) Unrestricted net assets of \$6,957,384 represent the portion available to maintain the City's continuing obligations to citizens and creditors.

The City's governmental fund reported an ending fund balance of \$4,469,925 this year. This compares to the prior year ending fund balance of \$2,903,015 showing an increase of \$1,566,910 during the current year, primarily due to profits from the Quality Incentive Payment Program.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

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

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

The second government-wide statement is the *Statement of Activities* which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, education, and culture and recreation. Business-type activities include water solid waste management, airports, ground transportation, and others.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole.

The City has two kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. The general fund is the only governmental fund currently used by the City.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

A budgetary comparison statement for the general fund is included in the basic financial statements. This statement demonstrates compliance with the City's adopted budget.

Proprietary funds are reported in the fund financial statements and report services for which the City charges customers a fee. There are two kinds of proprietary funds. These are enterprise funds and internal service funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization, such as water utilities, sewer service, and solid waste management. The City does not currently use internal service funds.

Notes to the financial statements

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

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary financial and nonfinancial information following the notes to the financial statements.

Financial Analysis of the City as a Whole

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the City as a whole.

The City's net position at fiscal year-end is \$27,003,816. This is a \$1,034,919 increase over last year's net position of \$25,968,897. The following table provides a summary of the City's net position at September 30:

Summary of Net Position

	Governmental Activities		Business-Type Activity	
	2025	2024	2025	2024
Current Assets	\$ 4,456,542	\$ 2,926,435	\$ 1,886,872	\$ 1,676,589
Note Receivable	-	-	1,027,460	1,061,506
Restricted Assets	-	-	3,608,382	6,745,623
Net Pension Asset	160,860	93,389	68,940	40,024
Water Rights, Net	-	-	753,317	790,983
Capital Assets, Net	8,024,600	8,196,436	32,739,802	30,519,412
Total Assets	12,642,002	11,216,260	40,084,773	40,834,137
Deferred Outflow of Resources	124,000	145,374	462	18,801
Bonds Payable	-	-	23,694,094	24,167,882
Notes Payable	171,190	96,963	1,255,162	1,347,020
Other Liabilities	100,287	165,220	626,688	468,590
Total Liabilities	271,477	262,183	25,575,944	25,983,492
Deferred Inflow of Resources	-	-	-	-
Net Position:				
Invested in Capital Assets, Net of Related Debt	7,853,410	8,099,473	8,584,640	5,004,510
Restricted			3,608,382	6,745,623
Unrestricted	4,641,115	2,999,978	2,316,269	3,119,313
Total Net Position	\$ 12,494,525	\$ 11,099,451	\$ 14,509,291	\$ 14,869,446

The City reported an increase in net position for governmental activities of \$1,395,074 and a decrease in net position of its business-type activity of \$360,155 for an overall increase in net position of \$1,034,919 during fiscal 2025. The reasons for this increase are discussed later in this section.

Comparative data is accumulated and presented to assist analysis. The following table provides a summary of the City's changes in net position for the years ended September 30:

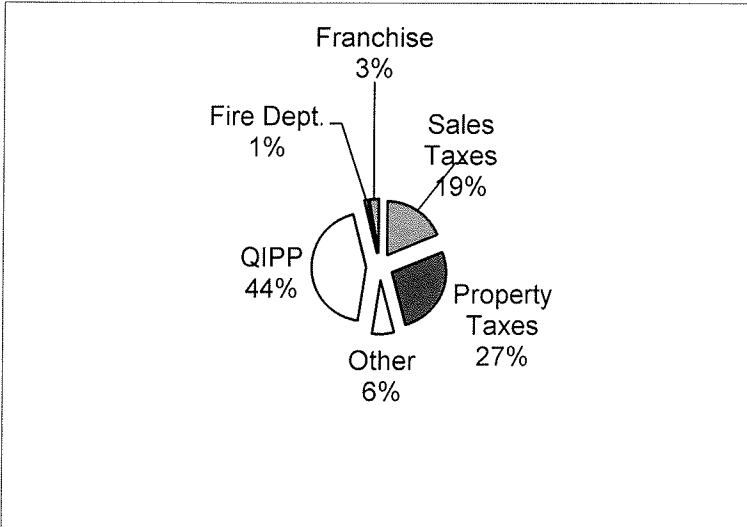
Summary of Changes in Net Position

	Governmental Activities		Business-Type Activity	
	2025	2024	2025	2024
Revenues:				
Program Revenues				
Charges for Services	\$ 2,542,489	\$ 1,171,595	\$ 2,093,352	\$ 1,969,784
Grants	39,200	198,536	1,502	243,273
General Revenues				
Sales Taxes	1,089,598	1,031,276	-	-
Property Taxes	1,569,069	1,347,838	425,117	425,117
Franchise Taxes	159,866	156,146	-	-
Fines	141,381	141,447	-	-
Other Taxes & Fees	152,316	162,044	-	-
Fire Department	60,134	77,036	-	-
Donations	6,201	600	-	-
Other	38,792	120,019	281,666	677,707
Total Revenues	5,799,046	4,406,537	2,801,637	3,315,881
Expenses:				
Payroll & Benefits	1,327,377	1,164,637	383,891	365,686
Utilities	127,806	123,298	131,463	132,314
Surface Water Purchased	-	-	269,667	261,165
Interest	3,963	4,613	1,044,330	1,051,046
Depreciation	427,509	382,506	826,510	788,720
Repairs & Maintenance	107,854	114,396	108,303	117,076
Insurance	67,230	62,254	62,568	56,754
Supplies	98,967	93,040	66,874	86,059
Gasoline	42,874	44,063	11,113	13,405
Community Subsidies	67,185	112,347	-	-
Fees	250,228	282,979	58,898	80,115
Fire Department	99,325	90,263	-	-
Grant Expenses	84,929	235,194	-	-
Qualified Incentive Payments	1,780,726	1,171,595	-	-
Other	61,255	59,740	54,919	46,051
Total Expenses	4,547,228	3,940,925	3,018,536	2,998,391
Change in Net Position				
Before Transfers	1,251,818	465,612	(216,899)	317,490
Transfers Between Funds	143,256	3,035,240	(143,256)	(3,035,240)
Change in Net Position	1,395,074	3,500,852	(360,155)	(2,717,750)
Beginning Net Position	11,099,451	7,598,599	14,869,446	17,587,196
Ending Net Position	\$ 12,494,525	\$ 11,099,451	\$ 14,509,291	\$ 14,869,446

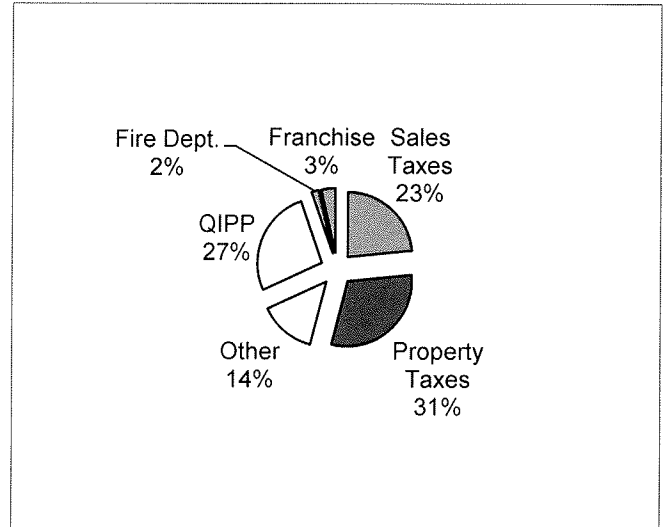
Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities for fiscal year 2025.

