

CITY OF ANSON, TEXAS

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S
REPORT

YEAR ENDED

MARCH 31, 2025



CITY OF ANSON, TEXAS

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Anson Texas:

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 City of Anson, 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.

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 Anson, Texas, as of March 31, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, and pension and OPEB related schedules 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Anson, Texas' basic financial statements. The combining schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling

such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2025, on our consideration of City of Anson, Texas' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 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 Anson, Texas' internal control over financial reporting and compliance.

Roberts & McGee, CPA, PLLC

Roberts & McGee, CPA, PLLC

Abilene, Texas
October 22, 2025

BASIC FINANCIAL STATEMENTS

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 789,457	\$ 245,709	\$ 1,035,166
Restricted cash and cash equivalents	66,775	70,397	137,172
Investments	63,532		63,532
Receivables:			
Taxes, net	334,558		334,558
Accounts, net		251,689	251,689
Other receivables	10,105		10,105
Prepaid expenses	17,245	3,104	20,349
Due from other funds	10,817		10,817
Notes receivable	43,955		43,955
Net pension asset	162,771	161,152	323,923
Non-depreciable capital assets	162,446	220,847	383,293
Depreciable capital assets, net	4,135,514	5,167,907	9,303,421
TOTAL ASSETS	5,797,175	6,120,805	11,917,980
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension and OPEB	<u>59,797</u>	<u>59,246</u>	<u>119,043</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
	<u>5,856,972</u>	<u>6,180,051</u>	<u>12,037,023</u>
LIABILITIES			
Accounts payable and accrued expenses	96,389	63,008	159,397
Utility deposits		138,571	138,571
Accrued interest	31,694	38,323	70,017
Due to other funds		10,817	10,817
Long term liabilities:			
Due within one year	785,466	364,363	1,149,829
Due after one year:			
Compensated absences	12,272	49,284	61,556
Long term debt	705,780	4,849,975	5,555,755
OPEB liability	<u>22,252</u>	<u>22,031</u>	<u>44,283</u>
TOTAL LIABILITIES	<u>1,653,853</u>	<u>5,536,372</u>	<u>7,190,225</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned grant revenue	41,233		41,233
Deferred inflows - pension and OPEB	<u>70,281</u>	<u>69,582</u>	<u>139,863</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>111,514</u>	<u>69,582</u>	<u>181,096</u>
NET POSITION			
Net investment in capital assets	2,775,020	136,093	2,911,113
Restricted	66,775	70,397	137,172
Unrestricted	<u>1,249,810</u>	<u>367,607</u>	<u>1,617,417</u>
TOTAL NET POSITION	<u>\$ 4,091,605</u>	<u>\$ 574,097</u>	<u>\$ 4,665,702</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ANSON, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2025

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION PRIMARY GOVERNMENT

The accompanying notes are an integral part of these financial statements.

CITY OF ANSON, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2025

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 560,911	\$ 228,546	\$ 789,457
Restricted cash and cash equivalents	66,775		66,775
Certificates of deposit	24,233	39,299	63,532
Receivables:			
Property tax, net	230,510		230,510
Sales tax	100,560		100,560
Franchise tax	3,488		3,488
Employee receivable	10,105		10,105
Prepaid expenses	17,122	123	17,245
Due from other funds	12,201	13,069	25,270
 TOTAL ASSETS	 \$ 1,025,905	 281,037	 \$ 1,306,942
 LIABILITIES:			
Accounts payable and accrued expenses	\$ 96,389	-	\$ 96,389
Due to other funds	13,053	1,400	14,453
Total Liabilities	<u>109,442</u>	<u>1,400</u>	<u>110,842</u>
 DEFERRED INFLOWS OF RESOURCES:			
Unearned revenue - property taxes	137,166		137,166
Unearned revenue - grant revenue	<u>41,233</u>		<u>41,233</u>
 Total liabilities and deferred inflows of resources	 <u>287,841</u>	 <u>1,400</u>	 <u>289,241</u>
 FUND BALANCE:			
Nonspendable	17,122	123	17,245
Unassigned	720,942		720,942
Restricted	<u>279,514</u>		<u>279,514</u>
 Total Fund Balance	 <u>738,064</u>	 <u>279,637</u>	 <u>1,017,701</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 1,025,905</u>	 <u>\$ 281,037</u>	 <u>\$ 1,306,942</u>

The accompanying notes are an integral part of these financial statements.

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

Total Fund Balances - Governmental Funds \$ 1,017,701

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

Capital assets used in governmental activities are not financial resources and therefore,
are not reported in governmental funds. The cost of these assets was \$13,437,402 and
the accumulated depreciation was \$9,139,442. The net effect of the beginning balances
for capital assets (net of depreciation) in the governmental activities is an increase to net
position.

4,297,960

Long term debt is not due and payable in the current period and, therefore, it is not
reported in governmental funds. The net effect of recognizing long term debt in the
governmental activities is a decrease to net position.

(1,522,940)

Compensated absences are reported in the government wide statements but are not
recorded in the fund financial statements.

(12,272)

Other long-term assets are not available to pay for current-period expenditures and
therefore, are deferred in the governmental funds. Deferred revenue is recognized in the
government-wide financial statements. This results in an increase in net position.

137,166

Long-term assets are recorded as decreases to the governmental funds but are recorded
as long-term notes receivables in the governmental activities. This is an increase to net
position.

43,955

Included on the government-wide financial statements is the recognition of the City's
proportionate share of the net pension asset of \$162,771, a deferred outflow of
resources of \$57,620, and a deferred inflow of resources of \$61,733. The net effect is
to increase net position.

158,658

Included on the government-wide financial statements is the recognition of the City's
proportionate share of the OPEB liability of \$22,252, a deferred outflow of resources of
\$2,177, and a deferred inflow of resources of \$8,548. The net effect is to decrease net
position.

(28,623)

Net Position of Governmental Activities \$ 4,091,605

CITY OF ANSON, TEXAS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2025

	General Fund	Nonmajor Governmental	Total Governmental Funds
REVENUE:			
Taxes:			
Property tax	\$ 1,180,621	\$ 71,485	\$ 1,180,621
Sales tax	500,397		571,882
Franchise tax	90,900		90,900
Fines and fees	83,182		83,182
Charges for services	25,898		25,898
Intergovernmental revenue	116,048	9,450	125,498
Donations	39,126	21,956	61,082
Interest income	1,061	3,400	4,461
Other income	14,169	17,985	32,154
Total Revenue	<u>2,051,402</u>	<u>124,276</u>	<u>2,175,678</u>
EXPENDITURES:			
Current:			
General government	551,589		551,589
Judicial and legal	110,498		110,498
Public safety	802,743	47,389	850,132
Culture and recreation	200,184	22,837	223,021
Economic development		24,025	24,025
Streets	123,991		123,991
Debt service:			
Principal retired	291,536		291,536
Interest	43,979		43,979
Capital outlay	364,862	15,200	380,062
Total Expenditures	<u>2,489,382</u>	<u>109,451</u>	<u>2,598,833</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES			
	(437,980)	14,825	(423,155)
OTHER FINANCING SOURCES (USES)			
Proceeds from note receivables	-	34,978	34,978
Proceeds from sale of assets	52,000		52,000
Proceeds from issuance of debt	556,546		556,546
Transfers in (out)	213,157	4,994	218,151
Total other financing sources (uses)	<u>821,703</u>	<u>39,972</u>	<u>861,675</u>
CHANGE IN FUND BALANCE			
	383,723	54,797	438,520
FUND BALANCE AT BEGINNING OF YEAR, RESTATED			
	<u>354,341</u>	<u>224,840</u>	<u>579,181</u>
FUND BALANCE AT END OF YEAR			
	<u>\$ 738,064</u>	<u>\$ 279,637</u>	<u>\$ 1,017,701</u>

The accompanying notes are an integral part of these financial statements.

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

Net Change in Fund Balances - Governmental Funds	\$ 438,520
Amounts reported for governmental activities in the statement of activities are different because:	
Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The current year capital asset purchases net of disposals are an increase in to net position.	298,290
Depreciation and amortization expense is not reflected in the governmental funds, but is recorded in the government-wide financial statements as an expense and an increase to accumulated depreciation. The net effect of the current year depreciation expense is to decrease net position.	(529,553)
The issuance of long term debt provides current financial resources to governmental funds, while repayment of the principal of long term debt consumes the current financial resources of governmental funds. The net effect of recognizing current issuance and payments on long term debt in the government-wide financial statements is a net decrease to net position.	(281,036)
Changes in compensated absences are shown in the statement of activities but are not included in the fund financial statements.	(4,055)
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the governmental funds. This results in a decrease in net position.	(1,225)
Payments received on long term notes receivable are recorded as other financing sources in the governmental funds but as decreases to long-term assets in the governmental activities. Additionally, the forgiveness of these loans is recorded as expenditures related to economic development. This results in a decrease to net position.	(37,844)
Certain expenditures for pension that are recorded to the fund financial statements must be recorded as deferred outflows of resources. The City's share of the unrecognized deferred inflows and outflows for TMRS as of the measurement date must be amortized and the City's proportionate share of the pension expense must be recognized. These cause the change in net position to increase.	10,480
Certain expenditures for OPEB that are recorded to the fund financial statements must be recorded as deferred outflows of resources. The City's share of the unrecognized deferred inflows and outflows for TMRS as of the measurement date must be amortized and the City's proportionate share of the OPEB expense must be recognized. These cause the change in net position to decrease.	<u>(440)</u>
Change in Net Position of Governmental Activities	<u>\$ (106,863)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ANSON, TEXAS
STATEMENTS OF NET POSITION
PROPRIETARY FUNDS
MARCH 31, 2025

	Water Fund	Garbage Fund	Total Proprietary Funds
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 202,929	\$ 42,780	\$ 245,709
Accounts receivable, net	201,334	50,355	251,689
Prepaid expenses	3,104		3,104
Restricted cash and cash equivalents	70,397		70,397
Total Current Assets	477,764	93,135	570,899
Noncurrent Assets:			
Capital assets:			
Property, plant and equipment	11,958,462	605,343	12,563,805
Less: Accumulated depreciation	(6,930,530)	(244,521)	(7,175,051)
Net pension asset	161,152		161,152
Total Noncurrent Assets	5,189,084	360,822	5,549,906
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension and OPEB	59,246		59,246
Total Assets and Deferred Outflows of Resources	5,726,094	453,957	6,180,051
LIABILITIES:			
Accounts payable and accrued expenses	34,799	28,209	63,008
Due to other funds	10,817		10,817
Accrued interest	31,106	7,217	38,323
Utility deposits	138,571		138,571
Current portion of long term debt	261,909	102,454	364,363
Total current	477,202	137,880	615,082
Long term liabilities:			
Compensated absences	49,284		49,284
Long term debt	4,561,927	288,048	4,849,975
Net OPEB liability	22,031		22,031
Total Liabilities	5,110,444	425,928	5,536,372
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension and OPEB	69,582		69,582
Total Deferred Inflows of Resources	69,582	-	69,582
NET POSITION:			
Net investment in capital assets	172,990	(36,897)	136,093
Restricted	70,397		70,397
Unrestricted	302,681	64,926	367,607
Total Net Position	\$ 546,068	\$ 28,029	\$ 574,097

The accompanying notes are an integral part of these financial statements.

