

CITY OF ANSON, TEXAS

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S
REPORT

YEAR ENDED

MARCH 31, 2026



Roberts & McGee CPA, PLLC

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, 2026, 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, 2026, 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 of the Financial Statements

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

will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the 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 September 10, 2026, 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
September 10, 2026

BASIC FINANCIAL STATEMENTS

CITY OF ANSON, TEXAS
STATEMENT OF NET POSITION
MARCH 31, 2026

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,146,446	\$ 274,944	\$ 1,421,390
Restricted cash and cash equivalents	225,288	83,526	308,814
Investments	65,503		65,503
Receivables:			
Taxes, net	308,486		308,486
Accounts, net		279,647	279,647
Other receivables	44,514		44,514
Prepaid expenses	16,106	3,967	20,073
Due from other funds	10,817		10,817
Notes receivable	30,598		30,598
Net pension asset	237,386	235,024	472,410
Non-depreciable capital assets	228,196	200,944	429,140
Depreciable capital assets, net	4,241,970	5,553,968	9,795,938
TOTAL ASSETS	6,555,310	6,632,020	13,187,330
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension and OPEB	29,948	29,649	59,597
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	6,585,258	6,661,669	13,246,927
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	54,609	77,176	131,785
Utility deposits		173,529	173,529
Accrued interest	29,981	40,559	70,540
Due to other funds		10,817	10,817
Long term liabilities:			
Due within one year	715,778	404,240	1,120,018
Due after one year:			
Compensated absences	28,937	71,710	100,647
Long term debt	908,253	4,643,897	5,552,150
OPEB liability	18,594	18,409	37,003
TOTAL LIABILITIES	1,756,152	5,440,337	7,196,489
DEFERRED INFLOWS OF RESOURCES			
Unearned grant revenue	41,233		41,233
Deferred inflows - pension and OPEB	115,575	114,424	229,999
TOTAL DEFERRED INFLOWS OF RESOURCES	156,808	114,424	271,232
<u>NET POSITION</u>			
Net investment in capital assets	2,816,154	666,216	3,482,370
Restricted	225,288	83,526	308,814
Unrestricted	1,630,856	357,166	1,988,022
TOTAL NET POSITION	\$ 4,672,298	\$ 1,106,908	\$ 5,779,206

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

CITY OF ANSON, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2026

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	Expenses	Charges for Services	PRIMARY GOVERNMENT		PRIMARY GOVERNMENT		
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General administration	\$ 656,440	\$	12,109	\$	(644,331)	\$	(644,331)
Judicial and legal	135,151	138,803			3,652		3,652
Public service	1,068,189	2,485	226,335	123,616	(715,753)		(715,753)
Culture and recreation	227,938	27,802			(200,136)		(200,136)
Economic development	50,352				(50,352)		(50,352)
Streets	473,720				(473,720)		(473,720)
Interest	105,510				(105,510)		(105,510)
Total governmental activities	<u>2,717,300</u>	<u>169,090</u>	<u>238,444</u>	<u>123,616</u>	<u>(2,186,150)</u>		<u>(2,186,150)</u>
Business-type activities:							
Water	2,244,741	2,898,923				654,182	654,182
Garbage	576,105	707,496				131,391	131,391
Total business-type activities	<u>2,820,846</u>	<u>3,606,419</u>				<u>785,573</u>	<u>785,573</u>
TOTAL PRIMARY GOVERNMENT	\$ 5,538,146	\$ 3,775,509	\$ 238,444	\$ 123,616	(2,186,150)	785,573	(1,400,577)
GENERAL REVENUES:							
Taxes:							
Property taxes					1,307,540		1,307,540
Sales and use taxes					787,467		787,467
Franchise taxes					86,589		86,589
Investment income					4,495	439	4,934
Gain on sale of assets							
Miscellaneous income					200,719	71,860	272,579
Transfers					325,061	(325,061)	
Total general revenues					<u>2,711,871</u>	<u>(252,762)</u>	<u>2,459,109</u>
Change in net position					525,721	532,811	1,058,532
Net position - beginning, adjusted					<u>4,146,577</u>	<u>574,097</u>	<u>4,720,674</u>
Net position - ending					<u>\$ 4,672,298</u>	<u>\$ 1,106,908</u>	<u>\$ 5,779,206</u>

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

CITY OF ANSON, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2026

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 869,287	\$ 277,159	\$ 1,146,446
Restricted cash and cash equivalents	225,288		225,288
Certificates of deposit	25,220	40,283	65,503
Receivables:			
Property tax, net	166,530		166,530
Sales tax	136,653		136,653
Franchise tax	5,303		5,303
Other	44,514		44,514
Prepaid expenses	16,106	-	16,106
Due from other funds	31,401	16	31,417
	<u>31,401</u>	<u>16</u>	<u>31,417</u>
TOTAL ASSETS	\$ <u>1,520,302</u>	<u>317,458</u>	\$ <u>1,837,760</u>
LIABILITIES:			
Accounts payable and accrued expenses	\$ 54,609	-	\$ 54,609
Due to other funds	-	20,600	20,600
	<u>54,609</u>	<u>20,600</u>	<u>75,209</u>
Total Liabilities	<u>54,609</u>	<u>20,600</u>	<u>75,209</u>
DERERRED INFLOWS OF RESOURCES:			
Unearned revenue - property taxes	108,662		108,662
Unearned revenue - grant revenue	41,233		41,233
	<u>41,233</u>	<u></u>	<u>41,233</u>
Total liabilities and deferred inflows of resources	<u>204,504</u>	<u>20,600</u>	<u>225,104</u>
FUND BALANCE:			
Nonspendable	16,106	-	16,106
Unassigned	1,299,692	(16,377)	1,283,315
Restricted		313,235	313,235
	<u>1,315,798</u>	<u>296,858</u>	<u>1,612,656</u>
Total Fund Balance	<u>1,315,798</u>	<u>296,858</u>	<u>1,612,656</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>1,520,302</u>	\$ <u>317,458</u>	\$ <u>1,837,760</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, 2026

Total Fund Balances - Governmental Funds	\$	1,612,656
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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 \$14,060,816 and the accumulated depreciation was \$9,590,650. The net effect of the beginning balances for capital assets (net of depreciation) in the governmental activities is an increase to net position.		4,470,166
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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.		(1,654,012)
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Compensated absences are reported in the government wide statements but are not recorded in the fund financial statements.		(28,937)
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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.		108,662
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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.		30,598
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Included on the government-wide financial statements is the recognition of the City's proportionate share of the net pension asset of \$237,386, a deferred outflow of resources of \$28,878, and a deferred inflow of resources of \$105,408. The net effect is to increase net position.		160,856
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Included on the government-wide financial statements is the recognition of the City's proportionate share of the OPEB liability of \$18,594, a deferred outflow of resources of \$1,070, and a deferred inflow of resources of \$10,167. The net effect is to decrease net position.		(27,691)
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Net Position of Governmental Activities	\$	<u>4,672,298</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF ANSON, TEXAS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2026