Governmental Revenues

2025



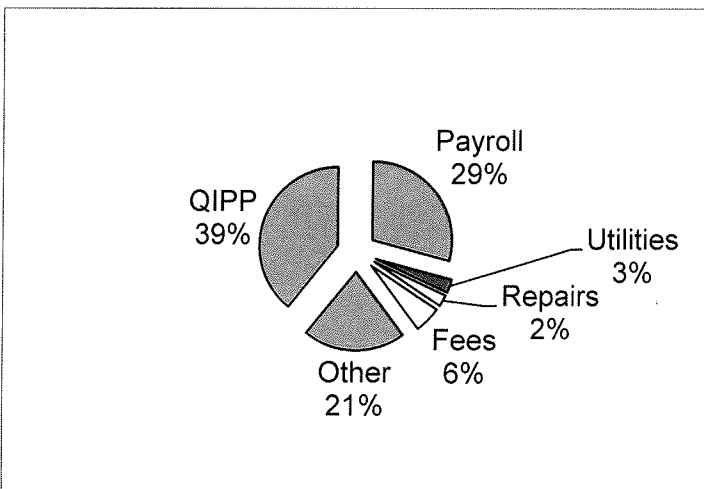
2024



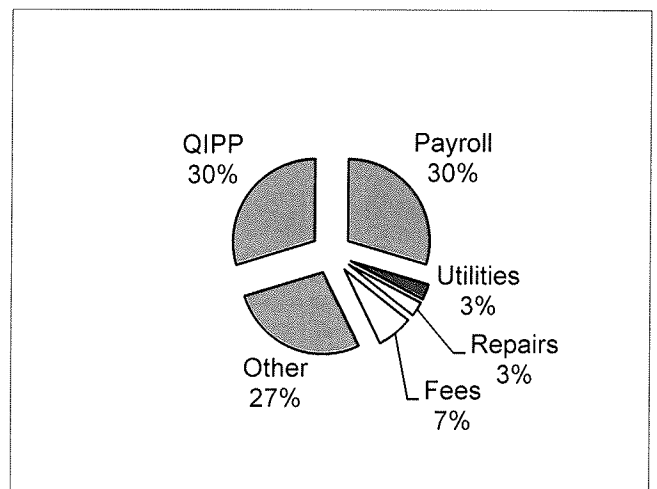
As graphically portrayed above, the City is heavily dependent on sales taxes and property taxes to support governmental operations. In both years, the QIPP receipts are included in "Other" and income received equals expenses, as this program is guaranteed by the State of Texas to break even.

Governmental Functional Expenses

2025



2024



This graph shows the costs of governmental activities for each of the past two years, with payroll and QIPP expenses accounting for over half of the total in each year.

Financial Analysis of the City's Funds

Governmental Fund

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. The governmental fund reported an ending fund balance of \$4,469,925, which is an increase of \$1,566,910 over the prior year, due to transfers from the Water & Sewer Fund to help pay for the Reagan-Marable-Davis street project, and a surplus from the QIPP program.

The General Fund is the City's only governmental fund and source of day-to-day service delivery.

Proprietary Fund

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

The Water and Sewer Fund is the City's only proprietary fund currently in use, and experienced a \$360,155 deficit this year, primarily due to depreciation expense.

Capital Projects

The City completed its Reagan-Marable-Davis Street project during the year, and almost completed its Wastewater Treatment Plant project. During the year, we began a new project, the Drainage Channel Improvement project, related to the new sewer plant.

Debt

At the end of the fiscal year, the City had total bonded debt outstanding of \$23,694,094. This amount is supported by pledged revenues generated by the business-type activities of the City.

Long-Term Water Needs

During fiscal 2005, the City entered into an agreement to sell the pipeline that we built in 2002 to the City of Waco, and simultaneously bought the rights to 1,000,000 gallons of water per day from Waco for the next forty years. No cash will actually trade hands in this agreement, as payments to Waco for water will be offset by payments to West for the pipeline. The City Council believes that this agreement will provide for West's long-term water needs at an economical price.

Quality Incentive Payment Program

This is the third and final year that the City has participated in the Quality Incentive Payment Program (QIPP), a state-directed payment program for Texas nursing facilities serving residents enrolled in a STAR PLUS Medicaid managed care program. Providers earn payments by meeting participation and performance requirements across four components. The City sponsored West Rest Haven and St. Anthony's Care Center in Waco, and recognized a substantial profit, based on the performance of the care facilities.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the City at P.O. Box 97, West, Texas 76691.

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

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 4,025,816	\$ 1,093,480	\$ 5,119,296
Investments	177,001	469,515	646,516
Sales Taxes Receivable	181,207		181,207
Accounts Receivable	69,704	195,545	265,249
Delinquent Property Taxes Receivable, Net	2,814		2,814
Note Receivable		34,046	34,046
Inventory		94,286	94,286
Total Current Assets	4,456,542	1,886,872	6,343,414
Restricted Assets			
Cash in Banks		384,992	384,992
Investments		3,223,390	3,223,390
Note Receivable		1,027,460	1,027,460
Net Pension Asset	160,860	68,940	229,800
Reserved Water Rights, net of Accum. Amortization		753,317	753,317
Capital Assets:			
Land	194,129	151,098	345,227
Other Assets, Net of Accumulated Depreciation	7,830,471	32,588,704	40,419,175
Total Assets	\$ 12,642,002	\$ 40,084,773	\$ 52,726,775
Deferred Outflows of Resources	124,000	462	124,462
LIABILITIES:			
Current Liabilities:			
Accounts Payable	\$ 57,509	\$ 401,041	\$ 458,550
Meter Deposits Payable		207,314	207,314
Notes Payable	58,778	227,702	286,480
Revenue Bonds Payable		480,000	480,000
Total Current Liabilities	116,287	1,316,057	1,432,344
Long-Term Liabilities			
OPEB Payable	42,778	18,333	61,111
Notes Payable	112,412	1,027,460	1,139,872
Revenue Bonds Payable		22,420,000	22,420,000
Premium on Bonds Payable		794,094	794,094
Total Long-Term Liabilities	155,190	24,259,887	24,415,077
Total Liabilities	271,477	25,575,944	25,847,421
NET POSITION			
Invested in Capital Assets, net of Related Debt	7,853,410	8,584,640	16,438,050
Restricted		3,608,382	3,608,382
Unrestricted	4,641,115	2,316,269	6,957,384
Total Net Position	12,494,525	14,509,291	27,003,816

The accompanying notes are an integral part of this financial statement.

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

Functions/Programs	<u>Governmental Activities</u>	<u>Business-Type Activity</u>	<u>Total</u>
Governmental Activities:			
General Government	\$ 4,547,228	\$ -	\$ 4,547,228
Business-Type Activities:			
Water & Sewer	-	3,018,536	3,018,536
Program Revenues:			
Charges for Services	<u>2,542,489</u>	<u>2,093,239</u>	<u>4,635,728</u>
			-
Net (Expense) Revenue	(2,004,739)	(925,297)	(2,930,036)
General Revenues:			
Property Taxes	1,569,069	425,117	1,994,186
Sales Taxes	1,089,598	-	1,089,598
Franchise Taxes	159,866	-	159,866
Interest	23,834	281,666	305,500
Grants & Donations	39,200	1,502	40,702
Fire Department	60,134	-	60,134
Other	<u>314,856</u>	<u>113</u>	<u>314,969</u>
Total General Revenues	3,256,557	708,398	3,964,955
Transfers Between Funds	<u>143,256</u>	<u>(143,256)</u>	<u>-</u>
Change in Net Position	1,395,074	(360,155)	1,034,919
Beginning Net Position	<u>11,099,451</u>	<u>14,869,446</u>	<u>25,968,897</u>
Ending Net Position	<u>\$ 12,494,525</u>	<u>\$ 14,509,291</u>	<u>\$ 27,003,816</u>

The accompanying notes are an integral part of this financial statement.