CITY OF ANSON, TEXAS
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN
NET POSITION – PROPRIETARY FUNDS
YEAR ENDED MARCH 31, 2025

	Water Fund	Garbage Fund	Total Proprietary Funds
OPERATING REVENUE:			
Service revenue	\$ 2,441,566	\$ 652,097	\$ 3,093,663
Capital projects revenue	145,258		145,258
Other income	4,121	22,151	26,272
Total Operating Revenue	2,590,945	674,248	3,265,193
OPERATING EXPENSES:			
Payroll and benefits	567,188		567,188
Depreciation	626,838	89,071	715,909
Sanitation		347,636	347,636
Water supply	278,603		278,603
Supplies	333,982	213	334,195
Insurance	166,840		166,840
Repairs and maintenance	130,633	33,173	163,806
Water testing	173,118		173,118
Other expense	37,036	12,282	49,318
Utilities and telephone	36,520		36,520
Professional fees	28,105	24,000	52,105
Fuel	29,640	19,500	49,140
Dues, Licenses, and fees	4,780		4,780
Total Operating Expenses	2,413,283	525,875	2,939,158
Operating Income	177,662	148,373	326,035
NON-OPERATING REVENUE (EXPENSES)			
Interest income	270		270
Interest expense	(126,796)	(26,831)	(153,627)
Gain (loss) on sale of assets	-	85,275	85,275
Total Non-operating	(126,526)	58,444	(68,082)
NET INCOME BEFORE OPERATING TRANSFERS	51,136	206,817	257,953
OPERATING TRANSFERS			
Transfers in (out)	(149,944)	(68,207)	(218,151)
Total Operating Transfers	(149,944)	(68,207)	(218,151)
CHANGE IN NET POSITION	(98,808)	138,610	39,802
NET POSITION - BEGINNING OF YEAR, RESTATED	644,876	(110,581)	534,295
NET POSITION - END OF YEAR	\$ 546,068	\$ 28,029	\$ 574,097

The accompanying notes are an integral part of these financial statements.

CITY OF ANSON, TEXAS
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED MARCH 31, 2025

	Water Fund	Garbage Fund	Total Proprietary Funds
Cash flows from operating activities:			
Receipts from customers	\$ 2,560,711	\$ 655,584	\$ 3,216,295
Receipts from other operation functions	4,121	22,151	26,272
Payments to suppliers	(1,181,167)	(422,579)	(1,603,746)
Payments to employees and related taxes and benefits	(575,624)		(575,624)
Payments to others	(41,816)	(12,282)	(54,098)
Net cash provided (used) by operating activities	<u>766,225</u>	<u>242,874</u>	<u>1,009,099</u>
Cash flows from noncapital financing activities:			
Operating transfers in/out	(149,944)	(62,182)	(212,126)
Net cash provided (used) by noncapital financing activities	<u>(149,944)</u>	<u>(62,182)</u>	<u>(212,126)</u>
Cash flows from capital and related financing activities:			
Principal payments on long-term debt	(283,840)	(213,474)	(497,314)
Interest payments on long-term debt	(134,337)	(26,831)	(161,168)
Proceeds from issuance of debt	-	210,993	210,993
Proceeds from sale of assets	-	105,000	105,000
Acquisition and construction of capital assets	(38,736)	(232,782)	(271,518)
Net cash provided (used) by capital and related financing activities	<u>(456,913)</u>	<u>(157,094)</u>	<u>(614,007)</u>
Cash flows from investing activities:			
Interest income	270	-	270
Net cash provided (used) by investing activities	<u>270</u>	<u>-</u>	<u>270</u>
Net increase (decrease) in cash and cash equivalents	159,638	23,598	183,236
Cash and cash equivalents at beginning of year	113,688	19,182	132,870
Cash and cash equivalents at end of year	<u>\$ 273,326</u>	<u>\$ 42,780</u>	<u>\$ 316,106</u>
Cash and cash equivalents	\$ 202,929	\$ 42,780	\$ 245,709
Restricted cash and cash equivalents	70,397	-	70,397
Total Cash and cash equivalents	<u>\$ 273,326</u>	<u>\$ 42,780</u>	<u>\$ 316,106</u>
Reconciliation of operating income to net cash			
Provided (used) by operating activities:			
Operating income	\$ 177,662	\$ 148,373	\$ 326,035
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	626,838	89,071	715,909
Adjustment to landfill post closure liability			
(Increase) Decrease in accounts receivable	(32,360)	3,487	(28,873)
(Increase) Decrease in prepaid expenses	(3,104)		(3,104)
Increase (Decrease) in accounts payable	(622)	1,943	1,321
Increase (Decrease) in payroll accruals	1,532		1,532
Increase (Decrease) in pension liability	(9,968)		(9,968)
Increase (Decrease) in customer deposits	6,247		6,247
Net cash provided (used) by operating activities	<u>766,225</u>	<u>242,874</u>	<u>\$ 1,009,099</u>

The accompanying notes are an integral part of these financial statements.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Anson, Texas have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to city units. The Governmental Accounting Standards Board (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 policies are discussed in subsequent subsections of this note.

REPORTING ENTITY

The City of Anson (City) was incorporated on January 3, 1901, and is governed by an elected mayor and five-member council. The City operates under a city manager form of government and provides the following functions: general government, judicial and legal, public safety (police and fire departments), culture and recreation, economic development, streets, and other general and administrative services.

For financial reporting purposes, the City includes all entities for which the City is considered to be financially accountable. The criteria used by the City for including activities in preparing its financial statements are in conformity with Governmental Accounting Standards Board Statement 14. "The Financial Reporting Entity."

Blended Component Units

The Development Corporation of Anson, Inc. (ADC) and the Industrial Development Corporation of Anson, Inc. (IDC) (collectively the Corporations) are both nonprofit corporations whose primary purpose and objectives are to further economic development and social welfare in the City of Anson by promoting and assisting the economic growth and development of this geographic region. The principal objectives of the Corporations are to increase the employment opportunities of the unemployed and underemployed through the expansion of the business and industry base within the economy by utilizing the 0.125 percent sales tax levied by the City for that purpose.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide 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 nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Fund Financial Statements

Separate financial statements are provided for governmental and proprietary funds. An emphasis of the fund financial statements is placed on major governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

CITY OF ANSON, 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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements 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*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds, and issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Because different measurement focuses and bases of accounting are used in the government-wide statements of net position and governmental fund statements, amounts reported as restricted fund balances in the governmental funds may be different from amounts reported as restricted net position in the statement of net position.

Property taxes, sales taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Fund Types and Major Funds

Governmental Funds

The City reports the following major governmental funds:

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

The City also reports the nonmajor governmental special revenue funds to account for various revenues and expenses restricted or committed to certain purposes. The non-major funds include fire department, Opera House, ADC, and IDC.

Proprietary Funds

The City reports the following major enterprise funds:

The Water Fund accounts for the activities of the water distribution system and is considered a major fund.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

The Garbage Fund accounts for the activities of the refuse collection system and is considered a major fund.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

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 needed. Within unrestricted resources, committed would be considered spent first, followed by assigned, and then unassigned amounts.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Budgetary Control

Formal budgetary accounting is employed for all required governmental fund types and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The City Manager submits an annual budget to the City Council in accordance with the City Charter. The budget is presented to the City Council for review, and public hearings are held to address priorities and the allocations of resources. In February, the City Council adopts the annual fiscal year budget for the City's operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Annual appropriations lapse at fiscal year-end.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by sources. Expenditures are budgeted by department and class. Budget revisions at the class level are subject to review by the City Council.

Excess of Expenditures over Appropriations

During fiscal year 2025 in the general fund, expenditures exceeded the budget in several departments; however, funds were available to cover all unbudgeted expenditures with current year revenue and unrestricted fund balance. General fund expenses were more than budgeted amounts by \$574,103 and general fund revenues were more than budgeted amounts by \$132,423. Other Financing Sources and Uses were \$821,703 more than budgeted amounts. The City's overall revenues over expenditures compared to the budget reflected a positive variance of \$380,073.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reported period. Actual results could differ from those estimates.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity

Cash and Cash Equivalents

For purposes of the statement of cash flows, all cash and highly liquid investments are considered to be cash equivalents if they have an initial maturity of three months or less when purchased.

Restricted Assets

Certain other resources set aside for debt repayment and other purposes, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants and contract agreements. These include assets for bond debt service.

Accounts and Notes Receivables

All receivables are shown net of an allowance for uncollectible accounts. The trade accounts receivable allowance for uncollectible accounts is comprised of accounts past due in excess of 180 days. There is no allowance for sales tax receivable. Notes receivable relate to economic development loans for the ADC and IDC funds. Allowance for uncollectible amounts on notes receivable is comprised of notes or portions of notes that management has estimated to be uncollectible.

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which they were imposed. A lien attaches as of February 1. Delinquent taxes are based on the rates adopted for the year of levy. Allowance for uncollectables within the General Fund is based on historical experience in collecting property taxes.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for the proprietary fund. In the governmental fund financial statements, capital assets are recorded as expenditures. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Capital assets are stated at historical cost or estimated cost if actual historical cost is not available. The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the lives is not capitalized.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Capital assets in the government-wide statements and the proprietary fund statements are depreciated on the straight-line method over the estimated useful lives of the respective assets. Depreciation of all exhaustible capital assets is charged as an expense against operations. The estimated useful lives of fixed assets are as follows:

Buildings and Improvements	40 years
Infrastructure	25-30 years
Equipment	15-30 years
Vehicles	5-10 years
Officer furniture and equipment	5 years

Right to use leased assets are recognized at the lease commencement date and represent the City's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the leased asset into service. Right to use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period for the equipment leases range from 3 to 5 years.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has deferred outflows of resources for the difference between projected and actual earnings for its pension and OPEB plans and contributions to these plans after the measurement date, but before the end of the fiscal year.

In addition to liabilities, the statement of net position will 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. The City has deferred inflows of resources for the differences between expected and actual experience related to the pension and OPEB plans. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

On the governmental fund financial statements, in addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources are reported in the governmental funds and proprietary funds for unavailable revenues from property taxes and grant receipts.