	General Fund	Nonmajor Governmental	Total Governmental Funds
REVENUE:			
Taxes:			
Property tax	\$ 1,336,044	\$	\$ 1,336,044
Sales tax	706,115	81,352	787,467
Franchise tax	86,589		86,589
Fines and fees	138,803		138,803
Charges for services	30,287		30,287
Intergovernmental revenue	213,616	24,376	237,992
Donations	23,696	100,372	124,068
Interest income	2,162	2,333	4,495
Other income	174,652	26,067	200,719
Total Revenue	<u>2,711,964</u>	<u>234,500</u>	<u>2,946,464</u>
EXPENDITURES:			
Current:			
General government	529,642		529,642
Judicial and legal	135,387		135,387
Public safety	825,871	66,971	892,842
Culture and recreation	140,542	19,962	160,504
Economic development		48,521	48,521
Streets	201,135		201,135
Debt service:			
Principal retired	940,290		940,290
Interest	107,223		107,223
Capital outlay	699,349	121,509	820,858
Total Expenditures	<u>3,579,439</u>	<u>256,963</u>	<u>3,836,402</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(867,475)	(22,463)	(889,938)
OTHER FINANCING SOURCES (USES)			
Proceeds from note receivables	-	11,526	11,526
Bond issuance cost	(25,000)		(25,000)
Proceeds from sale of assets	129,304		129,304
Proceeds from issuance of debt	1,044,571		1,044,571
Transfers in (out)	296,903	28,158	325,061
Total other financing sources (uses)	<u>1,445,778</u>	<u>39,684</u>	<u>1,485,462</u>
CHANGE IN FUND BALANCE	578,303	17,221	595,524
FUND BALANCE AT BEGINNING OF YEAR, RESTATE	<u>737,495</u>	<u>279,637</u>	<u>1,017,132</u>
FUND BALANCE AT END OF YEAR	\$ <u>1,315,798</u>	\$ <u>296,858</u>	\$ <u>1,612,656</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, 2026

Net Change in Fund Balances - Governmental Funds	\$ 595,524
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.	492,799
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.	(404,638)
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.	(102,568)
Changes in compensated absences are shown in the statement of activities but are not included in the fund financial statements.	(16,665)
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.	(28,504)
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.	(13,357)
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.	2,198
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.	932
Change in Net Position of Governmental Activities	\$ <u>525,721</u>

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

CITY OF ANSON, TEXAS
STATEMENTS OF NET POSITION
PROPRIETARY FUNDS
MARCH 31, 2026

	Water Fund	Garbage Fund	Total Proprietary Funds
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 195,187	\$ 79,757	\$ 274,944
Accounts receivable, net	225,999	53,648	279,647
Prepaid expenses	3,967		3,967
Restricted cash and cash equivalents	83,526		83,526
Total Current Assets	<u>508,679</u>	<u>133,405</u>	<u>642,084</u>
Noncurrent Assets:			
Capital assets:			
Property, plant and equipment	12,374,025	789,615	13,163,640
Less: Accumulated depreciation	(7,046,733)	(361,995)	(7,408,728)
Net pension asset	235,024		235,024
Total Noncurrent Assets	<u>5,562,316</u>	<u>427,620</u>	<u>5,989,936</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension and OPEB	29,649		29,649
Total Assets and Deferred Outflows of Resources	<u>6,100,644</u>	<u>561,025</u>	<u>6,661,669</u>
LIABILITIES:			
Accounts payable and accrued expenses	44,174	33,002	77,176
Due to other funds	10,817		10,817
Accrued interest	26,429	14,130	40,559
Utility deposits	173,529		173,529
Current portion of long term debt	305,781	98,459	404,240
Total current	<u>560,730</u>	<u>145,591</u>	<u>706,321</u>
Long term liabilities:			
Compensated absences	71,710		71,710
Long term debt	4,270,036	373,861	4,643,897
Net OPEB liability	18,409		18,409
Total Liabilities	<u>4,920,885</u>	<u>519,452</u>	<u>5,440,337</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension and OPEB	114,424		114,424
Total Deferred Inflows of Resources	<u>114,424</u>	<u>-</u>	<u>114,424</u>
NET POSITION:			
Net investment in capital assets	725,046	(58,830)	666,216
Restricted	83,526		83,526
Unrestricted	256,763	100,403	357,166
Total Net Position	<u>\$ 1,065,335</u>	<u>\$ 41,573</u>	<u>\$ 1,106,908</u>

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, 2026

	Water Fund	Garbage Fund	Total Proprietary Funds
OPERATING REVENUE:			
Service revenue	\$ 2,753,783	\$ 707,496	\$ 3,461,279
Capital projects revenue	145,140		145,140
Intergovernmental revenue		-	-
Other income	43,520	28,340	71,860
Total Operating Revenue	<u>2,942,443</u>	<u>735,836</u>	<u>3,678,279</u>
OPERATING EXPENSES:			
Payroll and benefits	671,315		671,315
Depreciation	116,203	117,474	233,677
Sanitation		359,733	359,733
Water supply	253,611		253,611
Supplies	321,027	4,891	325,918
Insurance	171,783		171,783
Repairs and maintenance	274,577	-	274,577
Water testing	200,720		200,720
Equipment rental		14,678	14,678
Other expense	33,639	17,584	51,223
Utilities and telephone	36,037		36,037
Professional fees	4,443	12,000	16,443
Bad debt			-
Fuel	32,164	24,465	56,629
Dues, Licenses, and fees	14,304		14,304
Total Operating Expenses	<u>2,129,823</u>	<u>550,825</u>	<u>2,680,648</u>
Operating Income	<u>812,620</u>	<u>185,011</u>	<u>997,631</u>
NON-OPERATING REVENUE (EXPENSES)			
Interest income	439		439
Interest expense	(114,918)	(25,280)	(140,198)
Gain (loss) on sale of assets	-	-	-
Grant income			-
Total Non-operating	<u>(114,479)</u>	<u>(25,280)</u>	<u>(139,759)</u>
NET INCOME BEFORE OPERATING TRANSFERS	698,141	159,731	857,872
OPERATING TRANSFERS			
Transfers in (out)	<u>(178,874)</u>	<u>(146,187)</u>	<u>(325,061)</u>
Total Operating Transfers	<u>(178,874)</u>	<u>(146,187)</u>	<u>(325,061)</u>
CHANGE IN NET POSITION	519,267	13,544	532,811
NET POSITION - BEGINNING OF YEAR, RESTATED	546,068	28,029	574,097
NET POSITION - END OF YEAR	\$ <u>1,065,335</u>	\$ <u>41,573</u>	\$ <u>1,106,908</u>

