

CITY OF WORTHAM, TEXAS

FINANCIAL STATEMENTS AS OF

SEPTEMBER 30, 2025

TOGETHER WITH INDEPENDENT AUDITORS' REPORT THEREON

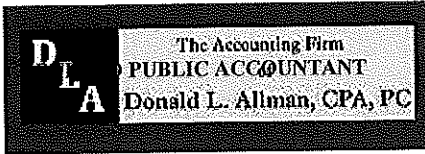
AND SUPPLEMENTARY INFORMATION

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Independent Auditor's Report

To the Honorable Mayor and City Council
City of Wortham, Texas

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-9 and 37-38 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2026, on our consideration of the City of Wortham, Texas internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Wortham, Texas's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Wortham, Texas internal control over financial reporting and compliance.

Donald L. Allman, CPA, P.C.



Georgetown, TX
June 11, 2026

**Management's Discussion and Analysis
City of Wortham Texas**

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial Report, we, the Administrators of City of Wortham, Texas, discuss and analyze the City's financial performance for the fiscal year ended September 30, 2025. Please read it in conjunction with the independent auditors' report on page 1, and the City's Basic Financial Statements which begin on page 13.

FINANCIAL HIGHLIGHTS

- The City's net position decreased by \$(132,360) as a result of this year's operations.
- The General Fund ended the fiscal year with a decrease of \$(90,634) in net position, and the Proprietary Fund ended the fiscal year with a decrease of \$(41,726).
- The General Fund, Capital Projects Fund, and Other Governmental Funds ended the fiscal year with a \$(465,892) decrease in Governmental Funds net position.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 13 through 15). These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 16) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. Proprietary Fund statements provide the same type of information as the government-wide financial statements, only in more detail.

The notes to the financial statements (starting on page 24) provide narrative explanations or additional data needed for full disclosure in the government-wide statements and the fund financial statements.

**Management's Discussion and Analysis
City of Wortham, Texas**

USING THIS ANNUAL REPORT (continued)

Reporting the City as a Whole

The statement of Net Position and the Statement of Activities

The analysis of the City's overall financial condition and operations begins on page 13. Its primary purpose is to show whether the City is better or worse off as a result of the year's activities. The Statement of Net Position includes all of the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

These two statements report the City's net position and the changes in them. The City's net position (the difference between assets and liabilities) provides one measure of the City's financial health or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City however you should consider non-financial factors as well, such as changes in the property tax base and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, the City is divided into two kinds of activities.

Governmental activities-Most of the City's basic services are reported here, including the police, streets, culture & recreation, and general government. Property taxes, sales taxes and franchise fees finance most of these activities.

Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system activities are reported here.

**Management's Discussion and Analysis
City of Wortham, Texas**

USING THIS ANNUAL REPORT (continued)

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law and by bond covenants. The City's two kinds of funds – governmental and proprietary – utilize different accounting approaches.

Governmental funds – The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measure cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements readers may better understand the long-term impact of the government's near-term financing decisions. The relationships or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental fund is detailed in a reconciliation following the fund financial statements.

Proprietary funds – The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds are identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net position was \$4,583,485 as of September 30, 2025. Analyzing the net position and net expenses of governmental and business-type activities separately, the business-type activities net position was \$3,925,807 and the general fund net position was \$658,408. The following analysis focuses on the net position (Table I) and general revenues and significant expenses of the City's governmental and business-type activities (Table II).

Management's Discussion and Analysis
City of Wortham, Texas
Table I
NET POSITION

Table A-1
City of Wortham's Net Position

	In thousands		Total Percentage Change
	2025	2024	2025-2024
Current assets:			
Cash and cash equivalents	762	1,211	-37%
Investments	220	232	-5%
Receivables	255	219	16%
Inventories	109	119	
Prepaid expenses	-	-	
Net Pension asset	-	-	
Total current assets:	1,346	1,781	-24%
Noncurrent assets:			
Restricted Cash		-	
Land, Buildings, Improvements, MFE	8,885	8,186	9%
Less accumulated depreciation	(4,480)	(4,166)	8%
Other assets	0	-	
Total noncurrent assets	4,405	4,020	10%
Total Assets	5,751	5,801	-1%
Deferred Outflows	108	134	-19%
Current liabilities:			
Accounts payable and accrued liabilities	188	120	57%
Consumer deposits	98	94	4%
Due to other funds	3	9	
Deferred revenue	-	-	
Total current liabilities	289	223	30%
Long-term liabilities:			
Vacation & Sick Leave payable	19	19	
Noncurrent liabilities due in one year	73	90	-19%
Noncurrent liabilities due more than 1 yr	679	728	-7%
Total Liabilities	1,060	1,060	0%
Deferred Inflows	215	159	35%
Net Position:			
Net Investment in capital assets	3,731	3,763	-1%
Restricted	282	312	-10%
Unrestricted	571	641	-11%
Total Net Position	4,584	4,716	-3%