Compensated Absences

Full time, permanent employees are granted vacation benefits in varying amounts to specified maximums. The estimated liabilities include required salary-related payments. Compensated absences are reported as accrued in the government-wide, proprietary, and component unit financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Lease Liabilities and Subscription Based IT Arrangements (SBITA)

Lease liabilities and SBITA liabilities represent the County's obligation to make lease payments arising from the lease and the SBITA. Lease liabilities and SBITA are recognized at the commencement date based on the present value of future payments expected to be made during the term. The present value of payments are discounted based on a borrowing rate determined by the U.S. Treasury risk-free rate or an implicit interest rate.

Long-term Obligations

In the government-wide, proprietary, and component unit financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premium and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premiums or discounts and deferred amounts on refunding. Issuance costs are reported as expenditures in the period incurred.

The governmental fund financial statements recognize the proceeds for debt and premiums as other financing sources of the current period. Issuance costs are reported as debt service expenditures.

Pensions

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

Other Post-Employment Benefits (OPEB)

The fiduciary net position of the TMRS Group Term Life Program (GTLP) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and information about assets, liabilities and additions to/deductions from GTLP's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Fund Balance Classifications

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

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has nonspendable funds of \$17,245 related to prepaid expenses for the year ended March 31, 2025.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the revenue note and restricted through debt covenants. Federal or state funds are restricted for use only for a specific use. The City has \$279,514 restricted funds at March 31, 2025.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City has no committed funds as March 31, 2025.

Assigned – This classification includes amounts that are constrained by the City Council's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the Council delegating this responsibility to management through the budgetary process. The City has no assigned funds for the year ended March 31, 2025.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned fund balance also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

NOTE 2: DEPOSITS AND INVESTMENTS

Deposits and Investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank did not approve pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the audit period. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

As of March 31, 2025, the City had cash and cash investments, which represent checking accounts, money market accounts, and saving accounts at federally insured local banks. State statute restricts the city to investing in certificates of deposit and investments of the United States and the State of Texas.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of March 31, 2025, pledged securities were not sufficient to cover the bank balances totaling \$1,301,580 of which \$801,580 was exposed to custodial credit risk as follows:

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

NOTE 2: DEPOSITS AND INVESTMENTS – continued

<u>Demand Deposit Accounts</u>	<u>Bank Balance</u>
Insured	\$ 250,000
Uninsured and uncollateralized	<u>514,313</u>
 Total Deposits	 <u>\$ 764,313</u>
 <u>Time and Savings Accounts</u>	
Insured	\$ 250,000
Uninsured and uncollateralized	<u>287,267</u>
 Total Deposits	 <u>\$ 537,267</u>

In the case of investments, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Statutes authorize the City to invest in obligations of the U.S. Treasury or the State of Texas, certain repurchase agreements, common trust funds, certificates of deposit that are guaranteed or insured by the Federal Deposit Insurance Corporation, and other investments specifically authorized by Chapter 2256 Public Funds Investment Act (PFIA) and Chapter 2257 Collateral for Public Funds of the Texas Government Code. The City is in compliance with the requirements of the PFIA.

Credit Risk

This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to indicate credit risk. It is the City's policy to limit its investments to those investments that are fully insured or collateralized from a bank in the State of Texas and under the term of written depository agreement, obligations of the United States government, its agencies, instrumentalities, and government-sponsored enterprises, or Texas Local Government Investment Pools. The City currently has no investments in obligations of the United States government or Texas Local Government Investment Pools.

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair value by keeping its investment portfolio sufficiently liquid to enable the City to meet all operating requirements that might be reasonably anticipated.

Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. The City is not exposed to foreign currency risk.

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of the City's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent (5%) or more in the securities of a single issuer. It is the City's policy to not allow for a concentration of credit risk. Investments issued by the U.S. Government and investments in investment pools are excluded from the 5 percent (5%) disclosure requirement. The City is not exposed to concentration of credit risk.

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

NOTE 2: DEPOSITS AND INVESTMENTS – continued

At year end, the City's investment balances were as follows:

	Reported Amount and Fair Value
Certificates of Deposit	\$ <u>63,532</u>
Total Governmental Activities	<u>63,532</u>

The investments of the City are not in compliance with the Council's investment policy (due to uncollateralized accounts) and with the Public Funds Investment Act (Government Code Chapter 2256). The City did not have any derivative investment products during the current year. All significant legal and contractual provisions for investments were complied with during the year. Investments at year-end are representative of the types of investments maintained by the City during the year.

Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in an active market for identical assets; level 2 inputs are significant other observable inputs or quoted prices in markets that are not active; and level 3 inputs are significant unobservable inputs. Because the investments are restricted by policy and state law to active secondary markets, the market approach is being used for valuation. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities.

The exit or fair market prices used for these fair market valuations of the portfolio are all level 1 and represent unadjusted quoted prices in active markets for identical assets and liabilities that have been accessed at the measurement date.

NOTE 3: ACCOUNTS RECEIVABLE

Governmental Activities

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of tax bill and are delinquent if not paid before February 1 of the year following the year in which tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period. The tax rate to finance general governmental services and to service the debt for the year ended March 31, 2025 was \$0.97854 per \$100 valuation (.89232 for maintenance and operations and .08622 for debt service).

Allowances for uncollectible taxes receivable within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

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

NOTE 3: ACCOUNTS RECEIVABLE – continued

In the governmental fund financial statements, property tax receivable is recorded in the General Fund. At fiscal year-end, the receivable represents delinquent taxes. If the receivables are not paid within 60 days of year-end, they are recorded as deferred revenue.

Receivables included in governmental activities are as follows:

Property tax receivable	\$ 426,147
Less: Allowance for uncollectible taxes	<u>(195,637)</u>
Property tax receivable, net	230,510
 Sales tax receivable	 100,560
Franchise tax receivable	3,488
Payroll advances	10,105
	<u><u>\$ 344,663</u></u>

Business-Type Activities

Accounts receivables in the proprietary funds include amounts due from customers primarily for water and garbage services. An allowance has been recorded to estimate the uncollectible receivables at year end.

Receivables included in business-type activities are as follows:

Utility receivables	\$ 265,332
Less: Allowance for uncollectible taxes	<u>(13,643)</u>
Utility receivable, net	<u><u>\$ 251,689</u></u>

NOTE 4: RESTRICTED ASSETS

The amounts reported as restricted assets of the governmental activities and business-type activities are comprised of assets held by trustee and depository banks for the following restricted purposes:

	<u>Cash and Cash Equivalents</u>
Governmental Activities:	
Deposits held for debt service	\$ 66,775
Total Governmental Activities	<u><u>\$ 66,775</u></u>
 Business-Type Activities:	
Deposits held for debt service	\$ 70,397
	<u><u>\$ 70,397</u></u>

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

NOTE 5: NOTES RECEIVABLE

The ADC and IDC have issued notes receivable for the purpose of enhancing the economic development of the City of Anson. The notes carry interest rates of 2% - 3% and payments to be paid out over 3 to 5 years. When those notes are deemed uncollectible, an allowance is set up on the balance sheet to note the proper collectability. Those balances are as follows:

	Balance as of March 31, 2024	Additions	Retirements	Balance as of March 31, 2025
Notes Receivables:				
Notes Receivable	81,799		(37,844)	43,955
	<u>\$ 81,799</u>	<u>\$ -</u>	<u>\$ (37,844)</u>	<u>\$ 43,955</u>

NOTE 6: CAPITAL ASSETS

A summary of changes in governmental capital assets is as follows:

<u>Government Activities:</u>	Balance March 31, 2024	Additions/ Completions	Retirements/ Adjustments	Balance March 31, 2025
Capital assets, not being depreciated:				
Land	\$ 151,196	\$ 11,250	\$ -	\$ 151,196
Construction in progress	<u>-</u>	<u>11,250</u>	<u>-</u>	<u>11,250</u>
Total capital assets, not being depreciated	<u>151,196</u>	<u>11,250</u>	<u>-</u>	<u>162,446</u>
Capital assets being depreciated / amortized:				
Buildings and improvements	2,477,736	30,500	\$ 2,508,236	
Machinery and equipment	2,890,827	315,309	(81,772)	3,124,364
Infrastructure	7,554,952			7,554,952
ROU Assets	22,159			22,159
SBITA Assets	42,242	23,003		65,245
Total assets being depreciated / amortized	<u>12,987,916</u>	<u>368,812</u>	<u>(81,772)</u>	<u>13,274,956</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(870,692)	(88,709)		(959,401)
Machinery and equipment	(1,498,711)	(274,616)	17,168	(1,756,159)
Infrastructure	(6,226,887)	(166,019)		(6,392,906)
ROU Assets	(7,263)	(4,328)		(11,591)
SBITA Assets	(6,336)	(13,049)		(19,385)
Total accumulated depreciation/amortization	<u>(8,609,889)</u>	<u>(546,721)</u>	<u>17,168</u>	<u>(9,139,442)</u>
Total capital assets being depreciated / amortized, net				
	<u>4,378,027</u>	<u>(177,909)</u>	<u>(64,604)</u>	<u>4,135,514</u>
Governmental activities capital assets, net	<u>\$ 4,529,223</u>	<u>\$ (166,659)</u>	<u>\$ (64,604)</u>	<u>\$ 4,297,960</u>

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

NOTE 6: CAPITAL ASSETS - continued

A summary of changes in business-type capital assets is as follows:

<u>Business-type activities:</u>	Balance March 31, 2024	Additions/ Completions	Retirements/ Adjustments	Balance March 31, 2025
Capital assets, not being depreciated:				
Land	\$ 200,944	\$ 19,903	\$ -	\$ 200,944
Construction in progress	- -	- -	- -	19,903
Total capital assets, not being depreciated	<u>200,944</u>	<u>19,903</u>	<u>-</u>	<u>220,847</u>
Capital assets being depreciated/amortized:				
Buildings and improvements	777,903	- -	- -	777,903
Machinery and equipment	2,215,268	251,615	(98,627)	2,368,256
Infrastructure	9,196,798	- -	- -	9,196,798
Total assets being depreciated/amortized	<u>12,189,969</u>	<u>251,615</u>	<u>(98,627)</u>	<u>12,342,957</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(134,244)	(34,287)	- -	(168,531)
Machinery and equipment	(1,171,290)	(370,512)	- -	(1,541,802)
Infrastructure	(5,232,508)	(311,110)	78,901	(5,464,717)
Total accumulated depreciation/amortization	<u>(6,538,042)</u>	<u>(715,909)</u>	<u>78,901</u>	<u>(7,175,050)</u>
Total capital assets being depreciated / amortized, net	<u>5,651,927</u>	<u>(464,294)</u>	<u>(19,726)</u>	<u>5,167,907</u>
Business-type activities capital assets, net	<u>\$ 5,852,871</u>	<u>\$ (444,391)</u>	<u>\$ (19,726)</u>	<u>\$ 5,388,754</u>