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, 2026

	Water Fund	Garbage Fund	Total Proprietary Funds
Cash flows from operating activities:			
Receipts from customers	\$ 2,909,216	\$ 704,203	\$ 3,613,419
Receipts from other operation functions	43,520	28,340	71,860
Payments to suppliers	(1,285,850)	(410,974)	(1,696,824)
Payments to employees and related taxes and benefits	(651,944)		(651,944)
Payments to others	(47,943)	(17,584)	(65,527)
Net cash provided (used) by operating activities	<u>966,999</u>	<u>303,985</u>	<u>1,270,984</u>
Cash flows from noncapital financing activities:			
Operating transfers in/out	(178,874)	(139,274)	(318,148)
Net cash provided (used) by noncapital financing activities	<u>(178,874)</u>	<u>(139,274)</u>	<u>(318,148)</u>
Cash flows from capital and related financing activities:			
Principal payments on long-term debt	(248,019)	(102,454)	(350,473)
Interest payments on long-term debt	(119,595)	(25,280)	(144,875)
Proceeds from issuance of debt	-	-	
Acquisition and construction of capital assets	(415,563)	-	(415,563)
Net cash provided (used) by capital and related financing activities	<u>(783,177)</u>	<u>(127,734)</u>	<u>(910,911)</u>
Cash flows from investing activities:			
Interest income	439	-	439
Net cash provided (used) by investing activities	<u>439</u>	<u>-</u>	<u>439</u>
Net increase (decrease) in cash and cash equivalents	5,387	36,977	42,364
Cash and cash equivalents at beginning of year	<u>273,326</u>	<u>42,780</u>	<u>316,106</u>
Cash and cash equivalents at end of year	\$ <u>278,713</u>	\$ <u>79,757</u>	\$ <u>358,470</u>
Cash and cash equivalents	\$ 195,187	\$ 79,757	\$ 274,944
Restricted cash and cash equivalents	83,526	-	83,526
Total Cash and cash equivalents	\$ <u>278,713</u>	\$ <u>79,757</u>	\$ <u>358,470</u>
Reconciliation of operating income to net cash			
Provided (used) by operating activities:			
Operating income	\$ 812,620	\$ 185,011	\$ 997,631
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	116,203	117,474	233,677
Adjustment to landfill post closure liability			
(Increase) Decrease in accounts receivable	(24,665)	(3,293)	(27,958)
(Increase) Decrease in prepaid expenses	(863)		(863)
Increase (Decrease) in accounts payable	9,375	4,793	14,168
Increase (Decrease) in payroll accruals	22,426		22,426
Increase (Decrease) in pension liability	(3,055)		(3,055)
Increase (Decrease) in customer deposits	34,958		34,958
Net cash provided (used) by operating activities	<u>966,999</u>	<u>303,985</u>	<u>\$ 1,270,984</u>
Assets acquired through the issuance of debt		182,474	182,474

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

CITY OF ANSON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2026

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, 2026

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 judgments, 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, 2026

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 2026 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 \$1,459,738 and general fund revenues were more than budgeted amounts by \$166,263. Other Financing Sources and Uses were \$1,456,778 more than budgeted amounts. The City's overall revenues over expenditures compared to the budget reflected a positive variance of \$163,303.

CITY OF ANSON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2026

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, 2026

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

The City accrues a liability for compensated absences in accordance with GASB Statement No. 101, Compensated Absences. Compensated absences are leave for which employee will received one or more of the following: cash payment when the leave is used for time off, cash payments upon separation from employment or noncash settlements (time off).

Vacation Leave – Employees earn vacation leave based on years of service. Vacation leave accumulates up to a maximum of 160 hours and is paid upon separation from employment. A liability is recognized for all vacation leave balances because it is more likely than not that the leave will be used or paid.

CITY OF ANSON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2026

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Sick Leave – Employees earn sick leave at a rate of a half a day per month. Sick leave does not vest and is not paid upon separation from employment. A liability is recognized only for sick leave that is more likely than not to be used or paid. The City estimates the portion of sick leave expected to be paid based on historical utilization rates.

The compensated absences liability is measured using the salary continuation approach, based on current year-end employee salary rates. Compensated absences are reported as a current liability to the extent they are expected to be paid within the next fiscal year; remaining amounts are reported as noncurrent liabilities.

Lease Liabilities and Subscription Based IT Arrangements (SBITA)

Lease liabilities and SBITA liabilities represent the City'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:

CITY OF ANSON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2026

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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 \$16,106 related to prepaid expenses for the year ended March 31, 2026.

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 \$296,858 restricted funds at March 31, 2026.

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, 2026.

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, 2026.

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, 2026, pledged securities were not sufficient to cover the bank balances totaling \$1,839,472 of which \$1,339,472 was exposed to custodial credit risk as follows:

CITY OF ANSON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2026

NOTE 2: DEPOSITS AND INVESTMENTS – continued

<u>Demand Deposit Accounts</u>	<u>Bank Balance</u>
Insured	\$ 250,000
Uninsured and uncollateralized	<u>981,680</u>
Total Deposits	<u>\$ 1,231,680</u>
<u>Time and Savings Accounts</u>	
Insured	\$ 250,000
Uninsured and uncollateralized	<u>357,792</u>
Total Deposits	<u>\$ 607,792</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, 2026

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>65,503</u>
Total Governmental Activities	<u>65,503</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 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, 2026 was \$1.021886 per \$100 valuation (.866759 for maintenance and operations and .155127 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, 2026

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	\$ 336,775
Less: Allowance for uncollectible taxes	<u>(170,245)</u>
Property tax receivable, net	166,530
 Sales tax receivable	 136,653
Franchise tax receivable	5,303
Other receivables	<u>44,514</u>
	<u>\$ 353,000</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	\$ 295,763
Less: Allowance for uncollectible taxes	<u>(16,116)</u>
Utility receivable, net	<u>\$ 279,647</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	\$ <u>225,288</u>
Total Governmental Activities	\$ <u>225,288</u>
 Business-Type Activities:	
Deposits held for debt service	\$ <u>83,526</u>
	\$ <u>83,526</u>