CITY OF WEST, TEXAS
BALANCE SHEET - GOVERNMENTAL FUND
SEPTEMBER 30, 2025

ASSETS:

Cash on Hand and in Banks	\$ 4,025,816
Investments	177,001
Sales Taxes Receivable	181,207
Other Accounts Receivable	69,704
Net Pension Asset	160,860
Delinquent Property Taxes Receivable, Net	<u>2,814</u>

Total Assets \$ 4,617,402

Deferred Outflow of Resources 124,000

LIABILITIES AND FUND BALANCES:

LIABILITIES:

Current Liabilities:

Accounts Payable	\$ 57,509
Notes Payable	<u>58,778</u>
Total Current Liabilities	116,287

Long-Term Liabilities

Notes Payable	\$ 112,412
OPEB Payable	<u>42,778</u>
Total Long-Term Liabilities	<u>155,190</u>

Total Liabilities 271,477

FUND BALANCES:

Unreserved 4,469,925

Total Liabilities and Fund Balances \$ 4,741,402

Reconciliation of the Balance Sheet - Governmental Fund to the Statement of Net Assets:

Fund Balance, Governmental Fund \$ 4,469,925

Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets of \$12,351,874 less accumulated depreciation of (\$4,327,274) are not financial resources and, therefore, are not reported in the funds. 8,024,600

Net Assets of Governmental Activities \$ 12,494,525

The accompanying notes are an integral part of this financial statement.

	<u>General</u>
Public Works & Police Uniforms	10,182
Fire Department Expenses	99,325
Community Subsidies	51,371
Gasoline	14,307
Gasoline - Police	28,567
Gasoline - EMS	15,814
Miscellaneous	39,661
Capital Outlay	255,674
Insurance	67,230
Grant Expenses	84,929
Quality Improvement Payment Program	1,780,726
Public Health District	<u>9,365</u>
Total Expenditures	<u>4,375,392</u>
Excess (Deficit) of Revenues Over (Under) Expenditures Before Other Financing Uses	1,423,654
Other Financing Sources - Interfund Transfers	<u>143,256</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	1,566,910
Fund Balance at Beginning of Year	<u>2,903,015</u>
Fund Balance at End of Year	<u><u>\$ 4,469,925</u></u>
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund to the Statement of Activities	
Net Change in Fund Balance - Governmental Fund	1,566,910
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which which depreciation of \$427,510 exceeded capital outlay of \$255,674.	<u>(171,836)</u>
Change in net position of governmental activities	<u><u>\$ 1,395,074</u></u>

The accompanying notes are an integral part of this financial statement.

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

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
General Property Taxes	\$ 1,601,001	\$ 1,569,069	\$ (31,932)
Penalty & Interest	30,000	18,306	(11,694)
City Sales Taxes	1,005,000	1,089,598	84,598
Alcohol Device Taxes	4,500	3,275	(1,225)
Franchise Taxes	165,000	159,866	(5,134)
Hotel Taxes	135,000	121,184	(13,816)
Permits	55,000	9,512	(45,488)
Fines	130,000	141,381	11,381
Child Safety Fees	3,800	3,737	(63)
Fire Department Revenues	-	60,134	60,134
Rental Income	6,000	2,800	(3,200)
Grants	200,000	39,200	(160,800)
Quality Improvement Payment Program	-	2,542,489	2,542,489
Miscellaneous	15,000	14,661	(339)
Interest	24,000	23,834	(166)
Total Revenues	3,374,301	5,799,046	2,424,745
Expenditures:			
Salaries	1,110,666	1,103,907	6,759
Payroll Taxes	85,156	82,229	2,927
Benefits - Retirement	75,651	26,088	49,563
Benefits - Group Insurance	141,244	115,153	26,091
Utilities	110,000	97,067	12,933
Telephone	30,000	30,738	(738)
Office Supplies	13,500	15,244	(1,744)
Hotel Tax Disbursement	50,000	49,164	836
General Supplies	25,000	23,570	1,430
Postage	3,000	2,267	733
Street Supplies	4,500	6,487	(1,987)
Animal Control	10,400	10,190	210
Code Enforcement	5,000	3,777	1,223
Police Supplies	55,000	51,399	3,601
Repairs & Maintenance	126,000	93,070	32,930
Repairs & Maintenance Street	50,000	14,785	35,215
Recycling	2,000	444	1,556
Criminal Justice Fees	71,500	35,156	36,344
Dues & Subscriptions	88,000	74,627	13,373
Election Expense	1,200	3,125	(1,925)

	Budget	Actual	Variance Favorable (Unfavorable)
Legal & Professional	67,000	64,378	2,622
Travel & Training	31,250	15,376	15,874
Public Works & Police Uniforms	11,200	10,182	1,018
Fire Department Expenses	65,200	99,325	(34,125)
Community Subsidies	90,000	51,371	38,629
Gasoline	22,000	14,307	7,693
Gasoline - Police	28,000	28,567	(567)
Gasoline - EMS	18,000	15,814	2,186
Miscellaneous	24,000	39,661	(15,661)
Capital Outlay	50,000	255,674	(205,674)
Insurance	65,000	67,230	(2,230)
Grant Expenses	250,000	84,929	165,071
Quality Improvement Payment Program	142,000	1,780,726	(1,638,726)
Public Health District Fees	9,400	9,365	35
Total Expenditures	2,930,867	4,375,392	(1,447,147)
Excess (Deficit) of Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	443,434	1,423,654	980,220
Interfund Transfers	-	143,256	143,256
Excess (Deficit) of Revenues Over (Under) Expenditures	443,434	1,566,910	1,123,476
Fund Balance at Beginning of Year	2,903,015	2,903,015	-
Fund Balance at End of Year	\$ 3,346,449	\$ 4,469,925	\$ 1,123,476
Other Budgeted Item:			
Note Payment	\$ 67,802	\$ 53,679	\$ 14,123

The accompanying notes are an integral part of this financial statement.

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

	Water & Sewer Fund
ASSETS:	
Current Assets:	
Cash on Hand and in Banks	\$ 1,093,480
Investments	469,515
Accounts Receivable	195,545
Note Receivable	34,046
Inventory	94,286
Total Current Assets	1,886,872
Restricted Assets:	
Cash in Banks	384,992
Investments	3,223,390
Total Restricted Assets	3,608,382
Other Assets	
Note Receivable	1,027,460
Net Pension Asset	68,940
Reserved Water Rights, net of Accumulated Amortization	753,317
Total Other Assets	1,849,717
Capital Assets:	
Land	151,098
Other Capital Assets, net of Accumulated Depreciation	32,588,704
Total Capital Assets	32,739,802
Total Assets	\$40,084,773
Deferred Outflow of Resources	462
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 401,041
Meter Deposits Payable	207,314
Notes Payable	227,702
Revenue Bonds Payable	480,000
Total Current Liabilities	1,316,057
Long-Term Liabilities:	
OPEB Payable	18,333
Notes Payable	1,027,460
Revenue Bonds Payable	22,420,000
Premium on Bonds Payable	794,094
Total Long-Term Liabilities	24,259,887
Total Liabilities	25,575,944
NET POSITION:	
Invested in Capital Assets, Net of Related Debt	8,584,640
Restricted	3,608,382
Unrestricted	2,316,269
Total Net Position	\$14,509,291

The accompanying notes are an integral part of this financial statement.