**Management's Discussion and Analysis
City of Wortham, Texas**

Table II

CHANGE IN NET POSITION

Table A-2
City of Wortham's Changes in Net Position
(In thousand dollars)

	2025	2024	Total Percentage Change
Program Revenues:			
Charges for Services-General Fund	441	472	-6.57%
Charges for services-Water Sewer Fund	934	958	-2.51%
General Revenues			
Property Taxes	251	276	-9.06%
Sales Taxes	169	152	11.18%
Franchise fees	37	40	-7.50%
Grants and Contributions	100	369	-72.90%
Investment Earnings	8	7	14.29%
Other revenues	65	3	2066.67%
Total Revenues	2,005	2,277	-11.95%
General Government	164	174	-5.75%
Public Safety	608	609	-0.16%
Court	138	73	89.04%
Culture and Recreation	18	19	-5.26%
Highways and Streets	113	111	1.80%
Interest Expense	27	13	107.69%
Water and Sewer and Sanitation	1,069	1,046	2.20%
Total Expenses	2,137	2,045	4.50%
Excess (Deficiency) Before Other Resources, Uses and Transfers:			
Other Resources (Uses)	-	-	
Transfers In (Out)	-	-	
Increase (Decrease) in Net Position	(132)	232	-156.90%

Management's Discussion and Analysis City of Wortham, Texas

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

A large portion of the City's net position reflects its investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The balance of *unrestricted net position*, \$571,285 may be used to meet the government's ongoing obligations to citizens and creditors.

For fiscal year 2025, revenues from governmental activities totaled \$901,803. Property tax, sales tax, and franchise fees are the largest components of revenues (51 percent respectively).

For fiscal year 2025, expenses for governmental activities totaled \$1,068,006. The City's three largest funded programs are for general government, public safety and public works.

Charges for services of the City's business-type activities were \$933,906 for the fiscal year ending September 30, 2025. Expenses for the City's business-type activities were \$1,068,673. The City's largest expenses are the purchase of water, garbage fees and salaries & related expenses.

THE CITY'S FUNDS

As the City completed the year, its governmental funds, as presented in the balance sheet on page 16, reported a combined fund balance of \$212,223 which is lower than last year's total of \$678,120.

Management's Discussion and Analysis
City of Wortham, Texas

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2025, the City had \$4,404,953 invested in a broad range of capital assets, including facilities and equipment and land. See the Capital Assets section of the footnotes for greater detail on capital assets and depreciation.

Table A-4
City's Capital Assets
(In million dollars)

	Total Cost of Services		Total Percentage Change
	2025	2024	2025-2024
Land	111	111	0%
Water & Sewer System	6,049	6,036	0%
Infrastructure	239	239	0%
Buildings and Improvements	541	541	0%
Equipment	745	594	25%
Construction in Progress	1,200	666	80%
Totals at historical cost	<u>8,885</u>	<u>8,187</u>	9%
Total accumulated depreciation	<u>(4,480)</u>	<u>(4,166)</u>	-8%
Net capital assets	<u>4,405</u>	<u>4,021</u>	10%

Debt

At September 30, 2025, the City had \$841,374 in loans and Bonds outstanding. More detailed information about the City's long-term liabilities is presented in the Notes to the Financial Statement starting on page 26.

Table A-5
City's Long-Term Debt
(In million dollars)

	Total		Total Percentage Change
	2025	2024	2025-2024
Bonds payable	703	717	-2%
Notes payable & leases	138	115	20%
Compensated Absences	19	19	0%
Sales Tax due to state	-	30	-100%
Net Pension Liability	(122)	(60)	103%
OPEB Liability	16	15	7%
Total bonds & notes payable	<u>754</u>	<u>836</u>	-10%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered service delivery and system maintenance costs when setting the fiscal year 2024-2025 budget and tax rate. Economic growth in the form of increased sales and investment in business and residential property has contributed to the City's tax base, but increase in costs and infrastructure maintenance needs are expected.

The City adopted a \$1,594,308 budget for fiscal year 2024-2025. It will be funded through property taxes via a \$0.473768 tax rate, which is no increase in the property tax rate. Water and sewer charges, sales and franchise taxes, and other local revenues will help fund the budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kasi Wright, City Secretary, at City of Wortham, P.O. Box 186, Wortham, Texas 76693.