CITY OF ANSON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2026

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, 2025	Additions	Retirements	Balance as of March 31, 2026
Notes Receivables:				
Notes Receivable	43,955		(13,357)	30,598
	\$ 43,955	\$ -	\$ (13,357)	\$ 30,598

NOTE 6: CAPITAL ASSETS

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

<u>Government Activities:</u>	Balance March 31, 2025	Additions/ Completions	Retirements/ Adjustments	Balance March 31, 2026
Capital assets, not being depreciated:				
Land	\$ 151,196	\$	\$	\$ 151,196
Construction in progress	11,250	65,750		77,000
Total capital assets, not being depreciated	162,446	65,750	-	228,196
Capital assets being depreciated / amortized:				
Buildings and improvements	2,508,236	148,526	(41,320)	2,615,442
Machinery and equipment	3,124,364	384,507	(275,534)	3,233,337
Infrastructure	7,554,952	117,779		7,672,731
ROU Assets	22,159	94,374	(11,205)	105,328
SBITA Assets	195,861	9,922		205,783
Total assets being depreciated / amortized	13,405,572	755,108	(328,059)	13,832,621
Less accumulated depreciation/amortization for:				
Buildings and improvements	(959,401)	(91,063)	5,966	(1,044,498)
Machinery and equipment	(1,756,159)	(280,261)	175,585	(1,860,835)
Infrastructure	(6,392,906)	(168,965)		(6,561,871)
ROU Assets	(11,591)	(16,252)	9,524	(18,319)
SBITA Assets	(65,956)	(39,172)		(105,128)
Total accumulated depreciation/amortization	(9,186,013)	(595,713)	191,075	(9,590,651)
Total capital assets being depreciated / amortized, net	4,219,559	159,395	(136,984)	4,241,970
Governmental activities capital assets, net	\$ 4,382,005	\$ 225,145	\$ (136,984)	\$ 4,470,166

CITY OF ANSON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2026

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, 2025	Additions/ Completions	Retirements/ Adjustments	Balance March 31, 2026
Capital assets, not being depreciated:				
Land	\$ 200,944	\$	\$	\$ 200,944
Construction in progress	19,903	371,755	(391,658)	-
Total capital assets, not being depreciated	<u>220,847</u>	<u>371,755</u>	<u>(391,658)</u>	<u>200,944</u>
Capital assets being depreciated/amortized:				
Buildings and improvements	777,903	-		777,903
Machinery and equipment	2,368,256	435,466		2,803,722
Infrastructure	<u>9,196,798</u>	<u>184,272</u>		<u>9,381,070</u>
Total assets being depreciated/amortized	<u>12,342,957</u>	<u>619,738</u>	<u>-</u>	<u>12,962,695</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(168,531)	(32,574)		(201,105)
Machinery and equipment	(1,541,802)	(76,389)		(1,618,191)
Infrastructure	<u>(5,464,717)</u>	<u>(124,714)</u>		<u>(5,589,431)</u>
Total accumulated depreciation/amortization	<u>(7,175,050)</u>	<u>(233,677)</u>	<u>-</u>	<u>(7,408,727)</u>
Total capital assets being depreciated / amortized, net	<u>5,167,907</u>	<u>386,061</u>	<u>-</u>	<u>5,553,968</u>
Business-type activities capital assets, net	<u>\$ 5,388,754</u>	<u>\$ 757,816</u>	<u>\$ (391,658)</u>	<u>\$ 5,754,912</u>

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

Governmental activities:	
General government	\$ 86,023
Streets	272,585
Public safety	169,671
Culture and recreation	<u>67,434</u>
	<u>\$ 595,713</u>
Business-type activities:	
Water	\$ 116,203
Garbage	<u>117,474</u>
	<u>\$ 233,677</u>

CITY OF ANSON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2026

NOTE 7: LONG TERM DEBT

A schedule of the City's transactions in long-term debt for the year ended March 31, 2026 is as follows:

	Balance at 03/31/2025	Additions	Retirements	Balance at 03/31/2026	Due Within One Year
<i>Governmental Activities:</i>					
Certificates of obligation	\$ 801,700	\$ 500,000	\$ (485,700)	\$ 816,000	\$ 467,400
Notes Payable	632,705	440,275	(409,044)	663,936	179,792
Right of use liabilities	10,949	94,374	(15,787)	89,536	37,396
Subscription liability	74,396	9,922	(29,759)	54,559	31,190
Compensated Absences	12,272	16,665		28,937	
	<u>\$ 1,532,022</u>	<u>\$ 1,061,236</u>	<u>\$ (940,290)</u>	<u>\$ 1,652,968</u>	<u>\$ 715,778</u>
<i>Business-Type Activities:</i>					
Certificates of obligation	\$ 4,044,990	\$ -	\$ (131,000)	\$ 3,913,990	\$ 133,574
Notes Payable	1,169,348	184,272	(219,473)	1,134,147	270,666
Compensated Absences	49,284	22,426		71,710	
	<u>\$ 5,263,622</u>	<u>\$ 206,698</u>	<u>\$ (350,473)</u>	<u>\$ 5,119,847</u>	<u>\$ 404,240</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	Amount Outstanding 3/31/2026
Combination Tax and Revenue					
Certifications of Obligations:					
Series 2006	6/8/2020	\$ 210,000	9.50%	2/15/2026	\$ -
Series 2017A	6/1/2017	774,000	2.26%	6/1/2027	169,000
Series 2017B	11/1/2017	278,250	3.25%	11/15/2032	147,000
Series 2024	9/12/2024	365,000	7.50%	9/11/2025	-
Series 2026	1/8/2026	500,000	5.90%	1/15/2033	500,000
					<u>\$ 816,000</u>

CITY OF ANSON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2026

NOTE 7: LONG TERM DEBT – continued

The following represents the future maturities on these bonds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Long Term Bonds:			
2027	\$ 163,400	\$ 33,498	\$ 196,898
2028	169,100	27,475	196,575
2029	88,300	22,614	110,914
2030	92,000	18,593	110,593
2031	96,700	14,196	110,896
2032-2035	206,500	14,598	221,098
	<u>\$ 816,000</u>	<u>\$ 130,974</u>	<u>\$ 946,974</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:

	<u>Date of Issue</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Outstanding 3/31/2026</u>
Notes Payable:					
First National Bank of Anson	4/12/2022	\$ 136,500	3.25%	4/15/2026	\$ 29,078
John Deere Financial	9/25/2023	127,433	7.00%	4/25/2028	79,339
CAT Financial	8/31/2021	185,060	4.95%	8/31/2026	102,988
PNC Equipment Finance	9/20/2023	69,545	4.88%	10/1/2026	12,258
American National Leasing	3/10/2026	50,619	5.53%	3/10/2031	50,619
American National Leasing	2/4/2026	251,796	5.53%	1/31/2031	251,796
American National Leasing	2/4/2026	59,349	5.53%	1/31/2031	59,349
American National Leasing	2/4/2026	78,509	5.53%	1/31/2031	78,509
					<u>\$ 663,936</u>