Depreciation and amortization expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 86,232
Streets	300,940
Public safety	94,122
Culture and recreation	65,427
	<u>\$ 546,721</u>

Business-type activities:

Water	\$ 635,839
Garbage	80,070
	<u>\$ 715,909</u>

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

NOTE 7: LONG TERM DEBT

A schedule of the City's transactions in long-term debt for the year ended March 31, 2025 is as follows:

	Balance at 03/31/2024	Additions	Retirements	Balance at 03/31/2025	Due Within One Year
<i>Governmental Activities:</i>					
Certificates of obligation	\$ 553,550	\$ 365,000	\$ (116,850)	\$ 801,700	\$ 485,700
Notes Payable	622,862	168,542	(158,699)	632,705	282,839
Right of use liabilities	15,190		(4,241)	10,949	4,360
Subscription liability	34,636	23,003	(11,747)	45,892	12,567
Compensated Absences	8,217	4,055		12,272	
	<u>\$ 1,234,455</u>	<u>\$ 560,600</u>	<u>\$ (291,537)</u>	<u>\$ 1,503,518</u>	<u>\$ 785,466</u>
<i>Business-Type Activities:</i>					
Certificates of obligation	\$ 4,169,089	\$ -	\$ (124,099)	\$ 4,044,990	\$ 131,000
Notes Payable	1,331,572	210,993	(373,217)	1,169,348	233,363
Compensated Absences	47,752	1,532		49,284	
	<u>\$ 5,548,413</u>	<u>\$ 212,525</u>	<u>\$ (497,316)</u>	<u>\$ 5,263,622</u>	<u>\$ 364,363</u>

Combination tax and revenue bonds are payable from either ad valorem taxes levied, with the limits prescribed by laws, or payable from and secured by the surplus net revenues of the City's water and sewer system as provided in the ordinances authorizing their issuance.

Governmental Activities

A summary of bonds follows:

	Date of Issue	Original Amount	Interest Rate	Maturity Date	Outstanding 3/31/2025	Amount
<i>Combination Tax and Revenue Certifications of Obligations:</i>						
Series 2006	6/8/2020	\$ 210,000	9.50%	2/15/2026	\$ 21,000	
Series 2017A	6/1/2017	774,000	2.26%	6/1/2027	250,500	
Series 2017B	11/1/2017	278,250	3.25%	11/15/2032	165,200	
Series 2024	9/12/2024	365,000	7.50%	9/11/2025	365,000	
					<u>\$ 801,700</u>	

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

NOTE 7: LONG TERM DEBT – continued

The following represents the future maturities on these bonds:

Long Term Bonds:	Principal	Interest	Total
2026	\$ 485,700	\$ 39,479	\$ 525,179
2027	102,400	7,553	109,953
2028	105,100	5,129	110,229
2029	20,300	3,526	23,826
2030	21,000	2,867	23,867
2031-2035	67,200	4,414	71,614
	<u>\$ 801,700</u>	<u>\$ 62,968</u>	<u>\$ 864,668</u>

Notes payable are used to finance asset acquisitions and improvements needed in the governmental operations of the City. A summary of the notes payable follows:

Notes Payable:	Date of Issue	Original Amount	Interest Rate	Maturity Date	Outstanding Amount
					3/31/2025
First National Bank of Anson	4/12/2022	\$ 136,500	3.25%	4/15/2026	\$ 57,279
John Deere Financial	9/25/2023	127,433	7.00%	4/25/2028	102,405
CAT Financial	8/31/2021	185,060	4.95%	8/31/2026	125,058
CAT Financial	1/28/2021	269,090	5.00%	2/28/2026	156,952
PNC Equipment Finance	9/20/2023	69,545	4.88%	10/1/2026	35,896
GM Financial	2/20/2025	58,329	3.50%	2/20/2029	44,902
First National Bank of Anson	12/3/2024	110,213	7.75%	12/3/2029	110,213
					<u>\$ 632,705</u>

The following represents the future maturities on this note:

Notes Payable:	Principal	Interest	Total
2026	\$ 282,839	\$ 34,595	\$ 317,434
2027	200,137	21,646	221,783
2028	59,934	11,150	71,084
2029	64,344	6,740	71,084
2030	25,451	1,972	27,423
	<u>\$ 632,705</u>	<u>\$ 76,103</u>	<u>\$ 708,808</u>

Leases Liabilities

The City is a lessee in noncancelable operating leases for the right to use office equipment. The City has recorded a right to use asset and liability at the lease commencement date based on the present value of the future lease payments over the expected lease terms. The right of use asset is amortized on a straight-line basis over the life of the lease, and the asset is recognized on the statement of net position with the depreciable capital assets. The lease liability is calculated based on the present value of the non-cancelable payments over the term of the lease and is recognized as a right to use liability on the statement of net position.

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

NOTE 7: LONG TERM DEBT – continued

The details of the lease agreements are as follows:

	Date of Issue	Original Amount	Interest Rate	Maturity Date	Amount Outstanding 3/31/2025
Long term lease liabilities:					
All Copy	4/13/2023	\$ 8,126	4.27%	6/13/2028	\$ 5,243
Great American Financial Services	1/11/2022	11,205	1.51%	12/11/2026	4,018
FP Mailing	3/1/2023	2,829	4.00%	3/1/2028	1,688
					<u>10,949</u>

The following represent the future maturities on the long-term leases:

Long term lease liabilities	2026	\$ 4,360	\$ 298	\$ 4,658
	2027	3,900	176	4,076
	2028	2,259	72	2,331
	2029	430	3	433
		<u>\$ 10,949</u>	<u>\$ 549</u>	<u>\$ 11,498</u>

Subscription Liabilities

The City entered into long-term agreements to utilize software. The software agreements met the requirements from Governmental Accounting Standards Board (GASB) No. 96, *Subscription-Based Technology Arrangements*. The City has recorded a subscription asset and a subscription liability at the contract commencement date based on the present value of the future payments over the expected agreement terms. The subscription asset is amortized on a straight-line basis over the life of the contract, and the asset is recognized on the statement of net position with the depreciable capital assets. The subscription liability is calculated based on the present value of the non-cancelable payments over the term of the agreements and is recognized as a subscription liability on the statement of net position.

The details of the subscription-based technology arrangements are as follows:

	Date of Issue	Original Amount	Interest Rate	Maturity Date	Amount Outstanding 3/31/2025
Subscription based IT arrangements:					
Verkade	7/6/2023	\$ 42,242	5.25%	7/6/2027	\$ 26,630
Kologik	4/1/2024	23,003	4.34%	4/1/2028	19,262
					<u>45,892</u>

The following represents the future maturities on SBITA liabilities:

Subscription Based IT Arrangements

2026	\$ 12,567	\$ 2,234	\$ 14,801
2027	13,438	1,612	15,050
2028	14,364	948	15,312
2029	5,523	240	5,763
	<u>\$ 45,892</u>	<u>\$ 5,034</u>	<u>\$ 50,926</u>

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

NOTE 7: LONG TERM DEBT – continued

Business-Type Activities

A summary of bonds follows:

	Date of Issue	Original Amount	Interest Rate	Maturity Date	Amount Outstanding 3/31/2025
Combination Tax and Revenue					
Series 2017B	11/1/2017	\$ 516,750	3.25%	11/15/2032	\$ 306,800
USDA 2019A	12/18/2020	2,915,000	1.75%	12/8/2059	2,638,081
USDA 2019B	12/18/2020	862,000	1.75%	12/18/2059	780,109
Series 2021	4/26/2021	380,000	2.49%	1/15/2036	320,000
					<u>\$ 4,044,990</u>

The following represents the future maturities on these bonds:

Long Term Bonds:		Principal	Interest	Total
2026	\$ 131,000	\$ 76,906	\$ 207,906	
2027	133,574	73,909	207,483	
2028	136,017	71,000	207,017	
2029	138,787	67,723	206,510	
2030	141,429	64,530	205,959	
2031-2035	667,775	273,774	941,549	
2036-2040	505,162	217,578	722,740	
2041-2045	485,986	171,254	657,240	
2046-2050	530,411	126,829	657,240	
2051-2055	578,898	78,343	657,241	
2056-2060	595,951	25,482	621,433	
	<u>\$ 4,044,990</u>	<u>\$ 1,247,328</u>	<u>\$ 5,292,318</u>	

Notes payable are used to acquire equipment needed in the utility operations of the City. A summary of notes payable follows:

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

NOTE 7: LONG TERM DEBT – continued

	Date of Issue	Original Amount	Interest Rate	Maturity Date	Amount Outstanding 3/31/2025
First National Bank of Anson	1/30/2020	\$ 77,525	5.50%	1/30/2029	\$ 36,684
First National Bank of Anson	6/13/2023	64,156	8.25%	6/13/2028	52,253
Prosperity Bank	3/23/2015	470,000	3.87%	4/1/2030	186,553
KS State Bank	5/22/2023	396,797	6.50%	6/1/2028	302,408
CAT Financial	3/5/2021	90,240	3.04%	3/5/2026	48,525
John Deer Financial	10/10/2023	178,617	3.50%	5/15/2028	152,423
First National Bank of Anson	2/24/2019	199,138	5.50%	2/24/2026	26,596
BFG Corporation	7/26/2023	75,771	4.88%	9/30/2026	40,311
CAT Financial	7/15/2022	99,631	0.80%	8/18/2027	51,123
First National Bank of Anson	6/29/2022	96,662	5.75%	6/29/2027	61,479
John Deer Financial	12/12/2024	210,983	5.35%	2/12/2030	210,993
					<u>\$ 1,169,348</u>

The following represents the future maturities on these notes:

Notes Payable:

2026	\$ 233,363	\$ 56,804	\$ 290,167
2027	187,804	52,224	240,028
2028	184,083	41,208	225,291
2029	333,651	33,078	366,729
2030	55,674	11,390	67,064
2031	174,773	2,162	176,935
	<u>\$ 1,169,348</u>	<u>\$ 196,866</u>	<u>\$ 1,366,214</u>

NOTE 8: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2025, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (TMLIRP). TMLIRP is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TMLIRP for insurance coverage. The agreement for the formation of TMLIRP provides that TMLIRP will be self-sustaining through member premiums and will reinsurance through commercial companies for claims over acceptable risk levels; however, each category of coverage has its level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and any settled claims have not exceeded coverage in any of the past three fiscal years.