BASIC FINANCIAL STATEMENTS

CITY OF WORTHAM, TEXAS
STATEMENT OF NET POSITION
September 30, 2025

	Governmental Activities	Business-type Activities	Total	Wortham Economic Development Corporation
<u>ASSETS</u>				
Cash & Cash Equivalents	104,986	595,566	700,552	270,790
Restricted Cash	131,777	149,907	281,684	-
Property taxes, net of allowance for uncollectibles	51,443		51,443	
Other Receivables, net of allowance for uncollectibles	112,472	\$91,264	203,736	-
Inventory	-	108,821	108,821	-
Due from General Fund				2,674
Construction in Progress		779,101	779,101	-
Capital assets not being depreciated:				
Land	\$40,147	\$70,876	111,023	285,430
Capital assets, net of accumulated depreciation	1,095,927	2,418,902	3,514,829	204,932
Total Capital Assets	1,136,074	3,268,879	4,404,953	490,362
Total Assets	1,536,752	4,214,437	5,751,189	763,826
Deferred Outflows of Resources	70,357	37,882	108,239	
<u>LIABILITIES</u>				
Accounts payable	45,768	52,087	97,855	
Accrued liabilities	85,319	4,488	89,807	
Customer Deposits		98,236	98,236	
Due to Component Unit	2,674	-	2,674	
Noncurrent liabilities:				
Due within one year	58,910	14,000	72,910	
Due within more than one year	671,464	114,000	785,464	77,980
Compensated Absences	13,366	6,094	19,460	
Sales Tax due back to State	-		-	
Net Pension & OPEB Liability	(68,566)	(36,921)	(105,487)	
Total Liabilities	808,935	251,984	1,060,919	77,980
Deferred (Inflows)/Outflows of Resources	139,766	75,258	215,024	
<u>NET POSITION</u>				
Net Investment in Capital Assets	589,637	3,140,879	3,730,516	
Restricted for:				
Court, Police, Park	35,427		35,427	
Capital projects	-	131,109	131,109	
Debt Service	96,350	18,798	115,148	
Economic Development Corporation				685,846
Unrestricted	(63,006)	634,291	571,285	-
Total Net Position	658,408	3,925,077	4,583,485	685,846

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

CITY OF WORTHAM, TEXAS
STATEMENT OF ACTIVITIES
September 30, 2025

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	
<u>Functions / Programs</u>			
Primary government:			
Governmental activities:			
General Government	143,469	86,113	\$0
Public safety	607,812	94,576	-
Streets	113,400	34,500	-
Culture and recreation	17,616	-	745
Municipal Court	137,811	225,822	-
Schedule of Pension Expenses	20,810		
Interest on long-term debt	27,088		
Total governmental activities	1,068,006	441,011	745
Business-type activities:			
Grant expenses	0		0
Water, Sewer and Sanitation	1,068,673	933,906	98,828
Total business-type activities	1,068,673	933,906	98,828
 Total primary government	 2,136,679	 1,374,917	 99,573
 Component Unit:			
Economic Development Corporation	\$55,194		\$0
Total Component Unit	\$55,194	\$0	\$0

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

	Net (Expense) Revenue and Changes in Net Position			Component Unit
	Primary Government			Economic
	Governmental Activities	Business-type Activities	Total	Development Corporation
Functions / Programs				
Primary government:				
Governmental activities:				
General Government	(57,356)		(57,356)	
Public safety	(513,236)		(513,236)	
Public Works	(78,900)		(78,900)	
Culture and recreation	(16,871)		(16,871)	
Municipal Court	88,011		88,011	
Pension expenses	(13,527)	(7,283)	(20,810)	
Interest on long-term debt	(20,380)	(6,708)	(27,088)	
Total governmental activities	(612,259)	(13,991)	(626,250)	0
Business-type activities:				
Water, Sewer and Sanitation		(35,939)	(35,939)	
Total business-type activities	0	(35,939)	(35,939)	0
Total primary government	(612,259)	(49,930)	(662,189)	0
Component Unit:				
Economic Development Corporation				0
Total Component Unit	\$0	\$0	\$0	(\$55,194)
General Revenues:				
Property tax	250,598		250,598	
Sales tax	169,367		169,367	85,472
Franchise fees	36,533		36,533	
Investment earnings	191	8,204	8,395	218
Miscellaneous	4,103	0	4,103	0
Transfers	60,833	0	60,833	(60,833)
Total General Revenues	521,625	8,204	529,829	24,857
Change in net position	(90,634)	(41,726)	(132,360)	(30,337)
Net Position - Beginning	749,042	3,966,803	4,715,845	716,183
Net Position - Ending	\$658,408	\$3,925,077	\$4,583,485	\$685,846