The following represents the future maturities on this note:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Notes Payable:			
2027	\$ 247,842	\$ 36,276	\$ 284,118
2028	109,605	23,814	133,419
2029	116,050	17,370	133,420
2030	92,654	10,531	103,185
2031	97,785	5,408	103,193
	<u>\$ 663,936</u>	<u>\$ 93,399</u>	<u>\$ 757,335</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, 2026

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 3/31/2026
Long term lease liabilities:					
All Copy	4/13/2023	\$ 8,126	4.27%	6/13/2028	\$ 3,706
Great American Financial Services	1/11/2022	11,205	1.51%	12/11/2026	1,735
FP Mailing	3/1/2023	2,829	4.00%	3/1/2028	1,148
Verdant	3/9/2026	11,089	3.71%	5/9/2031	10,930
CAT Financial	2/28/2026	25,587	3.38%	1/28/2028	23,520
PNC Equipment	10/15/2025	57,597	3.51%	9/15/2028	48,497
					<u>89,536</u>

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

Long term lease liabilities

2027	\$ 37,396	\$ 2,549	\$ 39,945
2028	34,724	1,266	35,990
2029	12,578	328	12,906
2030	2,185	143	2,328
2031	2,268	60	2,328
2032	385	2	387
	<u>\$ 89,536</u>	<u>\$ 4,348</u>	<u>\$ 93,884</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 3/31/2026
Subscription based IT arrangements:					
Verkade	7/6/2023	\$ 42,242	5.25%	7/6/2027	\$ 18,203
Kologik	4/1/2024	23,003	4.34%	4/1/2028	15,121
Motorola Solutions	8/1/2023	130,616	4.24%	8/1/2027	14,277
Tango Tango	5/1/2025	9,922	3.69%	5/1/2027	6,958
					<u>54,559</u>

The following represents the future maturities on SBITA liabilities:

Subscription Based IT Arrangements

2027	\$ 31,189	\$ 1,684	\$ 32,873
2028	17,848	959	18,807
2029	5,522	240	5,762
	<u>\$ 54,559</u>	<u>\$ 2,883</u>	<u>\$ 57,442</u>

CITY OF ANSON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2026

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 3/31/2026
Combination Tax and Revenue					
Series 2017B	11/1/2017	\$ 516,750	3.25%	11/15/2032	\$ 273,000
USDA 2019A	12/18/2020	2,915,000	1.75%	12/8/2059	2,582,360
USDA 2019B	12/18/2020	862,000	1.75%	12/18/2059	763,630
Series 2021	4/26/2021	380,000	2.49%	1/15/2036	295,000
					<u>\$ 3,913,990</u>

The following represents the future maturities on these bonds:

	Principal	Interest	Total
Long Term Bonds:			
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	144,095	61,272	205,367
2032-2036	639,550	263,206	902,756
2037-2041	483,137	204,477	687,614
2042-2046	494,560	162,680	657,240
2047-2051	539,768	117,472	657,240
2052-2056	589,087	68,153	657,240
2057-2061	473,986	15,998	489,984
	<u>\$ 3,913,990</u>	<u>\$ 1,170,420</u>	<u>\$ 5,084,410</u>

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

	Date of Issue	Original Amount	Interest Rate	Maturity Date	Amount Outstanding 3/31/2026
First National Bank of Anson	1/30/2020	\$ 77,525	5.50%	1/30/2029	\$ 28,381
First National Bank of Anson	6/13/2023	64,156	8.25%	6/13/2028	40,471
Prosperity Bank	3/23/2015	470,000	3.87%	4/1/2030	151,918
KS State Bank	5/22/2023	396,797	6.50%	6/1/2028	262,548
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	129,985
BFG Corporation	7/26/2023	75,771	4.88%	9/30/2026	13,765
CAT Financial	7/15/2022	99,631	0.80%	8/18/2027	34,593
First National Bank of Anson	6/29/2022	96,662	5.75%	6/29/2027	42,315
John Deer Financial	12/12/2024	210,983	5.35%	2/12/2030	197,374
American National Leasing	3/10/2026	184,272	5.53%	3/10/2031	184,272
					<u>\$ 1,134,147</u>

CITY OF ANSON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2026

NOTE 7: LONG TERM DEBT – continued

The following represents the future maturities on these notes:

Notes Payable:

2027	\$	270,666	\$	63,910	\$	334,576
2028		182,930		44,973		227,903
2029		370,398		40,910		411,308
2030		94,454		17,242		111,696
2031		215,699		5,927		221,626
	\$	<u>1,134,147</u>	\$	<u>172,962</u>	\$	<u>1,307,109</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 2026, 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 reinsure 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.

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

Interfund payables

The following schedule reports liabilities between funds.

<u>Funds with Due From</u>	<u>Funds with Due to</u>	<u>Amount</u>
General Fund	Water	\$ 10,817
General Fund	Nonmajor Governmental	26,600

Interfund Transfers

The following schedule reports transfers between funds:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Nonmajor Governmental	28,158	Transfer for costs
Garbage Fund	General Fund	171,375	Transfer for costs
Water & Sewer Fund	General Fund	198,874	Transfer for costs
General Fund	Garbage Fund	16,178	Transfer for costs

CITY OF ANSON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2026

NOTE 11: PENSION PLAN

A. Plan Description

The City of Anson participates as one of 943 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.tmr.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.

At the December 31, 2025 valuation and measurement date, the following employees were covered by the benefit terms:

Employee deposit rate:	5.0%
Employer deposit rate (2025/2026)	1.53%/3.04%
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, 2025 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	41
Active employees	<u>26</u>
Total	77

CITY OF ANSON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2026

NOTE 11: PENSION PLAN - continued

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 1.53% and 3.04% in calendar years 2025 and 2026 respectively. The City's contributions to TMRS for the year ended March 31, 2026 were \$22,880, and were equal to the required contributions.

D. Net Pension Liability

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, 2025 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.

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.

CITY OF ANSON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2026

NOTE 11: PENSION PLAN – continued

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%	6.20%
Private Equity	20.0%	11.0%
Tactical Opportunities	6.0%	6.10%
Credit	21.0%	7.70%
Real Estate	18.0%	7.30%
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.