NOTE 9: COMMITMENTS AND CONTINGENCIES

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Such audits could result in requests for reimbursement by the grantor agencies for expenses disallowed under terms and conditions specified in the grant agreement.

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

NOTE 10: BALANCES AND TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY

Interfund payables

The following schedule reports liabilities between funds.

Funds with Due From	Funds with Due to	Amount
General Fund	Water	\$
		10,817

Interfund Transfers

The following schedule reports transfers between funds:

Transfers Out	Transfers In	Amount	Purpose
Water Fund	General Fund	\$ 144,950	Transfer for costs
Garbage Fund	General Fund	68,207	Transfer for costs
Water Fund	Special Revenue Funds	4,994	Transfer for costs

NOTE 11: PENSION PLAN

A. Plan Description

The City of Anson participates as one of 936 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. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmrs.com.

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

B. Benefits Provided

TMRS provides retirement, disability and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interests.

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

NOTE 11: PENSION PLAN - continued

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

Employee deposit rate:	5.0%
Employer deposit rate (2024/2025)	1.55%/1.53%
Matching ratio (City to employee):	2 to 1
Years required for vesting:	5 years
Service retirement eligibility (expressed as age/years of service)	60/5, 0/25
Updated service credit	100% Repeating, Transfers
Annuity increase (to retirees)	50% of CPI Repeating

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	10
Inactive employees entitled to but not yet receiving benefits	42
Active employees	24
Total	76

C. Contributions

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

Employees for the City of Anson were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Anson were 1.55% and 1.53% in calendar years 2024 and 2025 respectively. The City's contributions to TMRS for the year ended March 31, 2025 were \$17,312, and were equal to the required contributions.

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

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

NOTE 11: PENSION PLAN – continued

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements subject to the 3% floor.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.1%
Core Fixed Income	6.0%	5.0%
Non-Core Fixed Income	6.0%	6.8%
Other public and private markets	4.0%	7.3%
Real Estate	12.0%	6.7%
Hedge Funds	5.0%	6.4%
Private Debt	13.0%	6.7%
Private Equity	13.0%	8.2%
Infrastructure	6.0%	6.0%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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.

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

NOTE 10: PENSION PLAN – continued

Changes in the Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance as 12/31/2023	\$ 1,549,484	\$ 1,804,305	\$ (254,821)
Changes for the year:			
Service cost	82,972		82,972
Interest	105,607		105,607
Change of benefit terms			
Difference between expected and actual experience	(469)		(469)
Changes of assumptions		-	-
Contributions – employer		16,967	(16,967)
Contributions – employee		54,731	(54,731)
Net Investment Income		186,744	-
Benefit Payments, including refunds of employee contributions	(52,856)	(52,856)	-
Administrative expense		(1,202)	1,202
Other changes		(28)	28
Net Changes	<u>135,254</u>	<u>204,356</u>	<u>(69,102)</u>
Balance 12/31/2024	<u>\$ 1,684,738</u>	<u>\$ 2,008,661</u>	<u>\$ (323,923)</u>

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 lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	1% Increase in Discount Rate (7.75%)	
	Discount Rate (6.75%)	Rate (7.75%)	Rate (7.75%)
City's Net Pension Liability (Asset)	(137,801)	(323,923)	(481,865)

Pension Plan Fiduciary Net Position

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

E. 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 expense (benefit) of (\$3,546).

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

NOTE 11: PENSION PLAN – continued

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	\$ -	\$ 5,504
Changes in actuarial assumptions		
Difference between projected and actual investment earnings	97,355	117,349
Contributions subsequent to the measurement date	17,312	
Total	\$ 114,667	\$ 122,853

\$17,312 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	
2025	(4,209)
2026	20,140
2027	(28,439)
2028	(12,990)
Total	(25,498)

NOTE 12: SUPPLEMENTAL DEATH BENEFITS FUND

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System known as the Supplemental Death Benefits Fund (SDB). The SDB plan includes coverage for both active and retiree members and assets are comingled for the payment of such benefits. The SDB plan does not qualify as an OPEB Trust in accordance with paragraph 4 of GASB Statement Number 75. 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 SDB by adopting an ordinance before November 1 of any year to be effective the following January 1.

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 SDB:

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	0
Active employees	24
Total	30

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

NOTE 12: SUPPLEMENTAL DEATH BENEFITS FUND – continued

OPEB Liability

The City's total OPEB liability of \$44,283 was measured as of December 31, 2024, and was determined by an actuarial valuation as of that date.

Actuarial assumptions:

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

Inflation	2.5% per year
Salary increases	3.6% to 11.85% including inflation
Discount rate	4.08% per year

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. The rates are projected on a fully generational basis with scale UMP.

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

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.

Changes in the OPEB Liability	Total OPEB Liability (a)
Balance as 12/31/2023	\$ 42,909
Changes for the year:	
Service cost	2,846
Interest on total OPEB liability	1,642
Change of benefit terms	
Difference between expected and actual experience	311
Changes in assumptions or other inputs	(1,893)
Benefit Payments	(1,532)
Other changes	
Net Changes	<hr/> 1,374
Balance 12/31/2024	<hr/> \$ 44,283

Sensitivity of the OPEB Liability to changes in the discount rate

The following presents the OPEB liability of the City, calculated using the discount rate of 4.08%, as well as what the City's OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08%) or 1-percentage-point higher (5.08%) than the current rate:

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

NOTE 12: SUPPLEMENTAL DEATH BENEFITS FUND – continued

	1% Decrease in Discount	Discount Rate (4.08%)	1% Increase in Discount
	Rate (3.08%)		Rate (5.08%)
City's OPEB Liability	50,763	44,283	38,881

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended March 31, 2025, the City recognized OPEB expense of \$991.

At March 31, 2025 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 264	\$ 6,292
Changes in actuarial assumptions	3,732	10,718
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	380	
Total	\$ 4,376	\$ 17,010

The deferred outflows balance includes contributions subsequent to the measurement date of \$380. This amount will be recognized as a reduction of the OPEB liability for the year ending December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31:	
2025	\$ (3,161)
2026	(2,969)
2027	(2,624)
2028	(2,390)
2029	(1,710)
Thereafter	(160)
Total	(13,014)

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

NOTE 13: PRIOR PERIOD ADJUSTMENTS

The following summary shows the changes in the statement of financial position accounts at March 31, 2024:

	General Fund	Governmental Activities	Water Fund	Garbage Fund	Business-Type Activities
Ending Fund Balance / Net Position as of March 31, 2024	\$ 371,428	\$ 3,785,838	\$ 982,500	\$ (31,007)	\$ 951,493
Capital assets			(4,533)		(4,533)
Long term debt		419,575	(333,091)	(79,574)	(412,665)
Employee receivables	2,100	2,100			
Notes receivable		22,374			
Grant revenue	(19,187)	(19,187)			
Right of use assets, net		14,895			
Long term lease liabilities		(15,190)			
SBITA assets, net		(32,377)			
Long term SBITA liabilities		20,440			
Restated Fund Balance / Net Position as of March 21, 2024	<u>\$ 354,341</u>	<u>\$ 4,198,468</u>	<u>\$ 644,876</u>	<u>\$ (110,581)</u>	<u>\$ 534,295</u>

SUPPLEMENTAL INFORMATION

CITY OF ANSON, TEXAS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET (GAAP BASIS) AND ACTUAL – GENERAL FUND - *continued*
YEAR ENDED MARCH 31, 2025

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUE:				
Taxes:				
Property tax	\$ 1,075,000	\$ 1,075,000	\$ 1,180,621	\$ 105,621
Sales tax	475,000	475,000	500,397	25,397
Franchise tax	75,000	75,000	90,900	15,900
Fines and fees	150,000	150,000	83,182	(66,818)
Charges for services	33,000	33,000	25,898	(7,102)
Intergovernmental revenue	-	-	116,048	116,048
Donations	74,000	74,000	39,126	(34,874)
Interest income	300	300	1,061	761
Other income	36,629	36,629	14,169	(22,460)
Total Revenue	<u>1,918,929</u>	<u>1,918,929</u>	<u>2,051,402</u>	<u>132,473</u>
EXPENDITURES:				
Current:				
General government	492,318	492,318	551,589	(59,271)
Judicial and legal	106,511	106,511	110,498	(3,987)
Public safety	707,593	707,593	802,743	(95,150)
Culture and recreation	99,800	99,800	200,184	(100,384)
Streets	141,000	141,000	123,991	17,009
Debt service:				
Principal retired	246,289	246,289	291,536	(45,247)
Interest	22,418	22,418	43,979	(21,561)
Capital outlay	99,350	99,350	364,862	(265,512)
Total Expenditures	<u>1,915,279</u>	<u>1,915,279</u>	<u>2,489,382</u>	<u>(574,103)</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES				
	\$ 3,650	\$ 3,650	\$ (437,980)	\$ (441,630)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	-	52,000	52,000
Proceeds from long-term debt	-	-	556,546	556,546
Transfers in (out)	-	-	213,157	213,157
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>821,703</u>	<u>821,703</u>
CHANGE IN FUND BALANCE				
	3,650	3,650	383,723	380,073
FUND BALANCE AT BEGINNING OF YEAR, RESTATED				
	<u>354,341</u>	<u>354,341</u>	<u>354,341</u>	<u>-</u>
FUND BALANCE AT END OF YEA				
\$	<u>357,991</u>	<u>357,991</u>	<u>738,064</u>	<u>\$ 380,073</u>

CITY OF ANSON, TEXAS
SCHEDEULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 years
YEARS ENDED DECEMBER 31,