	<u>Water and Sewer</u>
Gasoline	11,113
Miscellaneous	5,379
Insurance	62,568
Bad Debts	10,481
Interest	1,044,330
Bond Issuance Costs	-
Amortization	37,666
Depreciation	<u>826,510</u>
Total Operating Expenses	<u>2,748,869</u>
Operating Income (Loss)	\$ (498,565)
Nonoperating Revenues (Expenses)	
Interest Income	281,666
Interfund Transfers	<u>(143,256)</u>
Net Income (Loss)	(360,155)
Beginning Net Position	<u>14,869,446</u>
Ending Net Position	<u><u>\$ 14,509,291</u></u>

The accompanying notes are an integral part of this financial statement.

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

	Water and Sewer
Cash Flows From Operating Activities:	
Cash Receipts From Customers	\$ 2,119,672
Cash Receipts From Property Taxes	425,117
Cash Payments to Vendors	(666,391)
Cash Payments to Employees	(308,246)
Cash Payments for Interest	(1,073,119)
Net Cash Flows From Operating Activities	497,033
Cash Flows Used By Capital and Related Financing Activities:	
Receipt of Grant	1,502
Purchases of Capital Assets	(3,046,900)
Receipt of Note	32,598
Payment of Notes	(91,857)
Payment of Revenue Bonds	(445,000)
Net Cash Flows Used By Capital and Related Financing Activities	(3,549,657)
Cash Flows From Noncapital Financing Activities:	
Interfund Transfers	(143,256)
Purchase of Investments	(227,882)
Receipts from Investments	3,178,941
Net Cash Flows From Noncapital Financing Activities	2,807,803
Cash Flows From Investing Activities:	
Interest Income	281,666
Net Increase (Decrease) in Cash	36,845
Cash and Equivalents, Beginning of Year	1,441,627
Cash and Equivalents, End of Year	\$ 1,478,472

The accompanying notes are an integral part of this financial statement.

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

Reconciliation of Operating Income to Net Cash Flows From Operating Activities:

Operating Income (Loss)	\$ (498,565)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities:	
Depreciation Expense	826,510
Amortization Expense - Water Rights	37,666
Amortization Expense - Bid Premium	(28,789)
Decrease in Accounts Receivable	17,120
Increase in Inventory	(2,928)
Increase in Net Pension Asset	(28,916)
Increase in Accounts Payable	148,460
Increase in Meter Deposits Payable	9,200
Increase in OPEB Liability	438
Other Increase	16,837
	995,598
Total Adjustments	995,598
Net Cash Flows From Operating Activities	\$ 497,033

The accompanying notes are an integral part of this financial statement.

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

1. Summary of Significant Accounting Policies

A. Reporting Entity

For financial reporting purposes, in conformity with generally accepted accounting principles, the City of West, Texas includes all funds, account groups, and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City.

Based on the foregoing criteria, the following component unit is included in the accompanying financial statements:

Volunteer Fire Department - The City owns the Department's assets, subsidizes their operations annually, is morally responsible to fund operating deficits, and controls their facilities.

The following related organizations are not component units of the City and are excluded from the accompanying financial statements:

Emergency Medical Services - The Service's expenses are financed entirely by outside sources, with the exception of the subsidy reported in the accompanying financial statements. The City is not involved in determining charges for services, funding operating deficits, or choosing its governing officials.

Community Library - The Library's expenses are financed entirely by outside sources, with the exception of some capital expenses reported in the accompanying financial statements. The City is not involved in determining charges for services, funding operating deficits, or choosing its governing officials or employees, but does insure the building, and would assume ownership of the building if the Library ceased operations.

Hospital Authority - The City appoints four of the Authority's ten directors, but meets none of the other criteria for inclusion in the City's financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net assets and the statement of net activities. These statements report financial information for the City as a whole. The statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed with fees charged to external customers.

Fund financial statements are provided for governmental and proprietary funds.

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025
(Continued)

C. Fund Accounting

The accounts of the City are organized into funds, each of which is considered to be a separate accounting entity. The following fund types are used by the City.

(A) Governmental Fund Type:

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

1. General Fund

The General fund is the primary operating fund of the City. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property, sales, franchise, and other local taxes.

(B) Proprietary Fund Type:

1. Water and Sewer Fund

The Water and Sewer Fund accounts for operations that are financed in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

D. Basis of Accounting

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

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of this fund are included on the balance sheet. The operating statement of this fund presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025
(Continued)

The modified accrual basis of accounting is used by governmental fund types. Under the modified accrual basis of accounting, revenues are when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred.

The accrual basis of accounting is used by the proprietary fund type. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

E. Budgets and Budgetary Accounting

The City adopts annual budgets for the General Fund and the Water and Sewer Fund. The annual budget for the general fund is prepared on the modified accrual basis of accounting. The budget for the Water and Sewer Fund is prepared under a basis consistent with GAAP, except that depreciation is not considered, but capital expenses and liability reductions are considered.

F. Inventory of Parts and Supplies

Inventory of parts and supplies held for consumption are recorded at cost on a first-in, first-out basis in the Water and Sewer Fund.

G. Property Taxes

Property taxes attach as enforceable liens on property as of January 1. Taxes are levied on October 1 and are due and payable on or before January 31 of the following year. All unpaid taxes become delinquent on February 1 of the following year. The City's taxes are billed and collected by the McLennan County Tax Office. City property tax revenues are recognized when levied. An allowance is established for delinquent taxes to the extent that their collectibility is improbable. At September 30, 2025, this allowance is \$78,425.

H. Property, Plant, Equipment, and Infrastructure

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Proprietary capital assets are also reported in their fund financial statements. Donated assets are stated at fair value on the date donated. The costs of

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025
(Continued)

normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives for depreciable assets are as follows:

Structures	20-40 Years
Vehicles	3-5 Years
Fire Trucks	10 Years
Equipment	5-15 Years
Underground Pipes	35 Years
Streets	40 Years

I. Water Reservation Rights

In 2005, the City bought the rights to purchase surface water from the City of Waco through 2045. These rights are amortized using the straight-line method over forty years.

J. Statement of Cash Flows

For the purposes of the Statement of Cash Flows of the Water and Sewer Fund, the City considers all highly liquid investments with initial maturities of three months or less when purchased to be cash equivalents.

K. Pension Coverage

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

2. Cash, Investments, and Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The *Public Funds Investment Act* and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The *Public Funds Investment Act* requires that a financial institution secure deposits made by state or

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025
(Continued)

2. Cash, Investments, and Custodial Credit Risk (continued)

local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must at least equal the bank balances less the FDIC insurance at all times.

As of September 30, 2025, the City's deposits with financial institutions in excess of federal depository insurance limits were fully collateralized. The book balances of the City's deposits were \$5,503,938, of which \$500,000 were covered by FDIC insurance and \$5,003,938 were collateralized by United States Government and other municipal securities with market values of \$12,303,747 held by independent financial institutions.

All amounts reported under the caption "Investments" in the City's financial statements are investments in the Local Government Investment Cooperative (LOGIC), a public funds investment pool administered by FirstSouthwest and JPMorgan Chase. LOGIC was organized in conformity with the *Interlocal Cooperation Act*, Chapter 791 of the Texas Government Code and the *Public Funds Investment Act*, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools and authorize eligible governmental entities to invest their public funds and funds under their control through the investment pools, and are considered Level 2 Investments.