	Increase (Decrease)		
Changes in the Net Pension Liability	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance as 12/31/2024	\$ 1,684,738	\$ 2,008,661	\$ (323,923)
Changes for the year:			
Service cost	107,049		107,049
Interest	116,302		116,302
Change of benefit terms	24,527		24,527
Difference between expected and actual experience	(41,981)		(41,981)
Changes of assumptions	-		-
Contributions – employer		18,239	(18,239)
Contributions – employee		59,604	(59,604)
Net Investment Income		277,891	(277,891)
Benefit Payments, including refunds of employee contributions	(79,576)	(79,576)	-
Administrative expense		(1,304)	1,304
Other changes		(46)	46
Net Changes	126,321	274,808	(148,487)
Balance 12/31/2025	\$ 1,811,059	\$ 2,283,469	\$ (472,410)

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:

CITY OF ANSON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2026

NOTE 11: PENSION PLAN – continued

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability (Asset)	(280,153)	(472,410)	(637,575)

Pension Plan Fiduciary Net Position

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

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

For the year ended March 31, 2026, the City recognized pension expense of \$5,343.

At March 31, 2026, 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	\$ -	\$ 26,052
Changes in actuarial assumptions		
Difference between projected and actual investment earnings	48,677	183,715
Contributions subsequent to the measurement date	8,791	
Total	\$ 57,468	\$ 209,767

\$8,791 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, 2026. 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:	
2026	(24,346)
2027	(66,834)
2028	(41,452)
2029	(28,458)
2030	
Total	(161,090)

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.

CITY OF ANSON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2026

NOTE 12: SUPPLEMENTAL DEATH BENEFITS FUND – continued

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, 2025 valuation and measurement date, the following employees were covered by the SDB:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>26</u>
Total	31

OPEB Liability

The City's total OPEB liability of \$37,003 was measured as of December 31, 2025, and was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The OPEB Liability in the December 31, 2025 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	4.83% 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, 2025 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

CITY OF ANSON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2026

NOTE 12: SUPPLEMENTAL DEATH BENEFITS FUND – continued

Changes in the OPEB Liability	Total OPEB Liability (a)
Balance as 12/31/2024	\$ 44,283
Changes for the year:	
Service cost	2,742
Interest on total OPEB liability	1,829
Change of benefit terms	
Difference between expected and actual experience	(6,389)
Changes in assumptions or other inputs	(3,793)
Benefit Payments	(1,669)
Other changes	
Net Changes	(7,280)
Balance 12/31/2025	\$ 37,003

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 4.83%, 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 (3.83%) or 1-percentage-point higher (5.83%) than the current rate:

	1% Decrease in Discount Rate (3.83%)	Discount Rate (4.83%)	1% Increase in Discount Rate (5.83%)
City's OPEB Liability	42,224	37,003	32,574

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended March 31, 2026, the City recognized OPEB expense (benefit) of (\$122).

At March 31, 2026 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	\$ 217	\$ 3,090
Changes in actuarial assumptions	1,511	11,713
Difference between projected and actual investment earnings	-	5,429
Contributions subsequent to the measurement date	401	
Total	\$ 2,129	\$ 20,232

The deferred outflows balance includes contributions subsequent to the measurement date of \$401. This amount will be recognized as a reduction of the OPEB liability for the year ending December 31, 2026. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

CITY OF ANSON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2026

NOTE 12: SUPPLEMENTAL DEATH BENEFITS FUND – continued

Year Ended December 31:		
2026	\$	(4,501)
2027		(4,156)
2028		(3,922)
2029		(3,242)
2030		(1,692)
Thereafter		(991)
Total		<u>(18,504)</u>

NOTE 13: PRIOR PERIOD ADJUSTMENTS

The following summary shows the changes in the statement of financial position accounts at March 31, 2025:

	General Fund	Governmental Activities
Ending Fund Balance / Net Position as of March 31, 2025	\$ 738,064	\$ 4,091,605
Clear out payroll fund	(569)	(569)
SBITA assets, net		84,045
Long term SBITA liabilities		(28,504)
Restated Fund Balance / Net Position as of March 21, 2025	<u>\$ 737,495</u>	<u>\$ 4,146,577</u>

SUPPLEMENTAL INFORMATION

CITY OF ANSON, TEXAS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET (GAAP BASIS) AND ACTUAL – GENERAL FUND
YEAR ENDED MARCH 31, 2026

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUE:				
Taxes:				
Property tax	\$ 1,158,600	\$ 1,158,600	\$ 1,336,044	\$ 177,444
Sales tax	910,000	910,000	706,115	(203,885)
Franchise tax	80,000	80,000	86,589	6,589
Fines and fees	150,000	150,000	138,803	(11,197)
Charges for services	36,000	36,000	30,287	(5,713)
Intergovernmental revenue	-	-	213,616	213,616
Donations	74,000	74,000	23,696	(50,304)
Interest income	400	400	2,162	1,762
Other income	136,700	136,700	174,652	37,952
Total Revenue	<u>2,545,700</u>	<u>2,545,700</u>	<u>2,711,964</u>	<u>166,264</u>
EXPENDITURES:				
Current:				
General government	550,761	550,761	529,642	21,119
Judicial and legal	117,222	117,222	135,387	(18,165)
Public safety	787,567	787,567	825,871	(38,304)
Culture and recreation	107,750	107,750	140,542	(32,792)
Streets	136,000	136,000	201,135	(65,135)
Debt service:				
Principal retired	286,000	286,000	940,290	(654,290)
Interest	19,300	19,300	107,223	(87,923)
Capital outlay	115,100	115,100	699,349	(584,249)
Total Expenditures	<u>2,119,700</u>	<u>2,119,700</u>	<u>3,579,439</u>	<u>(1,459,739)</u>
EXCESS (DEFICIT) OF REVENUES				
OVER EXPENDITURES	\$ 426,000	\$ 426,000	\$ (867,475)	\$ (1,293,475)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	-	129,304	129,304
Bond issuance cost	-	-	(25,000)	(25,000)
Proceeds from long-term debt	-	-	1,044,571	1,044,571
Transfers in (out)	(11,000)	(11,000)	296,903	307,903
Total other financing sources (uses)	<u>(11,000)</u>	<u>(11,000)</u>	<u>1,445,778</u>	<u>1,456,778</u>
CHANGE IN FUND BALANCE	415,000	415,000	578,303	163,303
FUND BALANCE AT BEGINNING				
OF YEAR, RESTATED	<u>737,495</u>	<u>737,495</u>	<u>737,495</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 1,152,495</u>	<u>\$ 1,152,495</u>	<u>\$ 1,315,798</u>	<u>\$ 163,303</u>