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Pension Liability										
Service cost	\$ 46,858	\$ 48,809	\$ 45,203	\$ 46,361	\$ 50,258	\$ 65,186	\$ 66,309	\$ 69,105	\$ 73,016	\$ 82,972
Interest (on the Total Pension Liability)	71,315	75,685	79,654	80,643	84,518	88,517	86,524	92,951	98,880	105,607
Changes of benefit terms	-	6,050	-	-	-	21,304	-	-	-	-
Difference between expected and actual experience	(15,287)	(16,745)	(56,217)	(15,946)	(9,746)	(102,953)	(7,732)	(20,002)	(14,095)	(469)
Change of Assumptions	36,590	-	-	-	(11,044)	-	-	-	(7,406)	-
Benefit payments, including refunds	(45,798)	(42,263)	(52,025)	(57,094)	(54,104)	(112,926)	(48,753)	(53,794)	(58,574)	(52,856)
Net Change in Total Pension Liability	93,678	71,536	16,615	53,964	59,882	(40,872)	96,348	88,260	91,821	135,254
Total Pension Liability - Beginning	1,018,252	1,111,930	1,183,466	1,200,081	1,254,045	1,313,927	1,273,055	1,369,403	1,457,663	1,549,484
Total Pension Liability - Ending (a)	\$ 1,111,930	\$ 1,183,466	\$ 1,200,081	\$ 1,254,045	\$ 1,313,927	\$ 1,273,055	\$ 1,369,403	\$ 1,457,663	\$ 1,549,484	\$ 1,684,738
Plan Fiduciary Net Position										
Contributions - Employer	10,321	\$ 17,066	\$ 10,207	\$ 10,965	\$ 13,959	\$ 15,574	\$ 18,828	\$ 13,854	\$ 14,195	\$ 16,967
Contributions - Employee	38,345	43,124	36,454	38,378	40,936	43,749	45,480	46,819	48,613	54,731
Net Investment Income	1,578	72,533	161,034	(39,386)	195,874	110,953	197,903	(126,328)	186,265	186,744
Benefit payments, including refunds	(45,798)	(42,263)	(52,025)	(57,094)	(54,104)	(112,926)	(48,753)	(53,794)	(58,574)	(52,856)
Administrative Expense	(961)	(819)	(835)	(762)	(1,109)	(720)	(918)	(1,095)	(1,190)	(1,202)
Other	(47)	(44)	(42)	(40)	(32)	(27)	6	1,307	(8)	(28)
Net Change in Plan Fiduciary Net Position	3,438	89,597	154,793	(47,339)	195,514	56,603	212,546	(119,237)	189,301	204,556
Plan Fiduciary Net Position - Beginning	\$ 1,069,690	\$ 1,073,128	\$ 1,162,725	\$ 1,317,518	\$ 1,269,579	\$ 1,465,093	\$ 1,521,696	\$ 1,734,242	\$ 1,615,005	\$ 1,804,306
Plan Fiduciary Net Position - Ending (b)	\$ 1,073,128	\$ 1,162,725	\$ 1,317,518	\$ 1,269,579	\$ 1,465,093	\$ 1,521,696	\$ 1,734,242	\$ 1,615,005	\$ 1,804,306	\$ 2,008,662
Net Pension Liability - Ending (a)-(b)	\$ 38,802	\$ 20,741	\$ (117,437)	\$ (15,534)	\$ (151,166)	\$ (248,641)	\$ (364,839)	\$ (157,342)	\$ (254,822)	\$ (323,924)
Plan Fiduciary Net Position as a Percentage of										
Total Pension Liability	96.51%	98.25%	109.79%	101.24%	111.50%	119.55%	126.64%	110.79%	116.45%	119.23%
Covered Employee Payroll	\$ 766,909	\$ 798,839	\$ 729,079	\$ 767,564	\$ 818,526	\$ 874,973	\$ 909,594	\$ 936,381	\$ 972,253	\$ 1,094,622
Net Pension Liability as a Percentage of Covered Employee Payroll	5.06%	2.60%	-16.11%	-2.02%	-18.47%	-28.42%	-40.11%	-16.80%	-26.21%	-29.59%

CITY OF ANSON, TEXAS
SCHEDULE OF CONTRIBUTIONS
Last 10 years
YEARS ENDED MARCH 31

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Actuarially Determined Contribution	\$ 14,814	\$ 13,847	\$ 12,415	\$ 12,594	\$ 16,598	\$ 18,433	\$ 20,031	\$ 15,922	\$ 18,102	\$ 17,312
Contributions in relation to the actuarially determined contribution	\$ 14,814	\$ 13,847	\$ 12,415	\$ 12,594	\$ 16,598	\$ 18,433	\$ 20,031	\$ 15,922	\$ 18,102	\$ 17,312
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 768,413	\$ 785,486	\$ 743,387	\$ 772,099	\$ 840,786	\$ 882,273	\$ 919,316	\$ 931,318	\$ 987,968	\$ 1,120,420
Contributions as a percentage of covered payroll	1.93%	1.76%	1.67%	1.63%	1.97%	2.09%	2.18%	1.71%	1.83%	1.55%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Notes

Actuarially determined contribution rates are calculated as of December 31st 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 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 table, with the 110% of the Public Safety table used for males and 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information:

Notes

There were no benefit changes during the year.

CITY OF ANSON, TEXAS
SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS
10 years will ultimately be presented
YEARS ENDED DECEMBER 31,

OPEB Liability	2018	2019	2020	2021	2022	2023	2024
Service cost	\$ 2,072	\$ 2,456	\$ 3,850	\$ 4,184	\$ 4,495	\$ 2,431	\$ 2,846
Interest on total OPEB liability	1,494	1,638	1,505	1,040	995	1,618	1,642
Changes of benefit terms							
Difference between expected and actual experi	(1,518)	(1,019)	(13,227)	(3,372)	(2,465)	(983)	311
Change of Assumptions	(2,674)	7,230	5,952	1,266	(14,938)	1,731	(1,893)
Benefit payments	(691)	(409)	(437)	(1,455)	(1,030)	(1,264)	(1,532)
Net Change in OPEB Liability	(1,317)	9,896	(2,357)	1,663	(12,943)	3,533	1,374
Total OPEB Liability - Beginning	44,434	43,117	53,013	50,656	52,319	39,376	42,909
Total OPEB Liability - Ending (a)	\$ 43,117	\$ 53,013	\$ 50,656	\$ 52,319	\$ 39,376	\$ 42,909	\$ 44,283
Covered Employee Payroll	\$ 767,564	\$ 818,527	\$ 874,973	\$ 909,594	\$ 936,381	\$ 972,253	\$ 1,094,622
OPEB Liability as a Percentage of Covered Employee Payroll	5.62%	6.48%	5.79%	5.75%	4.21%	4.41%	4.05%

OTHER SUPPLEMENTARY INFORMATION

CITY OF ANSON, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
MARCH 31, 2025

	Component Unit ADC	Component Unit IDC	Anson Volunteer Fire Department	Opera House	Total Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 97,024	\$ 7,993	\$ 114,893	\$ 8,636	\$ 228,546
Certificates of deposit			39,299		39,299
Due from other funds	12,586		483		13,069
Prepaid expenses			123		123
Total Assets	<u>\$ 109,610</u>	<u>\$ 7,993</u>	<u>\$ 154,798</u>	<u>\$ 8,636</u>	<u>\$ 281,037</u>
LIABILITIES:					
Accounts payable	\$	\$	\$	\$	\$
Due to other funds				1,400	1,400
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,400</u>	<u>1,400</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes					
Total Liabilities and Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,400</u>	<u>1,400</u>
FUND BALANCE:					
Nonspendable			123		123
Unassigned					
Restricted	<u>109,610</u>	<u>7,993</u>	<u>154,675</u>	<u>7,236</u>	<u>279,514</u>
Total Fund Balance	<u>109,610</u>	<u>7,993</u>	<u>154,798</u>	<u>7,236</u>	<u>279,637</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
	<u>\$ 109,610</u>	<u>\$ 7,993</u>	<u>\$ 154,798</u>	<u>\$ 8,636</u>	<u>\$ 281,037</u>

CITY OF ANSON, TEXAS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2025

	Component Unit ADC	Component Unit IDC	Anson Volunteer Fire Department	Opera House	Total Nonmajor Governmental Funds
REVENUES					
Taxes:					
Sales tax	\$ 71,485	\$	\$	\$	\$ 71,485
Donation income			21,956		21,956
Interest	1,088	808	1,481	23	3,400
Intergovernmental			9,450		9,450
Other		8,100		9,885	17,985
Total Revenues	<u>72,573</u>	<u>8,908</u>	<u>32,887</u>	<u>9,908</u>	<u>124,276</u>
EXPENDITURES					
Current:					
Culture and recreation		15,001		7,836	22,837
Economic development	20,406	3,619			24,025
Public safety			47,389		47,389
Total Current Expenditures	<u>20,406</u>	<u>18,620</u>	<u>47,389</u>	<u>7,836</u>	<u>94,251</u>
Capital Outlay			15,200		15,200
Debt Service:					-
Principal					-
Interest					-
Total Expenditures	<u>20,406</u>	<u>18,620</u>	<u>62,589</u>	<u>7,836</u>	<u>109,451</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	52,167	(9,712)	(29,702)	2,072	14,825
OTHER FINANCING SOURCES (USES)					
Proceeds from note receivables	12,604	22,374			34,978
Transfers in (out)	<u>6,310</u>	<u>(44,676)</u>	<u>43,360</u>		<u>4,994</u>
Total Other Financing Sources (Uses)	<u>18,914</u>	<u>(22,302)</u>	<u>43,360</u>	<u>-</u>	<u>39,972</u>
Net Change in Fund Balance	71,081	(32,014)	13,658	2,072	54,797
Fund Balance at beginning of year	<u>38,529</u>	<u>40,007</u>	<u>141,140</u>	<u>5,164</u>	<u>224,840</u>
Fund Balance at end of year	<u>\$ 109,610</u>	<u>\$ 7,993</u>	<u>\$ 154,798</u>	<u>\$ 7,236</u>	<u>\$ 279,637</u>

INTERNAL CONTROL SECTION

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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 City Council
City of Anson, Texas

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Anson, 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, and have issued our report thereon dated October 22, 2025.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies in the accompanying schedule of findings and questioned costs as items 2025-005, 2025-006, 2025-007, 2025-008, and, 2025-009 to be material weaknesses.

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. We consider the deficiencies in the accompanying schedule of findings and questioned costs as item 2025-010 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Anson, Texas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported

under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2025-001, 2025-002, 2025-003, and 2025-004.

City of Anson, Texas' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Anson, Texas' response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. City of Anson, Texas' response was not subjected to the other auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on the response.

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.

Roberts & McGee, CPA, PLLC

Roberts & McGee, CPA, PLLC

Abilene, Texas
October 22, 2025

CITY OF ANSON, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED MARCH 31, 2025

I. Summary of Independent Auditor's Results

A. Type of Report Issued on Financial Statements

The Independent Auditor's Report on the financial statements of the City of Anson, Texas as of and for the year ended March 31, 2025 was an unmodified opinion.

B. Material weakness in Internal Control Disclosed by the Audit of the Financial Statements.

The audit of the financial statements of the City of Anson, Texas as of and for the year ended March 31, 2025 disclosed material weaknesses in internal control.

C. Significant Deficiencies in Internal Control Disclosed by the Audit of the Financial Statements

The audit of the financial statements of the City of Anson, Texas as of and for the year ended March 31, 2025 disclosed significant deficiencies in internal control.

D. Noncompliance Material to the Financial Statements

The audit disclosed instances of noncompliance which is material to the financial statements of the City of Anson, Texas as of and for the year ended March 31, 2025.

II. Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

A. Compliance Findings

2025-001 – Noncompliance with the Texas Public Funds Investment Act

Condition: During the 2025 audit of cash balances, instances of uncollateralized deposits were discovered as stated in Note 3 to the Financial Statements. Upon inquiry of management and during the confirmation process, it was discovered that the City did not have a depository contract with the bank.

Criteria: In accordance with Texas Government Code Title 10, Subtitle F, Chapter 2257, a deposit of public funds shall be secured by eligible security to the extent and in the manner required by Government Code.

Cause: The City has no contract with their depository bank.

Effect: Public funds are not collateralized due to City funds exceeding FDIC insurance coverage and pledged securities were not available to cover the remaining balance.

Recommendation: We recommend the City establish and maintain a depository contract at a permitted institution in order to sufficiently cover all deposits of public funds.

Views of responsible officials and planned corrective actions: The banking facility currently serving as the City's depositor has declined a depository contract, without imposing an extra fee for the City. City Council voted in a prior year to continue banking with the local banking facility and is aware deposits are not in compliance with the City's investment policy and the Public Funds Investment Act.

CITY OF ANSON, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED MARCH 31, 2025

A. Compliance Findings – continued

2025-002 – Noncompliance with Reporting Taxable Income to Employees

Condition: During fiscal year 2025, the City provided nontaxable payments to employees for bonuses, personal expenses and payments of water utility bills. The City did not have documentation to support that all of these payments were excludable from the employees' gross income under rules established by the Internal Revenue Service (IRS). For several employees, we found payments totaling \$52,306 were paid as bonuses through the Accounts Payable System and were improperly excluded from the employee's taxable income and therefore not properly reported on their W-2 forms. In addition, per our review of credit card transactions for 2 months, we noted payments of approximately \$5,046 that did not have proper support and appear to be personal in nature. Since we did not review all credit card transactions there may be more items of personal expenses that we did not discover. The City provides free water services to their employees and records these employees water usage as "water loss". The City had not calculated the amounts the City's employees would have paid for their water usage and had not included these items as taxable income on their W-2 forms.

Criteria: Internal Revenue Service (IRS) Publication 525, *Taxable and Nontaxable Income*, defines what constitutes taxable and nontaxable employee income. For a payment to be considered nontaxable, such as a reimbursement for a business expense, it must meet specific criteria, including being properly substantiated. Additionally, payroll tax administration and reporting is a requirement under the IRS and Social Security regulations.

Cause: The City's management did not properly review the transactions to ensure they were reported in accordance with IRS regulations before they were processed. This was due to a lack of a formal internal control process requiring adequate review and documentation before processing the payments noted above.

Effect: As a result of improperly classifying payments as nontaxable, the City is at risk for IRS penalties and interest for under-withholding payroll taxes. The affected employees may also face potential tax liabilities, interest, and penalties from the IRS for underreporting their gross income. Furthermore, the lack of a strong internal control environment over payroll payments increases the risk of undetected improper payments, which could lead to waste, fraud, and abuse of public funds.

Recommendation: We recommend the City establish appropriate internal controls to identify all possible taxable payments made to employees and establish procedures to ensure these taxable payments are provided to the City's payroll processor. In addition, we recommend the City conduct a review of all improperly classified nontaxable payments made during fiscal year 2025 and determine the full extent of the tax under withholding. Once this review is complete, work with the City's legal counsel and payroll processor to determine the steps to correct the under withholding.

Views of responsible officials and planned corrective actions: Now that the City has clarity regarding the proper allocation of these nontaxable and taxable payments, remedial action has been successfully applied for 2025, and this appropriate handling will be maintained in all future periods.

2025-003 – Inaccurate Reporting of Expenditures on the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) Project and Expenditure Report

Condition: During the audit of the City's SLFRF expenditures, we noted that the City reported expenditures of \$151,101 for the purchase of equipment for the police vehicles on the SLFRF Annual Report for the year ended March 2025. These expenditures were not supported by actual invoices and payments made by the City. The actual amounts expended for this program was only \$31,454. The amount reported on the annual report to the Treasury was overstated by \$119,646. The discrepancy was due to the City using a proposal for the police equipment and not the actual amounts expended by the City.

CITY OF ANSON, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED MARCH 31, 2025

A. Compliance Findings – continued

2025-003 – Inaccurate Reporting of Expenditures on the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) Project and Expenditure Report – continued

Criteria: The Coronavirus State and Local Fiscal Recovery Funds (SLFRF) award terms and the U.S. Department of the Treasury's Compliance and Reporting Guidance require accurate and timely reporting of project obligations and expenditures. Recipients must establish and maintain effective internal controls to ensure that financial data submitted to the federal government is reliable and substantiated by accounting records. The Government Auditing Standards require auditors to report material weaknesses in internal control and instances of noncompliance with provisions of laws, regulations, and grant agreements.

Cause: The city's internal controls were not adequate to ensure that expenditures were accurately reported. Specifically, the City's financial personnel provided incorrect expenditures to the grant manager and did not provide proper support to ensure the expenditures were reported correctly. There was also a lack of formal review process to verify that only actual disbursements were included in the reported expenditure amounts.

Effect: The City submitted inaccurate financial information to the U.S. Department of the Treasury. This misstatement of expenditures results in unreliable reporting data and potentially distorts the reported use of federal funds. The noncompliance may require the City to resubmit revised reports and could lead to more intensive monitoring or other adverse actions from the Treasury.

Recommendation: We recommend the City revise its internal controls and reporting procedures to prevent future errors in SLFRF expenditure reporting. Management should:

- Establish a control that requires a manager to review and approve all SLFRF reporting prior to submission, ensuring that reported expenditures are tied directly to actual, paid disbursements.
- Adjust accounting procedures to ensure that data pulled for federal reports is based on actual disbursements and not estimates or proposals.
- File an amended SLFRF Project and Expenditure report to correct the misstated expenditures for the purchase of police equipment.

Views of responsible officials and planned corrective actions: To safeguard compliance with complex grant regulations, the City invests significantly in the expertise of a professional grant administrator. The City has received confirmation from the grant administrator that the adjusted expenditures will be properly documented in the upcoming SLFRF submission. City management has implemented proactive changes designed to prevent any recurrence of such issues in the future.

2025-004 - Procurement Policy

Condition: During the audit period, the city did not have a formal, written procurement policy that documented procedures for soliciting, awarding, and monitoring purchases of goods and services. Instead, the entity's procurement activities relied on undocumented, informal practices that varied among departments.

Criteria: According to the U.S. Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* (the "Green Book"), internal controls should be documented and communicated throughout the entity. Effective internal controls for the procurement process include formally documented policies and procedures that ensure compliance with applicable laws and regulations, promote competition, and obtain reasonable prices.

Cause: The entity had not prioritized or allocated resources for developing and formalizing procurement policies. Management mistakenly assumed that informal practices and past precedent were sufficient to ensure proper procurement procedures.

Effect: Without a formal procurement policy, the entity is at greater risk of several negative outcomes:

CITY OF ANSON, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED MARCH 31, 2025

A. Compliance Findings – continued

2025-004 - Procurement Policy – continued

- **Non-compliance:** The entity may fail to comply with federal or state grant requirements, increasing the risk of disallowed costs and repayment obligations.
- **Waste and abuse:** Without standardized competitive bidding procedures, there is an increased risk of inefficient purchasing, favoritism, and abuse of public funds.
- **Lack of transparency:** The absence of a written policy reduces transparency and accountability for purchasing decisions, making it difficult to demonstrate that transactions were fair and in the public's best interest.
- **Inconsistent practices:** Informal procedures can lead to inconsistent application of procurement rules, which may result in some vendors receiving an unfair advantage over others.

Recommendation: The City should develop, approve, and implement a comprehensive written procurement policy. At a minimum, this policy should include:

- Clear guidelines for soliciting bids or quotes.
- Requirements for vendor selection and contract award.
- Document retention procedures to provide a clear audit trail for all purchases.
- Roles and responsibilities for authorizing and approving procurements.
- A plan to communicate the new policy and provide training to all relevant personnel.

Views of responsible officials and planned corrective actions: While the City initially adopted its procurement policy via resolution on March 22, 2021, an updated policy is forthcoming. This revision will incorporate the adjusted bidding thresholds mandated by the legislative changes under Senate Bill 1173.

B. Material Weakness in Internal Control

2025-005 – Financial Records Reported on Cash Basis

Condition: The City has been recording its revenue and expenses on a cash basis rather than on an modified accrual basis for the governmental funds and a full accrual basis in the proprietary funds. Additionally, fixed asset and debt payments in the enterprise funds are recorded to expense accounts and not reclassified to the balance sheet at year end.

Criteria: Management is responsible for establishing and maintaining effective internal controls over financial reporting. Effective internal controls are an important component of a system that helps ensure transactions are recorded timely, correctly, and in the proper reporting period, thereby providing accurate financial data.

Cause: Management is recording payments and receipts on a cash basis which is not in accordance with standards established by the Governmental Accounting Standards Board (GASB).

Effect: Payments for debt, fixed assets, and other liabilities were recorded as expenses and required adjustment to correct asset and liability balances. Revenues were recorded on a cash basis and required material adjustment to correct receivables and recognize revenue in the year earned.

Recommendation: We recommend that finance personnel record adjustments for the enterprise funds at year-end to correct debt and fixed asset balances and appropriately adjust the receivable and payable accounts in both the enterprise funds and the governmental funds.

Views of Responsible official and planned corrective actions: For at least two decades, the City has historically conducted its financial operations using the cash basis of accounting. Adhering to modern standards is essential, and the City acknowledges the need to transition to a modified accrual /full accrual basis. This shift is currently complicated by the limitations of the existing utility software, which is why the City is actively pursuing an upgrade to a more suitable system capable of supporting the necessary changes. This approach will be maintained until internal capacity is developed to perform these complex adjustments in-house with confidence and precision.

CITY OF ANSON, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED MARCH 31, 2025

A. Material Weakness in Internal Controls – continued

2025-006 – Inadequate City Council Review of Financial Information

Condition: The City Council is provided a monthly report that includes the bills that are to be paid from the General Fund and the Water/Sewer Fund along with a list of invoices paid since the previous City Council meeting. In addition, the City Council is provided quarterly report that discloses the City's cash and investment balances as well as the amount of underinsured cash. These reports provided to the City Council do not constitute a complete financial reporting package for the City. The City Council is not reviewing the results of the financial activity as compared to the budget and is not reviewing the City's assets, liabilities and fund balance positions.