For financial reporting purposes, LOGIC uses the fair value method to report its investments. Under the fair value method, fixed-income securities are valued each day by independent or affiliated commercial pricing services or third party broker-dealers. The pricing services or broker-dealers use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services or broker-dealers may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services or broker-dealers also utilize proprietary valuation models which may consider market transactions in comparable securities and the various relationships between securities in determining value and/or market characteristics such as benchmark yield curves, option adjusted spreads, credit spreads, estimated default rates, coupon rates, estimated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair values.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally-recognized statistical rating organization. At September 30, 2025, the City's investments in LOGIC totaled \$3,869,905, and were rated AAA by Standard & Poor's.

3. Components of Restricted Assets

Revenue Bond Sinking Fund	\$ 208,594
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The ordinances authorizing the 2021 tax and revenue refunding bonds require that the City establish a certificate fund for the purpose of paying principal and interest on these bonds.

Disaster Recovery Funds	\$ 176,398
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The State of Texas requires that the City only spend these funds for disaster recovery.

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025
(Continued)

3. Components of Restricted Assets (continued)

Wastewater Treatment Plant Construction Fund

The ordinances authorizing the 2023 tax and revenue bonds require that the City establish a fund for the purpose of construction costs of the wastewater treatment plant.

\$3,223,390

4. Changes in Capital Assets

The following is a summary of changes in capital assets used in governmental activities for the fiscal year:

	Balance September 30, 2024	Additions	Retirements	Balance September 30, 2025
Land (not depreciated)	\$194,129	\$ -	\$ -	\$194,129
Streets and Bridges	5,032,871	74,732		5,107,603
Buildings and Contents	2,259,365			2,259,365
City Parks	323,765			323,765
Community Center	640,629			640,629
Street Department Equipment	1,121,108			1,121,108
Fire Department Equipment	2,110,834			2,110,834
Police Department Equipment	413,499	180,942		594,441
Accumulated Depreciation	(3,899,764)	(427,510)		(4,327,274)
Net Capital Assets	<u>\$8,196,436</u>	<u>(\$171,836)</u>	<u>\$ -</u>	<u>\$8,024,600</u>

Depreciation recognized during the year was \$427,510.

The following is a summary of changes in proprietary fund capital assets for the fiscal year:

	Balance September 30, 2024	Additions	Retirements	Balance September 30, 2025
Water System	\$ 2,619,086	\$ 12,072	\$ -	\$ 2,631,158
Sewer System	19,030,595	3,034,828		22,065,423
Vehicles and Equipment	938,867			938,867
Buildings	19,107,735			19,107,735
Land (not depreciated)	151,098			151,098
Accumulated Depreciation	(11,327,969)	(826,510)	-	(12,154,479)
Net Capital Assets	<u>\$ 30,519,412</u>	<u>\$2,220,390</u>	<u>\$ -</u>	<u>\$32,739,802</u>

Depreciation recognized during the year was \$826,510. Construction in Progress at September 30, 2025 was \$20,229,994, and consisted of the wastewater treatment plant project and the drainage project.

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025
(Continued)

5. Changes in Long-Term Debt

The following is a summary of debt transactions for the City for the year ended September 30, 2025:

Description:	Balance September 30, 2024	Issued	Retired	Balance September 30, 2025
Note Payable to City of Waco for purchase of water reservation rights, 4.35 % imputed interest rate, maturing September 2045	\$ 1,094,104	\$ -	\$ 32,598	\$ 1,061,506
2015 Combination Tax and Revenue Certificates of Obligation, \$1,545,000 originally issued, with interest rates ranging from 3.25% to 5%, maturing April 2035	1,290,000	-	100,000	1,190,000
2021 Combination Tax and Revenue Certificates of Obligation, \$1,265,000 originally issued, with interest rates ranging from 2% to 3%, maturing April 2046	1,140,000	-	40,000	1,100,000
Note Payable to Kansas State Bank, \$21,186 payable annually, including 4.2% interest, maturing October 2024, secured by police vehicles	21,098	-	21,098	-
Note Payable to First Security State Bank, \$69,979 payable annually, including 4.25% interest, maturing October 2027, secured by equipment	252,916	-	59,259	193,657
2023 Combination Tax and Revenue Certificates of Obligation, \$21,260,000 originally issued, with interest rates ranging from 4% to 6% maturing April 2053	20,915,000	-	305,000	20,610,000
Note Payable to PointWest Bank, \$30,794 payable annually, including including 6.34% interest, maturing November 2026, secured by vehicles	75,865	-	16,586	59,279
Note Payable to PointWest Bank, \$31,191 payable annually, including including 6.5% interest, maturing November 2028, secured by vehicles	-	111,911	-	111,911
Total	<u>\$ 24,788,983</u>	<u>\$ 111,911</u>	<u>\$ 574,541</u>	<u>\$ 24,326,353</u>

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025
(Continued)

5. Changes in Long-Term Debt (continued)

The annual debt requirements as of September 30, 2025, including principal and interest are as follows:

<u>Years Ending September 30</u>	<u>Amount</u>
2026	\$ 1,694,026
2027	1,701,688
2028	1,672,429
2029	1,609,288
2030	1,582,972
2031-35	7,893,045
2036-40	7,179,122
2041-45	7,160,254
2046-50	6,482,587
2051-53	<u>3,850,363</u>
Total Principal and Interest	40,825,774
Less Interest	<u>16,499,421</u>
Liability at September 30, 2025	<u><u>\$24,326,353</u></u>

6. Note Receivable

On September 20, 2005, the City sold a pump station and water transmission line to the City of Waco, to be paid to the City in installments of \$12,814 monthly for 18 years, and \$6,632 monthly for 22 years. Interest is imputed at 4.35% over the term of the agreement. During the first 18 years, payments of \$6,632 per month were offset against those due to Waco for water reservation rights discussed in Note 1. For all 40 years, the payments of \$6,182 per month will be offset by the City's purchase of surface water from Waco.

7. Premium on Bonds Payable

The City received a "bid premium" on its 2023 Tax and Revenue Bond Series of \$863,667. This premium will be amortized over the life of the bonds (30 years) by reducing interest expense annually. Amortization recognized during the fiscal year was \$28,789.

8. Defined-Benefit Pension Plan

Plan Description

The City participates as one of 930 plans in the nontraditional, joint contributory, hybrid defined-benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees.

CITY OF WEST, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2025
 (Continued)

8. Defined-Benefit Pension Plan (continued)

Plan Description (continued)

Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

Benefits Provided

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

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	13
Inactive employees entitled to but not yet receiving benefits	18
Active Employees	21
Total	52
Covered Payroll	\$1,195,484

Contributions

Employees of the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rate for the City was 7% and totaled \$92,483 for the year, which equaled the required contributions.

Net Pension Liability (Asset)

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

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025
(Continued)

8. Defined-Benefit Pension Plan (Continued)

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
Investment Rate of Return	6.75%	net of pension plan investment expense, including inflation

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS as of December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for healthy and disabled annuitants and Annuity Purchase Rate (APRs) are based on a mortality study performed in 2013. The actuarial cost method being used is known as the Entry Age Normal Actuarial Cost Method. This method develops the actual cost of the plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that due to service earned prior to the current year, known as the amortization of the unfunded actuarial accrued liability.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	35.0%	6.70%
Core Fixed Income	6.0%	4.70%
Non-Core Fixed Income	20.0%	8.00%
Other Public and Private Markets	12.0%	8.00%
Real Estate	12.0%	7.60%
Hedge Funds	5.0%	6.40%
Private Equity	10.0%	11.60%
Total	100.0%	

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025
(continued)