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Pension Liability										
Service cost	\$ 48,809	\$ 45,203	\$ 46,361	\$ 50,258	\$ 65,186	\$ 66,309	\$ 69,105	\$ 73,016	\$ 82,972	\$ 107,049
Interest (on the Total Pension Liability)	75,685	79,654	80,643	84,518	88,517	86,524	92,951	98,880	105,607	116,302
Changes of benefit terms	6,050	-	-	-	21,304	-	-	-	-	24,527
Difference between expected and actual experience	(16,745)	(56,217)	(15,946)	(9,746)	(102,953)	(7,732)	(20,002)	(14,095)	(469)	(41,981)
Change of Assumptions	-	-	-	(11,044)	-	-	-	(7,406)	-	-
Benefit payments, including refunds	(42,263)	(52,025)	(57,094)	(54,104)	(112,926)	(48,753)	(53,794)	(58,574)	(52,856)	(79,576)
Net Change in Total Pension Liability	71,536	16,615	53,964	59,882	(40,872)	96,348	88,260	91,821	135,254	126,321
Total Pension Liability - Beginning	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
Total Pension Liability - Ending (a)	\$ 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	\$ 1,811,059
Plan Fiduciary Net Position										
Contributions - Employer	\$ 17,066	\$ 10,207	\$ 10,965	\$ 13,959	\$ 15,574	\$ 18,828	\$ 13,854	\$ 14,195	\$ 16,967	\$ 18,239
Contributions - Employee	43,124	36,454	38,378	40,926	43,749	45,480	46,819	48,613	54,731	59,604
Net Investment Income	72,533	161,034	(39,386)	195,874	110,953	197,903	(126,328)	186,265	186,744	277,891
Benefit payments, including refunds	(42,263)	(52,025)	(57,094)	(54,104)	(112,926)	(48,753)	(53,794)	(58,574)	(52,856)	(79,576)
Administrative Expense	(819)	(835)	(762)	(1,109)	(720)	(918)	(1,095)	(1,190)	(1,202)	(1,304)
Other	(44)	(42)	(40)	(32)	(27)	6	1,307	(8)	(28)	(47)
Net Change in Plan Fiduciary Net Position	89,597	154,793	(47,939)	195,514	56,603	212,546	(119,237)	189,301	204,356	274,807
Plan Fiduciary Net Position - Beginning	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
Plan Fiduciary Net Position - Ending (b)	\$ 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	\$ 2,283,469
Net Pension Liability - Ending (a)-(b)	\$ 20,741	\$ (117,437)	\$ (15,534)	\$ (151,166)	\$ (248,641)	\$ (364,839)	\$ (157,342)	\$ (254,822)	\$ (323,924)	\$ (472,410)
Plan Fiduciary Net Position as a Percentage of										
Total Pension Liability	98.25%	109.79%	101.24%	111.50%	119.53%	126.64%	110.79%	116.45%	119.23%	126.08%
Covered Employee Payroll	\$ 798,839	\$ 729,079	\$ 767,564	\$ 818,526	\$ 874,973	\$ 909,594	\$ 936,381	\$ 972,253	\$ 1,094,622	\$ 1,192,078
Net Pension Liability as a Percentage of Covered										
Employee Payroll	2.60%	-16.11%	-2.02%	-18.47%	-28.42%	-40.11%	-16.80%	-26.21%	-29.59%	-39.63%

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

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Actuarially Determined Contribution	\$ 13,847	\$ 12,415	\$ 12,594	\$ 16,598	\$ 18,433	\$ 20,031	\$ 15,922	\$ 18,102	\$ 17,312	\$ 22,880
Contributions in relation to the actuarially determined contribution	13,847	12,415	12,594	16,598	18,433	20,031	15,922	18,102	17,312	22,880
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 785,486	\$ 743,387	\$ 772,099	\$ 840,786	\$ 882,273	\$ 919,316	\$ 931,318	\$ 987,968	\$ 1,120,420	\$ 1,207,210
Contributions as a percentage of covered payroll	1.76%	1.67%	1.63%	1.97%	2.09%	2.18%	1.71%	1.83%	1.55%	1.90%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Notes	Actuarially determined contribution rates are calculated as of December 31st and become effective in January, 13 months later
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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	Increased city matching ratio from 1.5 - 1 to 2 - 1.
	Increased statutory max to 11.5% due to plan changes.

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

	2018	2019	2020	2021	2022	2023	2024	2025
OPEB Liability								
Service cost	\$ 2,072	\$ 2,456	\$ 3,850	\$ 4,184	\$ 4,495	\$ 2,431	\$ 2,846	\$ 2,742
Interest on total OPEB liability	1,494	1,638	1,505	1,040	995	1,618	1,642	1,829
Changes of benefit terms								
Difference between expected and actual experience	(1,518)	(1,019)	(13,227)	(3,372)	(2,465)	(983)	311	(6,389)
Change of Assumptions	(2,674)	7,230	5,952	1,266	(14,938)	1,731	(1,893)	(3,793)
Benefit payments	(691)	(409)	(437)	(1,455)	(1,030)	(1,264)	(1,532)	(1,669)
Net Change in OPEB Liability	(1,317)	9,896	(2,357)	1,663	(12,943)	3,533	1,374	(7,280)
Total OPEB Liability - Beginning	44,434	43,117	53,013	50,656	52,319	39,376	42,909	44,283
Total OPEB Liability - Ending (a)	\$ 43,117	\$ 53,013	\$ 50,656	\$ 52,319	\$ 39,376	\$ 42,909	\$ 44,283	\$ 37,003
Covered Employee Payroll	\$ 767,564	\$ 818,527	\$ 874,973	\$ 909,594	\$ 936,381	\$ 972,253	\$ 1,094,622	\$ 1,192,078
OPEB Liability as a Percentage of Covered Employee Payroll	5.62%	6.48%	5.79%	5.75%	4.21%	4.41%	4.05%	3.10%

OTHER SUPPLEMENTARY INFORMATION

CITY OF ANSON, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
MARCH 31, 2026

	Component Unit ADC	Component Unit IDC	Anson Volunteer Fire Department	Opera House	Total Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 154,876	\$ 7,618	\$ 110,442	\$ 4,223	\$ 277,159
Certificates of deposit			40,283		40,283
Due from other funds	16		-		16
Total Assets	<u>\$ 154,892</u>	<u>\$ 7,618</u>	<u>\$ 150,725</u>	<u>\$ 4,223</u>	<u>\$ 317,458</u>
LIABILITIES:					
Accounts payable	\$	\$	\$	\$	\$
Due to other funds				20,600	20,600
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,600</u>	<u>20,600</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes					
Total Liabilities and Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,600</u>	<u>20,600</u>
FUND BALANCE:					
Nonspendable					-
Unassigned				(16,377)	(16,377)
Restricted	<u>154,892</u>	<u>7,618</u>	<u>150,725</u>		<u>313,235</u>
Total Fund Balance	<u>154,892</u>	<u>7,618</u>	<u>150,725</u>	<u>(16,377)</u>	<u>296,858</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 154,892</u>	<u>\$ 7,618</u>	<u>\$ 150,725</u>	<u>\$ 4,223</u>	<u>\$ 317,458</u>