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

**CITY OF WORTHAM, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2025**

<u>ASSETS</u>	General	Debt Service	Court & Police	Total
Cash & Investments	104,986	\$0	35,427	\$140,413
Restricted cash	0	96,350	0	96,350
Taxes receivable	57,368	0		57,368
Allowance for uncollectible taxes	(5,925)			(5,925)
Other receivables, net of allowance for uncollectibles	112,472			112,472
Due from other funds	0			0
Total Assets	\$268,901	\$96,350	\$35,427	\$400,678
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable & accrued expenses	131,087			131,087
Unearned revenues	57,368	0		57,368
Total Liabilities	188,455	0		188,455
Fund Balances:				
Nonspendable				
Restricted for Debt Service		96,350		96,350
Committed for Building Fund	183,937	0	-	183,937
Assigned			35,427	35,427
Unassigned	(103,491)			(103,491)
Total Fund Balances	80,446	96,350	35,427	212,223
Total Liabilities and Fund Balances	268,901	96,350	35,427	400,678

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

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

Total fund balances-governmental funds		\$176,796
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>		
Construction in Progress	421,045	
Land	\$40,147	
Buildings and Improvements	540,572	
Machinery and Equipment	745,417	
Infrastructure	238,646	
Accumulated Depreciation	(849,753)	
Total capital assets	<u>\$1,136,074</u>	
		\$1,136,074
	0	
Deferred Outflows or Resources	70,357	
Plan Fiduciary Net Liability	<u>138,053</u>	\$208,410
		(53,734)
<p>Some revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year end. On the accrual basis, however, those revenues would be recognized, regardless of when they are collected.</p>		
Unearned Property taxes not collected	<u>\$57,368</u>	\$57,368
Deferred Inflows of Resources		(139,766)
<p>Some long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>		
Loans	713,374	
Compensated absences	13,366	
Sales tax due to state	0	
	<u>\$726,740</u>	<u>(\$726,740)</u>
Net position of governmental activities		<u>\$658,408</u>

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

CITY OF WORTHAM, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2025

<u>Revenues</u>	General	Debt Service	Court, police	Total
Ad valorem tax	\$238,685	\$0	\$0	\$238,685
Sales tax	169,367			169,367
Franchise fees	36,533			36,533
Fine and forfeitures	225,822			225,822
Charges for services	200,676		14,513	215,189
Grant & contributions income	0	0	745	745
Miscellaneous	4,103		0	4,103
Interest income	180	0	11	191
Total Revenues	875,366	0	15,269	890,635
 <u>Expenditures</u>				
Current:				
General government:				
Administration	109,523	0		109,523
Streets	103,578	0		103,578
Courts	133,875		9,444	143,319
Grant expenses	0			0
Public Safety	533,136		5,500	538,636
Culture and recreation:				
Parks	597		597	1,194
Debt Service:				
Principal	0	31,990	0	31,990
Interest and fiscal cost	0	20,380	0	20,380
Bond issuance cost	0	0		0
Capital Outlay	506,734	0	0	506,734
Total Expenditures	1,387,443	52,370	15,541	1,455,354
Deficiency of Revenues Over Expenditures	(512,077)	(52,370)	(272)	(564,719)
 Other Financing Sources:				
Transfers in	0	111,793	14,385	126,178
Transfers out	(126,178)	0	0	(126,178)
Loan proceeds	98,827	0		98,827
Total Other Financing Sources	(27,351)	111,793	14,385	98,827
Net Change in Fund Balance	(539,428)	59,423	14,113	(465,892)
Fund Balances - beginning of year	619,874	36,927	21,314	678,115
Fund Balances - end of year	\$80,446	\$96,350	\$35,427	\$212,223

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

CITY OF WORTHAM, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2025

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

Net change in fund balances ----- total governmental funds (\$465,892)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlay expenditures	\$506,734	
Depreciation expense	(119,391)	
	<u>\$387,343</u>	\$387,343

Total Pension Expense not recognized in governmental funds \$ (13,527)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes not collected	\$57,368	
Less prior year	(45,455)	
	<u>\$11,913</u>	\$11,913

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Loan Proceeds aren't income in Govt.Wide (98,827)

Debt service - principal	\$31,990	
Difference in Deferred Inflows/Outflows	56,366	
	<u>(10,471)</u>	(\$10,471)

Change in net position of governmental activities (\$90,634)