8. Defined-Benefit Pension 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 (Asset):

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
Balance, December 31, 2023	\$ 2,837,065	\$ 2,970,478	\$ (133,413)
Changes for the year:			
Service Cost	125,765		125,765
Interest	190,333		190,333
Change of Benefit Terms			-
Differences Between Expected and Actual	31,594		31,594
Changes in Assumptions			-
Benefit Payments	(160,411)		(160,411)
Contributions - Employer		78,782	(78,782)
Contributions - Employee		59,774	(59,774)
Net Investment Income		307,547	(307,547)
Benefit Payments		(160,411)	160,411
Administrative Expense		(1,979)	1,979
Other		(45)	45
Balances, December 31, 2024	<u>\$ 3,024,346</u>	<u>\$ 3,254,146</u>	<u>\$ (229,800)</u>

Sensitivity Analysis:

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

	1% Decrease in Discount Rate 5.75%	Current Discount Rate 6.75%	1% Increase in Discount Rate 7.75%
Net Pension Liability (Asset)	<u>\$ 161,763</u>	<u>\$ (229,800)</u>	<u>\$ (553,058)</u>

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

8. Defined-Benefit Pension Plan (Continued)

Pension Expense:

Service Cost	\$ 125,765
Interest on Total Pension Liability	190,333
Changes in Current Period Benefits	-
Employee Contributions	(59,774)
Projected Earnings on Plan Investments	(200,507)
Administrative Expense	1,979
Other Changes in Fiduciary Net Position	45
Recognition of Current Year Outflow (Inflow) of Liabilities	8,448
Recognition of Current Year Outflow (Inflow) of Assets	(21,408)
Amortization of Prior Year Outflows (Inflows) of Liabilities	(28,879)
Amortization of Prior Year Outflows (Inflows) of Assets	20,754
	<hr/>
Total Pension Expense	<u>\$ 36,756</u>

Schedule of Deferred Inflows/Outflows of Resources:

	<u>Total (Inflow) or Outflow of Resources</u>	<u>Current Pension Expense</u>	<u>Deferred (Inflow)/Outflow of Resources</u>
Difference in Expected and Actual Experience	\$ 31,594	\$ 8,448	\$ 23,146
Difference in Changes in Assumptions	-	-	-
Difference in Projected and Actual Earnings	(107,040)	(21,408)	(85,632)
	<hr/>	<hr/>	<hr/>
Totals	<u>\$ (75,446)</u>	<u>\$ (12,960)</u>	<u>\$ (62,486)</u>

Amounts currently reported as deferred outflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year Ending December 31:

2025	\$ (11,393)
2026	24,861
2027	(41,245)
2028	(21,408)
thereafter	-
	<hr/>
Total	<u>\$ (49,185)</u>

9. Postemployment Benefits Other Than Pensions (OPEB)

TMRS also administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Plan (SDBP). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025
(continued)

9. Postemployment Benefits Other Than Pensions (OPEB) (continued)

approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF program is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

The member 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 prefund retiree term life insurance during employees' entire careers.

As of December 31, 2024, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	9
Inactive employees entitled to but not yet receiving benefit payments	4
Active employees	21
Total	34

Total OPEB Liability

The City's total OPEB liability of \$61,111 was measured as of December 31, 2024, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

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

Inflation		2.50%
Salary increases	3.6% to 11.85%	
Discount rate		4.08%
Retirees' share of benefit-related costs		-
Administrative expenses	Paid through the Pension Trust	
Mortality rates	2019 Municipal Retirees of Texas Mortality Tables projected on a fully generational basis by the most recent Scale MP-2021	

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

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025
(continued)

9. Postemployment Benefits Other Than Pensions (OPEB) (Continued)

Changes in the Total OPEB Liability:

Balance, December 31, 2023	\$	59,650
Changes for the year		
Service Cost		2,511
Interest on Total OPEB Liability		2,247
Changes of benefit terms		
Differences between expected an actual experience		2,193
Changes in assumptions or other inputs		(2,860)
Benefit payments		(2,630)
Net changes		1,461
Balance, December 31, 2024	\$	61,111
Covered Payroll	\$	1,195,484
Total OPEB Liability as a Percentage of Covered Payroll		5.11%

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate:

	1% Decrease 3.08%	Current Discount Rate 4.08%	1% Increase 5.08%
Total OPEB Liability	\$ 71,168	\$ 61,111	\$ 53,109

OPEB Expense:

Service cost	\$	2,511
Interest on total OPEB liability		2,247
Changes in benefit terms		-
Employer administrative costs		-
Recognition of deferred outflow/inflows of resources:		
Differences between expected and actual experience		(2,924)
Changes in assumptions or other inputs		(1,321)
Total OPEB Expense	\$	513

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025
(continued)

9. Postemployment Benefits Other Than Pensions (OPEB) (Continued)

Schedule of Outflows and Inflows - Current and Future Expense

<u>Due to Liabilities:</u>	<u>Recognition Period</u>	<u>Total (Inflow) or Outflow of Resources</u>	<u>Current OPEB Expense</u>	<u>Deferred (Inflow) Outflow</u>
Difference in expected and actual experience	5.56	\$ 2,193	\$ 395	\$ 1,798
Change in assumptions	5.56	(2,860)	(515)	(2,345)
Total		\$ (667)	\$ (120)	\$ (547)

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future OPEB expense:

	<u>Net Deferred Outflows / (Inflows) of Resources</u>
2025	\$ (5,953)
2026	(6,165)
2027	(2,386)
2028	(517)
2029	(67)
thereafter	-
Total	\$ (15,088)

10. Commitments and Contingencies

The City has committed to spend \$19,741,975 on the Wastewater Treatment Plant Project. As of September 30, 2025, the City had spent \$18,073,732, leaving \$1,668,243 to be spent in the next fiscal year.

The City has also committed to spend \$610,833 on a Drainage Channel Improvement Project. As of September 30, 2025, the City had spent \$141,899, leaving \$468,934 to be spent in the next fiscal year.

11. Related Party Transactions

During the year ended September 30, 2025 the City purchased \$44,447 of supplies from a store owned by an alderman and his family.

CITY OF WEST, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Years Ended December 31