CITY OF ANSON, TEXAS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2026

	Component Unit ADC	Component Unit IDC	Anson Volunteer Fire Department	Opera House	Total Nonmajor Governmental Funds
REVENUES					
Taxes:					
Sales tax	\$ 81,352	\$	\$	\$	\$ 81,352
Donation income			100,372		100,372
Interest	801	18	1,501	13	2,333
Intergovernmental			24,376		24,376
Other	4	12,000		14,063	26,067
Total Revenues	<u>82,157</u>	<u>12,018</u>	<u>126,249</u>	<u>14,076</u>	<u>234,500</u>
EXPENDITURES					
Current:					
Culture and recreation		12,273		7,689	19,962
Economic development	48,401	120			48,521
Public safety			66,971		66,971
Total Current Expenditures	<u>48,401</u>	<u>12,393</u>	<u>66,971</u>	<u>7,689</u>	<u>135,454</u>
Capital Outlay			91,509	30,000	121,509
Total Expenditures	<u>48,401</u>	<u>12,393</u>	<u>158,480</u>	<u>37,689</u>	<u>256,963</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	33,756	(375)	(32,231)	(23,613)	(22,463)
OTHER FINANCING SOURCES (USES)					
Proceeds from note receivables	11,526				11,526
Transfers in (out)			28,158		28,158
Total Other Financing Sources (Uses)	<u>11,526</u>	<u>-</u>	<u>28,158</u>	<u>-</u>	<u>39,684</u>
Net Change in Fund Balance	45,282	(375)	(4,073)	(23,613)	17,221
Fund Balance at beginning of year	<u>109,610</u>	<u>7,993</u>	<u>154,798</u>	<u>7,236</u>	<u>279,637</u>
Fund Balance at end of year	<u>\$ 154,892</u>	<u>\$ 7,618</u>	<u>\$ 150,725</u>	<u>\$ (16,377)</u>	<u>\$ 296,858</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, 2026, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 10, 2026.

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 2026-003, 2026-004, and 2026-005 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 noted no significant deficiencies.

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 2026-001 and 2026-002.

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
September 10, 2026

CITY OF ANSON, TEXAS
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED MARCH 31, 2026

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, 2026 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, 2026 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, 2026 disclosed no 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, 2026.

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

A. Compliance Findings

2026-001 – Noncompliance with the Texas Public Funds Investment Act

Condition: During the 2026 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 City's current depository bank had declined a formal depository contract unless an additional fee was imposed on the City. The City Council had voted to continue banking with the local banking facility without the contract and is aware not all deposits are fully secured. New management is going to readdress a depository contract option with the banking facility.

CITY OF ANSON, TEXAS
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED MARCH 31, 2026

A. Compliance Findings – continued

2026-002 - 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:

- **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

2026-003 – 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.

CITY OF ANSON, TEXAS
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED MARCH 31, 2026

B. Material Weakness in Internal Control

2026-003 – Financial Records Reported on Cash Basis – *continued*

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. There were a total of thirty – six journal entries made to the City’s financial statements with a net income effect of \$618,722 as an increase to net income.

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: Finance personnel are actively collaborating with the independent auditors to properly identify and record necessary year-end enterprise fund adjustments, specifically regarding debt, capital assets, receivables, and payables. While the City is leveraging external audit expertise for its more complex accounting entries, internal staff are actively working to perform and maintain these adjustments independently in future periods.

2026-004 – 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

CITY OF ANSON, TEXAS
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED MARCH 31, 2026

B. Material Weakness in Internal Controls – continued

2026-004 – Inadequate City Council Review of Financial Information – *continued*

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: Following a recent transition in City management at year end, new management has since implemented a monthly financial reporting package for City Council review. The monthly reporting package provided to Council now includes year-to-date budget to actual revenues and expenses, as well as a statement of assets, liabilities, and fund balance. Management is committed to using this reporting framework as a baseline and will continue to build upon these financial controls.

2026-005 – 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 January 2026 and April 2025 we noted the following deficiencies related to the City Manager purchases:

- \$60 of expenditures with no receipt which appeared to be personal in nature and had no clear business purpose.
- \$150 of expenditures noting that no vendor receipt was obtained and there was no independent evidence that the expenditure was for city business.
- \$1,643 of expenditures with summarized receipts but no itemized receipt was available. This created a lack of evidence that the expenditure was for city business.
- \$500 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
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED MARCH 31, 2026

B. Material Weakness in Internal Controls – continued

2026-005 – 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: Following a recent transition in City management, the Council and new management have prioritized establishing rigorous internal controls to address these control gaps. The City Council formally adopted a comprehensive Credit Card Policy in May 2026. This policy addresses the noted control deficiencies by:

- **Enhanced Oversight:** Establishes formal approval procedures and mandates enhanced City Council review.
- **Defined Parameters:** Outlines explicit allowable and unallowable card usage guidelines to ensure compliance with municipal standards.
- **Enforcement & Accountability:** Defines clear consequences for non-compliance, unauthorized purchases, or policy misuse.
- **Documentation Standards:** Enforces strict reconciliation and documentation requirements for all cardholders and approving officials.

CITY OF ANSON, TEXAS
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED MARCH 31, 2026

Findings Number	Area	Status of Corrective Action
2025-001	Noncompliance with the Texas Public Funds Investment Act	Ongoing issue - see Finding 2026-001
2025-002	Noncompliance with Reporting Taxable Income to Employees	Implemented
2025-003	Inaccurate Reporting of Expenditures on (SLFRF) Reports	Implemented
2025-004	Procurement Policy	Ongoing issue - see Finding 2026-002
2025-005	Financial Records Reported on a Cash Basis	Ongoing issue - see Finding 2026-003
2025-006	Inadequate City Council Review of Financial Information	Ongoing issue - see Finding 2026-004
2025-007	Inadequate Review of Accounts Receivable Balances in Water/Sewer Fund	Implemented
2025-008	Bank Reconciliation Process	Implemented
2025-009	Review and Approval in Credit Card Transaction	Ongoing issue - see Finding 2026-005
2025-010	Internal Control over Employee Loans	Implemented