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

CITY OF WORTHAM, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2025

	Business-type Activities Enterprise
	Water, Sewer and Sanitation Fund
<u>ASSETS</u>	
Cash and cash equivalents	745,473
Accounts receivable	91,264
Inventory	108,821
Capital assets:	
Land	70,876
Sewer & Water System	6,048,772
Construction in progress	779,101
Less accumulated depreciation	(3,629,870)
Total capital assets	3,268,879
Total Assets	4,214,437
Deferred Outflows of Resources	37,882
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	52,087
Accrued liabilities	4,488
Customer Deposits	98,236
Long-term Liabilities	128,000
Compensated Absences	6,094
Net Pension & OPEB Liability	(36,921)
Total Liabilities	251,984
Deferred Inflows of Resources	75,258
<u>NET POSITION</u>	
Net Investment in Capital Assets	3,140,879
Unrestricted	634,291
Restricted - Debt Service	18,798
Restricted - Capital Projects	131,109
Total Net Position	\$3,925,077

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

CITY OF WORTHAM, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION – PROPRIETARY FUND
For the Year Ended September 30, 2025

	Business-type Activities Enterprise Fund
	Water, Sewer and Sanitation Fund
<u>Operating Revenues</u>	
Water, Sewer, and Sanitation	\$933,906
Grant income	98,828
Other Revenues	0
	1,032,734
<u>Operating Expenses</u>	
Garbage collection cost	185,318
Purchased water	235,664
Salaries and related expense	182,401
Equipment repairs and replacement, supplies, materials	106,954
Depreciation	194,287
Grant expenses	0
Other services and charges	178,040
	1,082,664
Operating Income	(49,930)
<u>Nonoperating Revenues</u>	
Interest Income	8,204
Total Nonoperating Revenues	8,204
Income Before Transfers	(41,726)
Transfers In	0
Change in Net Position	(41,726)
Net Position - beginning	3,966,803
Net Position - ending	3,925,077

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

**CITY OF WORTHAM, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended September 30, 2025**

	Business-type Activities Enterprise Fund
	Water, Sewer and Sanitation Fund
<u>Cash Flows from Operating Activities</u>	
Cash received from customers	\$950,645
Cash paid to suppliers	(717,034)
Cash paid to employees	(158,191)
Advances from other funds	0
Subsidy from federal grant	0
Net Cash Provided by Operating Activities	75,420
<u>Cash Flows from Noncapital Financing Activities</u>	
Grant revenues received	98,828
Grant expenditures	0
Net Cash Used by Noncapital Financing Activities	98,828
<u>Cash Flows from Capital and Related Financing Activities</u>	
Principal payments on loan	(57,000)
Acquisition of capital assets	(191,960)
Net Cash Used by Capital and Related Financing Activities	(248,960)
<u>Cash Flows from Investing Activities</u>	
Interest received	8,204
Net Cash Provided by Investing Activities	8,204
Net Increase in Cash and Cash Equivalents	(66,508)
Cash and cash equivalents - beginning of year	811,981
Cash and cash equivalents - end of year	\$745,473
<u>Reconciliation of operating income to net cash provided by operating activities:</u>	
Operating income	(\$148,758)
Adjustments to reconcile operating loss to net cash provided by Operating Activities:	
Depreciation expense	194,287
Decrease in accounts receivable	16,739
Decrease/(Increase) in inventory	9,785
Total pension activity is not a cash expense	7,284
Decrease in accounts payable	(8,860)
Increase in accrued liabilities	294
Increase in Customer Deposits	4,649
Total Adjustments	224,178
Net Cash Provided by Operating Activities	\$75,420

The accompanying notes are an integral part of the financial statements

**CITY OF WORTHAM, TEXAS
NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Wortham, Texas was incorporated as a Type A General Law Municipality, pursuant to the laws of the State of Texas. The City operates under a "Mayor-Council" form of government and provides services authorized by the laws of the State of Texas for a municipality. Presently, these services include police and fire protection, street repair and maintenance, park maintenance, and general administrative services.

The following is a summary of certain significant accounting policies followed in the preparation of the financial statements of the City of Wortham (the City).

The City is an independent political subdivision of the State of Texas, governed by a mayor and five aldermen, and is considered a primary government. As required by generally accepted accounting principles, these financial statements have been prepared, based on considerations regarding the potential for inclusion of other entities, organizations, or functions, as part of the City's financial reporting entity.

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14, and includes all component units of which the City appoints a voting majority of the unit's board; the City is either able to impose its will on the unit of a financial benefit or burden relationship exists,

Discretely Presented Component Unit

Discretely presented component units are separate legal entities that meet the component unit criteria described above. Currently, the Wortham Economic Development Corporation meets the above criteria and is discretely presented within the government-wide financial statements of the City. The Wortham Economic Development Corporation was formed by resolution of City Council. By special election, the Citizens of the City of Wortham Texas approved adoption of a one half of one percent sales tax pursuant to Section 4A & 4B of the Development Corporation Act of 1979.

Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are; that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments.