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Pension Liability										
Service cost	\$ 63,110	\$ 64,922	\$ 68,922	\$ 70,280	\$ 99,140	\$ 98,580	\$ 92,078	\$ 99,836	\$ 106,550	\$ 125,765
Interest on total pension liability	122,362	124,630	129,475	131,894	158,400	171,152	177,018	181,841	187,909	190,333
Change in benefit terms					295,891					
Difference between expected and actual experience	(17,950)	(11,966)	(50,179)	1,214	43,171	(29,432)	(16,885)	4,732	(71,641)	31,594
Changes in assumptions	36,430	-			17,374				(22,190)	
Benefit payments/refunds of contributions	(96,790)	(116,255)	(99,358)	(126,758)	(115,300)	(142,482)	(157,792)	(211,485)	(188,257)	(160,411)
Net change in total pension liability	107,162	61,331	48,860	76,630	498,676	97,818	94,419	74,924	12,371	187,281
Total pension liability, beginning	1,764,874	1,872,036	1,933,367	1,982,227	2,058,857	2,557,533	2,655,351	2,749,770	2,824,694	2,837,065
Total pension liability, ending	<u>\$ 1,872,036</u>	<u>\$ 1,933,367</u>	<u>\$ 1,982,227</u>	<u>\$ 2,058,857</u>	<u>\$ 2,557,533</u>	<u>\$ 2,655,351</u>	<u>\$ 2,749,770</u>	<u>\$ 2,824,694</u>	<u>\$ 2,837,065</u>	<u>\$ 3,024,346</u>
Fiduciary Net Position										
Employer contributions	\$ 51,722	\$ 43,263	\$ 30,397	\$ 55,503	\$ 42,578	\$ 65,687	\$ 60,842	\$ 66,329	\$ 68,932	\$ 78,782
Employee contributions	37,655	38,325	40,165	40,860	48,885	48,371	45,270	49,277	52,539	59,774
Net investment income	2,954	134,866	290,246	(70,507)	347,472	194,927	356,353	(221,551)	314,378	307,547
Benefit payments/refunds of contributions	(96,790)	(116,255)	(99,358)	(126,758)	(115,300)	(142,482)	(157,792)	(211,485)	(188,257)	(160,411)
Administrative expenses	(1,800)	(1,523)	(1,504)	(1,363)	(1,967)	(1,264)	(1,652)	(1,922)	(2,006)	(1,979)
Other	(88)	(82)	(76)	(71)	(59)	(50)	10	2,294	(15)	(45)
Net change in fiduciary net position	(6,347)	98,594	259,870	(102,336)	321,609	165,189	303,031	(317,058)	245,571	283,668
Fiduciary net position - beginning	2,002,355	1,996,008	2,094,602	2,354,472	2,252,136	2,573,745	2,738,934	3,041,965	2,724,907	2,970,478
Fiduciary net position - ending	<u>\$ 1,996,008</u>	<u>\$ 2,094,602</u>	<u>\$ 2,354,472</u>	<u>\$ 2,252,136</u>	<u>\$ 2,573,745</u>	<u>\$ 2,738,934</u>	<u>\$ 3,041,965</u>	<u>\$ 2,724,907</u>	<u>\$ 2,970,478</u>	<u>\$ 3,254,146</u>
Net pension liability / (asset) - ending	<u>\$ (123,972)</u>	<u>\$ (161,235)</u>	<u>\$ (372,245)</u>	<u>\$ (193,279)</u>	<u>\$ (16,212)</u>	<u>\$ (83,583)</u>	<u>\$ (292,195)</u>	<u>\$ 99,787</u>	<u>\$ (133,413)</u>	<u>\$ (229,800)</u>
Fiduciary net position as a % of total pension liability	106.62%	108.34%	118.78%	109.39%	100.63%	103.15%	110.63%	96.47%	104.70%	107.60%
Pensionable covered payroll	\$ 753,107	\$ 766,496	\$ 803,292	\$ 817,208	\$ 977,708	\$ 967,416	\$ 905,393	\$ 985,544	\$ 1,050,787	\$ 1,195,484
Net pension liability (asset) as a % of covered payroll	-16.46%	-21.04%	-46.34%	-23.65%	-1.66%	-8.64%	-32.27%	10.13%	-12.70%	-19.22%

**CITY OF WEST, TEXAS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST 10 FISCAL YEARS**

<u>Year Ended September 30</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2015	Not Available	\$ 52,499	Not Available	\$ 748,085	7.02%
2016	Not Available	54,696	Not Available	781,373	7.00%
2017	Not Available	24,225	Not Available	807,481	3.00%
2018	Not Available	56,175	Not Available	802,505	7.00%
2019	Not Available	50,608	Not Available	957,306	5.29%
2020	Not Available	58,810	Not Available	936,012	6.28%
2021	Not Available	65,280	Not Available	932,577	7.00%
2022	Not Available	66,290	Not Available	905,393	7.32%
2023	Not Available	81,713	Not Available	1,167,342	7.00%
2024	Not Available	78,782	Not Available	1,195,484	6.59%

Notes to Schedule of Contributions

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85%, including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022
Mortality	Different tables used for post-retirement and pre-retirement, both with rates 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.

SUPPLEMENTARY INFORMATION

CITY OF WEST, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED
EARNINGS - BUDGET AND ACTUAL - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Water and Sewer		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues:			
Water Sales	\$1,135,000	\$1,066,404	\$ (68,596)
Sewer Service	925,000	904,515	(20,485)
Water Tap Fees	6,000	31,255	25,255
Sewer Tap Fees	6,000	18,000	12,000
Late Charges	38,000	39,950	1,950
Property Taxes	425,117	425,117	-
Grants	-	1,502	1,502
Collection Fees	32,000	33,115	1,115
Miscellaneous	3,600	113	(3,487)
 Total Operating Revenues	 2,570,717	 2,519,971	 (50,746)
 Cost of Water Purchased	 260,000	 269,667	 (9,667)
 Gross Profit	 2,310,717	 2,250,304	 (60,413)
Operating Expenses:			
Salaries	375,073	308,246	66,827
Payroll Taxes	29,008	23,581	5,427
Retirement	27,041	11,181	15,860
Group Insurance	48,400	40,883	7,517
Utilities	130,000	118,287	11,713
Telephone	16,750	13,176	3,574
Office Supplies	1,500	490	1,010
General Supplies	65,000	27,942	37,058
Postage	7,500	6,998	502
Chlorine Supplies	35,000	31,445	3,555
Repairs & Maintenance	150,000	108,303	41,697
Dues & Subscriptions	16,500	15,642	858
Legal & Professional	36,000	20,331	15,669
Engineering Fees	-	5,053	(5,053)
Travel & Training	5,000	2,296	2,704
Public Works Uniforms	1,550	1,503	47
Laboratory Fees	20,000	15,465	4,535
Gasoline	14,000	11,113	2,887

	Budget	Actual	Variance Favorable (Unfavorable)
Miscellaneous	\$ 1,200	\$ 5,379	\$ (4,179)
Insurance	65,000	62,568	2,432
Bad Debts	-	10,481	(10,481)
Bond Interest	1,027,665	1,044,330	(16,665)
Amortization	-	37,666	(37,666)
Depreciation	-	826,510	(826,510)
Total Operating Expenses	2,072,187	2,748,869	(676,682)
Operating Income (Loss)	238,530	\$ (498,565)	(737,095)
Nonoperating Revenues (Expenses):			
Interest Income	310,000	281,666	(28,334)
Interfund Transfers	-	(143,256)	(143,256)
Net Income (Loss)	548,530	(360,155)	(908,685)
Beginning Net Position	14,869,446	14,869,446	-
Ending Net Position	<u>\$ 15,417,976</u>	<u>\$ 14,509,291</u>	<u>\$ (908,685)</u>
Other Budgeted Items:			
Capital Outlay	\$ -	\$ 3,046,900	\$ (3,046,900)
Bond Principal Payments	445,000	445,000	-
Note Payment	69,979	69,979	-

**CITY OF WEST, TEXAS
COMBINED SUMMARY OF INVESTMENTS
SEPTEMBER 30, 2025**

General Fund:	Interest Rate (%)	Dated	Matures	Amount
Savings Account 8982	0.43			\$ 265,349
Savings Account 7744	0.43			29,738
Savings Account 9019	0.43			8,856
Savings Account 9052	0.43			753
Savings Account 6004345	0.43			519,834
Savings Account 6005607	0.43			26,221
LOGIC Savings 003	4.25			177,001
Savings Account 98061	0.15			143,889
Savings Account 98558	0.15			5,344
Savings Account 98608	0.15			6,605
Certificate of Deposit 4813	3.92	3/15/2025	3/15/2026	335,750
Total General Fund				<u>\$ 1,519,340</u>
 Water and Sewer Fund:				
Time Deposit 118300	0.60	5/13/2025	11/13/2025	\$ 24,436
Savings Account 50	0.25			107,426
Savings Account 18754	0.25			15,058
Savings Account 18812	0.10			19,040
Savings Account 5018812	0.25			6,805
Savings Account 9720	0.25			587,202
Savings Account 509720	0.25			8,201
LOGIC Savings 001	4.25			80,724
LOGIC Savings 002	4.25			26,765
LOGIC Savings 004	4.25			53,027
LOGIC Savings 005	4.25			308,999
Total Water and Sewer Fund				<u>\$ 1,237,683</u>
Total Unrestricted Funds				<u>\$ 2,757,023</u>
 Restricted Funds:				
Time Deposit 1541	1.52	9/10/2025	3/10/2026	208,594
Savings Account 18820	0.15			176,398
LOGIC Savings 006	4.25			3,223,390
Total Restricted Funds				<u>3,608,382</u>
Total				<u>\$ 6,365,405</u>