Criteria: Management and those charged with governance, including the City Council, are responsible for overseeing the City's financial operations. Generally accepted government auditing standards (GAGAS) require that internal controls be in place to provide reasonable assurance that management's financial reporting is reliable. Effective oversight includes a timely and documented review of financial reports to ensure accountability and monitoring financial position.

Cause: The cause of this condition is a lack of clearly defined procedures for what information management should provide to the City Council and a lack defined procedures for the City Council to review and approve complete financial information.

Effect: This lack of review of complete financial information by management and those charged with governance creates several risks for the City:

- Reduced accountability: This lack of review diminishes the Council's ability to provide effective governance and hold management accountable for financial performance and compliance.
- Delayed detection of Issues: The lack of review of complete financial information could allow significant financial discrepancies, control weaknesses, or potential fraud to go undetected.
- Increased Waste and Abuse: The lack of review weakens internal controls and increases the risk of financial waste and abuse

Recommendation: We recommend the City take the following actions:

- Formally adopt a written policy that establishes clear procedures for the review and approval of financial reports which should include a year-to-date budget to actual revenues and expenses, plus a statement of net position (assets, liabilities, and fund balance). This policy should specify the required documentation and the frequency of review.
- Require the City Secretary to explicitly document in meeting minutes the date and outcome of the Council's review and approval of financial reports.
- Provide training to City Council members on their fiduciary responsibilities related to financial oversight and internal controls.

Views of Responsible official and planned corrective actions: Due to time constraints and council suggestions, a financial review will be presented quarterly. This review will include all revenue and expenditures to date. The City is open to any suggestions on training for Council members related to fiduciary responsibilities and oversight.

2025-007 – Inadequate Review of Accounts Receivable Balances in the Water/Sewer Fund

Condition: During the audit period, management did not perform a consistent, documented review of accounts receivable balances related to sales of water in the Water/Sewer Fund. Our review revealed that the Accounts Receivable Aging reports had not been analyzed and balances had not been reconciled to the general ledger. As a result, many accounts were significantly past due with no documented evidence of collection efforts or review.

CITY OF ANSON, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED MARCH 31, 2025

B. Material Weakness in Internal Controls – continued

2025-007 – Inadequate Review of Accounts Receivable Balances in the Water/Sewer Fund – continued

Criteria: Sound financial management practices and internal control principles require management to periodically and consistently review and analyze accounts receivable balances. A thorough review should include:

- Aging reports to identify balances that were past due
- Evaluating the collectability of accounts and assessing the adequacy of the allowance for doubtful accounts.
- Determining collection efforts and management decisions regarding write-offs.
- Ensuring supporting documentation is available and reconciled to the general ledger.

Cause: The City lacked established policies and procedures requiring and documenting a formal, recurring review of the accounts receivable ageing report. There is also a lack of supervisory oversight to ensure this critical financial management activity is performed.

Effect: The absence of a regular review of accounts receivable increases the risk of material misstatement due to:

- Overstatement of accounts receivable, as uncollectible balances may not be identified and written off in a timely manner.
- Understatement of the allowance for doubtful accounts, resulting in an inaccurate net realizable value of accounts receivable.
- Inefficient use of the City's funds, as collection efforts on delinquent accounts are not being properly pursued.
- The potential for fraud or abuse to go undetected.

Recommendation: We recommend that management establish and implement formal written policies and procedures for routine and documented review of accounts receivable. This includes:

- Requiring monthly reviews of the accounts receivable aging report.
- Establishing criteria for assessing collectability and determining appropriate write-offs.
- Ensuring all review and collection efforts are properly documented.
- Implementing a reconciliation process to verify that the aging accounts receivable report agrees with the general ledger.

Views of Responsible official and planned corrective actions: City Management is collaborating with the software company to establish a routine process for writing off uncollectible accounts.

2025-008 - Bank Reconciliation Review Process

Condition: The City's bank reconciliations were not subjected to an independent and documented supervisory review during the audit period. Our review of the monthly bank reconciliations for the year ended March 31, 2025 revealed that there is no review of bank reconciliations.

Criteria: Effective internal controls, as required by Generally Accepted Government Auditing Standards (GAGAS), mandate the segregation of duties and the implementation of a documented supervisory review process for critical financial activities, such as bank reconciliations. Proper review by a designated individual provides assurance that the reconciliations were performed accurately and on a timely basis.

Cause: Management has not established or enforced an internal control procedure requiring and documenting the timely and independent review of all bank reconciliations. Employees responsible for preparing the reconciliations were not aware of a formal policy mandating a second-level review.

CITY OF ANSON, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED MARCH 31, 2025

B. Material Weakness in Internal Controls – continued

2025-008 - Bank Reconciliation Review Process - continued

Effect: The lack of documented, independent review creates an increased risk of error, fraud, and misstatement of cash and cash equivalents on the financial statements. Additionally, it was noted during our audit that one account had not been reconciled throughout the year which required additional adjustments after the original trial balance had been provided for our audit. Without a documented review, there is no assurance that reconciling items are properly investigated or that unauthorized transactions are identified and corrected in a timely manner. This increases the risk of financial loss and non-compliance with applicable laws and regulations.

Recommendation: We recommend that management implement a formal policy requiring and documenting the timely, independent, and evidenced supervisory review of all bank reconciliations. Specifically, management should:

- Ensure that all bank reconciliations are reviewed and approved by an individual independent of the preparation process and do not have signatory authority over bank accounts.
- Require reviewers to sign and date each reconciliation to document their oversight.
- Retain all documentation related to the review process to provide a complete audit trail.

Views of Responsible official and planned corrective actions: Following the audit finding, the City implemented a dual-signature requirement for all bank reconciliations to ensure compliance.

2025-009 – Review and Approval of Credit Card Transactions

Condition: We found that the reviews of purchase card transactions by approving officials were not consistently performed or documented and no policy is in place to require such a review for purchases made by the City Manager. During our detailed review of all credit card transactions for the months of May 2024 and December 2024 we noted the following deficiencies related to the City Manager purchases:

- \$286 of expenditures with no receipt which appeared to be personal in nature and had no clear business purpose.
- \$1,242 of expenditures noting that no vendor receipt was obtained and there was no independent evidence that the expenditure was for city business.
- \$2,088 of expenditures with summarized receipts but no itemized receipt was available. This created a lack of evidence that the expenditure was for city business.
- \$1,430 of personal items purchased with city credit cards, no receipts provided but these expenses were reimbursed to the city.

Criteria: The *Standards for Internal Control in the Federal Government* (the "Green Book") require adequate management oversight to ensure transactions are for official business purposes, are properly documented, and comply with all applicable laws and regulations. The policy requires approving officials to review and approve cardholder transactions and all supporting documentation within a specified time frame.

Cause: The primary causes for these issues were a lack of oversight by city council. The City does not have a formal process to ensure that all expenses paid for with city credit cards are for city business. As a result, city credit cards are being used for personal purchases in some cases and unknown purposes in other cases.

Effect: The failure to adequately review and approve purchase card transactions increases the risk of fraud, waste, and abuse. Specifically, without a robust review process:

- There is an increased risk that purchases are for personal use or are otherwise improper.
- Inadequate documentation prevents a clear audit trail and can result in unsupported questioned costs in future audits.
- Untimely reviews reduce the likelihood of identifying and correcting errors or inappropriate spending in a timely manner.

CITY OF ANSON, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED MARCH 31, 2025

B. Material Weakness in Internal Controls – continued

2025-009 – Review and Approval of Credit Card Transactions – continued

- The absence of clear, consistent consequences for non-compliance weakens internal controls and a deterrent to future misuse.

Recommendation: We recommend that the City of Anson take the following corrective actions:

- Enhance Review Process: All expenditures without itemized receipts should be reviewed and approved by a supervisor. In the case of a lack of itemized receipts by the City Manager, these should be examined and approved by city council.
- Establish a Credit Card Policy: A policy should be in place detailing the allowable use of city credit cards and that those uses should only ever be for city business purposes.
- Strengthen Policy Enforcement: Revise the policy to include specific consequences for employees who fail to use the city credit cards for city business only, which may include revoking their use of city credit cards.

Views of Responsible official and planned corrective actions: Management will make sure that all non-itemized receipts are reviewed and provided to council for approval. A policy pertaining to credit card use will be visited.

C. Significant Deficiencies in Internal Control

2025-010 - Failure to Establish Adequate Internal Controls for the Employee Loans

Condition: The City provided interest-free loans and payroll advances totaling approximately \$16,267 to 11 employees during the year under audit. The City had no formal written policy to authorize the employee loan program. Key characteristics of the loans included:

- Loans ranging from less than \$200 up to \$10,000
- Repayment terms were inconsistently applied
- Inadequate tracking of outstanding balances including no receivable balances recorded on the financial statements
- Several of the loans were established from purchases of household appliances that were purchased by the City using the City's sales tax exemption

Criteria: The City is required to maintain internal controls that provide reasonable assurance that public resources are protected from fraud, waste, and abuse, and that financial activities are executed in compliance with applicable laws, regulations, and management directives. General guidance for municipal operations dictates that public funds should be used for a public purpose and disbursed in a manner that is transparent and fiscally prudent. A loan program must have a legal basis in the form of a state statute or municipal ordinance authorizing the practice, with clear policies defining eligibility, terms, and repayment methods.

Cause: Management failed to establish a formal policy and internal control framework for the employee loan program. This occurred because there was limited oversight from the City Council to ensure the practice had proper legal authority and financial controls. Furthermore, management did not perceive the loans as high-risk financial activity requiring formal tracking and oversight.

Effect: The City is exposed to significant financial, legal, and reputational risk as a result of the loan program.

- Financial Loss: Public funds are at risk due to inadequate tracking, inconsistent collection, efforts and lack of reporting on financial statements.
- Increased Audit Risk: The absence of proper controls and documentation created significant audit risk and made it difficult for auditors to obtain sufficient, appropriate evidence regarding the balances and collectability of the loans.

CITY OF ANSON, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED MARCH 31, 2025

C. Significant Deficiencies in Internal Control

2025-010 - Failure to Establish Adequate Internal Controls for the Employee Loans – continued

Recommendation: We recommend the City's management take the following corrective actions:

- Seek Legal Counsel: obtain a legal opinion on the City's authority to offer employee loan programs under state law.
- Establish formal policy – Implement a robust internal control system to include formal written loan agreements for all loans, establishing an independent tracking and reconciliation process for all outstanding balances, ensure timely collection for all loans, and require the City Council to review and approve all loans and review monthly the activity on the loans.

Views of Responsible official and planned corrective actions: Formal written agreements and strict tracking/reconciliation procedures have been implemented. The City is now investigating developing an employee purchase program. Furthermore, due to time constraints and Council input, loan agreements will be viewed quarterly.