CITY OF WORTHAM, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the City's non-fiduciary activities with most of the inter-fund activities removed. Governmental activities include programs supported primarily by taxes, grants and other intergovernmental revenues. Business type activities include programs supported by water and sewer revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. Examples include water and sewer payments, police fines, etc. The "grants and contributions" column includes amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the City's functions. Taxes are always general revenues.

Inter-fund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet. All inter-fund transactions between governmental funds are eliminated on the government-wide statements.

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

CITY OF WORTHAM, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

D. FUND ACCOUNTING

The City reports the following major governmental funds:

1. **General Fund** – the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
2. **Debt Service Fund** – used to account for the resources accumulated and payments made for principal and interest on long-term certificate of obligation debt of governmental funds.
3. **Capital Projects Fund** – used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed proprietary funds). Capital projects are funded primarily by certificates of obligation.

The City reports the following major proprietary fund:

1. **Enterprise Fund** – used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, cost incurred and/or net income is necessary for management accountability. This fund includes the Utility Fund – Water, Sewer and Sanitation Fund.

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows, cash and cash equivalents include all cash and certificates of deposit having an original maturity date of less than three months.

The investment policies of the City are governed by State Statute and an adopted City Investment Policy. Major provisions of the City’s investment policy include: responsibility for investments, authorized investments, bank and security dealer selection and qualifying procedures, safekeeping and custodial procedures, statement of investment objectives and investment reporting procedures. This policy permits investment in U.S. Treasury or U.S. Agency issues, mutual funds, public funds investment pools and repurchase agreements. Statutes require that securities underlying repurchase agreements be limited to federal government securities having a market value of at least 1052 percent of the cost of the repurchase agreement.

CITY OF WORTHAM, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. OTHER ACCOUNTING POLICIES (Continued)

2. Capital Assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure items, are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Infrastructure is not held to the \$1,000 limit; all infrastructure, purchased after October 1, 2003 (prospective method) is capitalized regardless of cost. The City inventoried its general fixed assets at October 1, 2003 and they are valued at original cost where such cost was known, otherwise, they are valued at estimated historical cost.

Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest cost on governmental activities construction projects is not capitalized.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives.

Buildings 40, Building improvements 40; Vehicle 5; Infrastructure 50; Equipment 10; Water and sewer system 40; Sanitation system – Disposal plant 20;

3. During the course of operations, transactions occur between individual funds for specified purposes. These receivables and payable are, for the most part, eliminated from the Government-Wide Statements of Net Assets and are classified a “due from other funds” or “due to other funds” in the fund financial statements. Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts.
4. The City records the purchase of supplies as expenditures/expenses at the time of purchase and does not maintain inventory.
5. In the fund financial statements of the governmental funds, the City can reserve portions of fund equity in the governmental fund financial statements. Reserves of fund equity represent those portions of fund equity not appropriate for expenditure or legally restricted by outside parties for use for a specific purpose.

CITY OF WORTHAM, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**
E. OTHER ACCOUNTING POLICIES (Continued)

6. The City allows carryover of vacation only with prior scheduling and approval. Each employee is granted 80 hours of vacation at the employee's anniversary date. Any accrued vacation balance is paid upon termination.

One day of sick pay is accrued for each month of service. Unused sick days can be carried forward, but will not be paid on termination.

All compensated absences are accrued when incurred and are included in the government-wide, and fund financial statements.

7. 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 revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.
8. The City applied restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.
9. The City is a Type A General Law Municipality with a maximum tax rate for all purpose of \$1.50 per \$100 assessed valuation. This maximum tax rate is imposed by the Constitution of the State of Texas. Within this \$1.50 maximum, there is not legal limit upon the amount of taxes which can be levied for debt service. All taxes due the City on real or personal property are collected by the Freestone County Tax Assessor-Collector and may be paid at any time after the tax rolls have been completed and approved, which is not later than October 1. Current taxes become delinquent on February 1 following the tax year. There are various penalties for delinquent taxes; there are not discounts allowed on taxes. The procedure for collecting delinquent taxes is to refer to a collection attorney after sending two delinquent notices and a letter. All properties located within the City limits on January 1 of each year are charged with a special lien in favor of the City from such date for taxes due thereon.
10. Transactions between funds that would be treated as revenues, expenditures, or expenses, if they involved organizations external to the governmental unit, are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions which constitute reimbursement of a fund for expenditures or expenses initially made from that fund, which are properly attributable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed. Nonrecurring or non-routine transfers of equity between funds are reported as additions to, or reductions of, the fund balance of governmental fund types. All other legally authorized transfers are treated as operating transfers and are included in the results of operations of both governmental and proprietary fund types.