**CITY OF WEST, TEXAS
SUMMARY OF 2024 AND 2025 TAX ROLLS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	<u>2024</u>	<u>2025</u>
Real Property Valuation	\$ 354,832,834	\$ 415,795,458
Personal Property Valuation	28,654,660	28,355,611
Less Exemptions	<u>(61,881,412)</u>	<u>(118,875,426)</u>
Net Taxable Valuation	\$ 321,606,082	\$ 325,275,643
Tax Rate (per \$100)	<u>0.63</u>	<u>0.63</u>
Gross Tax Roll	<u>\$ 2,028,100</u>	<u>\$ 2,052,175</u>
Less: Current Collections	(1,662,182)	
Delinquent Collections	(315,377)	
Adjustments	<u>(22,928)</u>	
2024 Delinquent Taxes as of September 30, 2025	<u>\$ 27,613</u>	

**CITY OF WEST, TEXAS
ANALYSIS OF DELINQUENT TAXES RECEIVABLE
SEPTEMBER 30, 2025**

<u>Tax Roll</u>	<u>Taxes Receivable 9/30/24</u>	<u>Additions</u>	<u>Collections</u>	<u>Adjustments</u>	<u>Taxes Receivable 9/30/25</u>
2001-2008	\$ 1,385	\$ -	\$ -	\$ (33)	\$ 1,352
2009	577	-	-	-	577
2010	478	-	-	-	478
2011	780	-	-	-	780
2012	1,090	-	-	-	1,090
2013	1,856	-	-	-	1,856
2014	2,411	-	-	(55)	2,356
2015	2,528	-	-	-	2,528
2016	2,770	-	-	-	2,770
2017	3,141	-	195	-	2,946
2018	3,638	-	213	-	3,425
2019	4,166	-	735	-	3,431
2020	5,561	-	812	-	4,749
2021	6,354	-	717	-	5,637
2022	10,751	-	3,304	-	7,447
2023	22,511	-	10,261	(46)	12,204
2024	<u>-</u>	<u>2,028,100</u>	<u>1,977,559</u>	<u>(22,928)</u>	<u>27,613</u>
Totals	<u>\$ 69,997</u>	<u>\$ 2,028,100</u>	<u>\$ 1,993,796</u>	<u>\$ (23,062)</u>	<u>\$ 81,239</u>
	Balance, September 30, 2024			\$ 69,997	
	2024 Tax Levy			2,028,100	
	Subtotal			<u>\$2,098,097</u>	
	Less: Current Collections			(1,662,182)	
	Delinquent Collections			(331,614)	
	Adjustments			<u>(23,062)</u>	
	Balance, September 30, 2025			<u>\$ 81,239</u>	

**CITY OF WEST, TEXAS
WATER AND SEWER FUND OPERATIONS DATA
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Number of properties connected with the system:

Water	1,203
Sewer	1,119

Number of gallons of water pumped into the system: 90,226,000

Number of gallons of water purchased: 36,400,600

Number of gallons of water sold 106,782,500

**CITY OF WEST, TEXAS
 COMPREHENSIVE SCHEDULE OF INSURANCE COVERAGE
 SEPTEMBER 30, 2025**

<u>Policy No.</u>	<u>Company Name</u>	<u>Type of Coverage</u>
2593	Texas Municipal League Intergovernmental Risk Pool	General Liability Law Enforcement Liability Errors and Omissions Liability Cyber Liability and Data Breach Automobile Liability Comprehensive and Collision Fire and Extended Coverage All Risks Boiler and Machinery Crime Worker's Compensation

<u>Loss Coverage</u>	<u>Coverage Amount</u>	<u>Expiration Date</u>
General Liability	\$ 1,000,000	10/1/25
Property Damage	1,000,000	
Completed Operations	1,000,000	
Information Security	1,000,000	
Automobile Liability	1,000,000	
Automobile Physical Damage	Actual Cash Value	
Real and Personal Property	22,873,737	
Mobile Equipment	1,069,038	
Boiler and Machinery	455,400	
Employee Dishonesty	10,000	
Forgery & Alteration	10,000	
Computer Fraud	10,000	
All Employees	Statutory	
Volunteer Firemen		

CITY OF WEST, TEXAS
PRINCIPAL OFFICIALS
SEPTEMBER 30, 2025

<u>Official</u>	<u>Title</u>
City Council:	
Dave Pratkanis	Mayor
Matt Miller	Mayor Pro Tem
Joseph Pustejovsky	Alderman
Jerrel Bolton	Alderman
Cody Harris	Alderman
Chris Nors	Alderman
Council Appointees:	
Brian Daily	City Manager
Charles Buenger	City Attorney
David Pareya	City Judge
Shawn Holden	Director of Public Works
Chris White	Police Chief
Full-Time Policemen:	
Justin Gonzales	Policeman
Domingo Gonzalez	Policeman
Scott Jones	Policeman
Nathan Necessary	Policeman
Kaitlyn Smith	Policeman
Shauna Wilkins	Policeman
Daniel Gonzalez	Policeman

WILLIAM B. SANDERS
Certified Public Accountant

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WACO, TEXAS 76702
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**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 City Council
City of West, Texas

I have audited the financial statements of the governmental activities and the business-type activities of the City of West, Texas (the City), as of and for the year ended September 30, 2025, which comprise the City's basic financial statements and have issued my report thereon dated January 6, 2026. I conducted my 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.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered the City's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below, I identified a deficiency in internal control over financial reporting that I consider to be a material weakness.

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 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. I consider the deficiency described below to be a material weakness.

Recently-issued auditing standards have clarified that the components of internal controls are the same for all entities. There is no exemption or special relief given to a smaller entity because of its size or the challenges present when achieving effective internal control. Certain internal controls that have often been overlooked by small businesses relate to the financial reporting process. Annual financial reporting control objectives address the preparation of accurate annual financial statements and related note disclosures in accordance with generally accepted accounting principles. That is to say, the system of internal control over financial reporting does not stop at the entity's general ledger. It includes controls over the actual financial statement preparation, including note disclosures.

I have drafted the annual financial statements and related note disclosures of the City at the City's request. This was done because, due to its limited resources, the City's internal personnel did not possess all the skills and competencies necessary to prepare its own financial statements in accordance with the highly technical pronouncements and requirements of generally accepted accounting principles. However, I can not be considered part of the City's internal controls. Consequently, the inability of the City to internally prepare its own financial statements and related notes is considered a control deficiency. The fact that I prepare the financial statements may give users more confidence that the financial statements are correct; however, it does not eliminate the control deficiency.

To remedy the control deficiency related to the preparation of the annual financial statements, the City needs to ensure that appropriate personnel are in place and that they have the appropriate knowledge and tools (i.e., current accounting literature, current disclosure checklist, etc.) to be an effective element of the internal control process. Another remedy in this area may be for the City to engage another firm or person to outsource the financial statement preparation portion of the process. Alternatively, management may make a conscious decision to accept the degree of risk in this control deficiency because of cost or other considerations. That decision would not affect my continued drafting of the City's financial statements and notes in the future. However, my responsibility under professional standards includes communicating deficiencies, regardless of management's decisions, as long as the deficiency exists.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Bill Sanders

West, Texas
January 6, 2026