Pensions:

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

**CITY OF WORTHAM, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.
- Difference in expected and actual pension experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statements element, deferred inflows or 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 only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and municipal court fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF WORTHAM, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGET AND DATA

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of each fiscal year, the Mayor submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing those expenditures.
2. Public hearings are conducted at which all interested persons' comments concerning the budget are heard.
3. The budget is legally enacted by the City Council.
4. Budget revisions may be made during the year.
5. The City over-expended its budget in the general fund area as follows:

Public Safety (104,841)

Judicial (89,784)

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investment, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) banker's acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

CITY OF WORTHAM, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS (Continued)

Additional Contracted Provisions governing deposits and investments are as follows:

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the City’s agent bank in an amount sufficient to protect City’s funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank’s dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance.

Deposits

As of September 30, 2025, the City’s deposit balances were as follows:

	Primary Government	Component Unit	Total Reporting Entity
1. Insured (FDIC)	\$250,000	\$250,000	\$500,000
2 Uninsured, collateralized with securities held by pledging financial institution's agent in the entity's name.	732,236	87,023	819,259
4. Uninsured and uncollateralized			
Total Deposits	982,236	\$337,023	\$1,319,259
Carrying Amount	982,236	337,023	\$1,319,259

Policies Governing Deposits and Investments

1. Foreign Currency Risk – The City’s deposits and investments are not exposed to foreign currency risk.
2. Custodial Credit Risk – The City’s policy is to be collateralized. The City was fully collateralized during the year.
3. Interest Rate Risk – The City has no debt securities which have interest rate risk.

CITY OF WORTHAM, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Policies Governing Deposits and Investments (continued)

4. Credit Risk – In compliance with the City’s Investment Policy, as of September 30, 2009, the City minimized credit risk loss due to default of a security issuer or backer, by: limiting investments to the safest types of securities; limiting Certificates of Deposits that are insured by the Federal Deposit Insurance Corporation (FDIC); limiting the City’s investments to obligations issued, guaranteed, insured by or backed by the full faith and credit of the United States or its agencies and instrumentalities; pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business; and diversifying the investment portfolio so that potential losses on individual securities were minimized.

Concentration Risk – The City’s deposits and investments are not exposed to concentration risk.

B. PROPERTY TAXES

Property taxes for each year are levied on approximately October 1 and are due upon receipt of the tax bill and become delinquent on February 1 of the following year. On January 1 of each year, a tax lien is attached to the property to secure the payment of all taxes, penalties, and interest. The lien exists in the factor of the State and each taxing unit. Appraised values are established by the Central Appraisal District (CAD) of Freestone County, Texas, through procedures established by the Texas Legislature. The County Tax Assessor Collector bills and collects the City’s property taxes. The County bills the City’s tax levies as soon as possible after certification of taxable values by the CAD, which is approximately August 1 as noted above. Additional tax bills are sent in December, February, April and July (which includes a surcharge for legal costs associated with collection).

In August, delinquent taxes are turned over to the County’s delinquent tax attorneys for final collection or other disposition.

**CITY OF WORTHAM, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)**

III. DETAILED NOTES ON ALL FUNDS (Continued)

B. PROPERTY TAXES (Continued)

The City has enacted an ordinance providing for the exemption of \$5,000 of the assessed value of residential homesteads, for persons 65 years of age or older, from property taxes. This is provided by Section 1-b of Article 8 of the Constitution of Texas. An exemption of \$12,000 is allowed disabled veterans on any one piece of property. Additionally, the market value of agricultural land is reduced to agricultural value for purposes of the City's tax levy calculation.

The City is permitted, by Article XI, Section 5 of the State of Texas Constitution, to levy property taxes up to \$1.50 per \$100 of assessed valuation for general governmental services. Within the \$1.50 maximum levy, there is no legal limit upon the amount of property taxes which can be levied for debt service. The total Ad Valorem tax levy was \$237,508.

Property taxes as of September 30, 2025, are as follows:

Current Taxes Receivable	\$14,981
Delinquent Taxes Receivable	42,387
	\$57,368

C. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at year end for the government's individual major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	and	Water Sewer	Component Unit
Receivables:				
Accounts	\$84,672		\$123,955	
Property Taxes	\$57,368			
Sales Tax	27,800			5,541
Less: allowance for uncollectibles	(5,925)		(32,691)	
Franchise	0		0	
Mortgage				119,885
Net total receivables	\$163,915		\$91,264	\$125,426

In the proprietary funds, the City records certain revenues billed to other governmental agencies, residents, and others on a monthly basis. Adjustments to revenue are made for uncollectible accounts as determined by management.

The Wortham EDC holds mortgages receivables from companies which are due in monthly installments. The loans are from funds received from a grant which was received in previous years.

CITY OF WORTHAM, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. DISAGGREGATION OF RECEIVABLES AND PAYABLES (Continued)

Payables at September 30, 2025, were as follows:

	General	Water and Sewer	Component Unit
Accounts Payable:	45,768	52,087	
Accrued liabilities	85,319	0	
 Total Payables	131,087	52,087	0

D. INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at September 30, 2025 were:

	Due from Other Funds	Due to Other Funds
General Fund	\$0	
Water, Sewer and Sanitation Fund		0
Total All Funds	\$0	\$0

E. CAPITAL ASSETS

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

	Beginning Balance	Increase	(Decrease)	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$40,147			\$40,147
Total capital assets, not being depreciated	40,147			40,147
Capital assets, being depreciated:				
Buildings and Improvements	540,572	0		540,572
Infrastructure	238,646	0		238,646
Vehicles, Machinery & Equipment	593,517	151,900		745,417
Construction in Progress	66,211	354,834		421,045
Total capital assets, being depreciated	1,438,946	506,734	0	1,945,680
Less accumulated depreciation	(730,362)	(119,391)	0	(849,753)
Total capital assets, being depreciated net	708,584	387,343	0	1,095,927
Governmental capital assets, net	748,731	387,343	0	1,136,074

CITY OF WORTHAM, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

E. CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Increase</u>	<u>(Decrease)</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets, Construction in Progress	600,005	179,096		779,101
Land	\$70,876			\$70,876
Total capital assets, not being depreciated	<u>670,881</u>	<u>179,096</u>		<u>849,977</u>
Capital assets, being depreciated:				
Water & Sewer System & Equipment	6,035,908	12,864		6,048,772
Total capital assets, being depreciated	<u>6,035,908</u>	<u>12,864</u>		<u>6,048,772</u>
Less accumulated depreciation	<u>(3,435,583)</u>	<u>(194,287)</u>		<u>(3,629,870)</u>
Total capital assets, being depreciated	<u>2,600,325</u>	<u>(2,327)</u>	<u>0</u>	<u>2,418,902</u>
Business-type capital assets, net	<u>3,271,206</u>	<u>(2,327)</u>	<u>0</u>	<u>3,268,879</u>

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

Governmental activities:	
Administration	\$20,419
Public Safety	68,195
Public Works	9,822
Parks & Recreation	17,019
Court	3,936
Total depreciation expense - governmental activities	<u>\$119,391</u>

Business-type activities:	
Water, sewer and sanitation	<u>\$181,625</u>
Total depreciation expense - business-type activities	<u>\$181,625</u>

CITY OF WORTHAM, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

F. LONG-TERM DEBT

The City's long-term debt at September 30, 2025 is comprised of the following individual issues:

	Governmental Activities	Business-type Activities
\$59,865 note payable maturing in 2026, due in annual payments of \$10,252, bearing interest at 4.75% for a police truck.	8,161	
\$45,025 note payable due in 240 monthly installments maturing in 20 years with an interest rate of 4.75%.	5,166	-
\$575,000 2024 Certificates of Obligation bonds, due in annual payments of \$17,000-46,000, with interest at 5.4%	575,000	-
\$70,000 note payable , annual payments of \$15,346 with an interest rate of 3.14%, maturing in October 2026	26,220	
\$280,000 2013 Certificates of Obligation bonds, due in annual payments of \$12,000-17,000, interest rate of 3.96%		128,000
\$98,827 Note Payable for improvements, due in annual payments of \$23,161, interest rate of 5.529% Matures in 2030	98,827	-
	713,374	\$ 128,000

The annual requirements to maturity for the above long-term debt are as follows:

Fiscal Year Ending	Principal	Interest	Total
2026	41,910	6,849	48,759
2027	34,010	4,953	38,963
2028	19,708	3,453	23,161
2029	20,798	2,363	23,161
2030	21,948	1,213	23,161
Total	\$138,374	\$18,831	\$157,205

CITY OF WORTHAM, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

F. LONG-TERM DEBT (Continued)

The annual requirements to maturity for the above long-term debt are as follows:

Fiscal Year Ending	Principal	Interest	Total
2026	17,000	30,591	47,591
2027	17,000	29,673	46,673
2028	18,000	28,728	46,728
2029	19,000	27,729	46,729
2030	20,000	26,676	46,676
Thereafter	484,000	221,724	705,724
Total	<u>\$575,000</u>	<u>\$365,121</u>	<u>\$940,121</u>

Fiscal Year Ending	Principal	Interest	Total
2026	14,000	4,798	18,798
2027	15,000	4,325	19,325
2028	15,000	3,794	18,794
2029	16,000	3,243	19,243
2030	16,000	2,643	18,643
Thereafter	52,000	4,125	56,125
Total	<u>\$128,000</u>	<u>\$22,928</u>	<u>\$150,928</u>

CITY OF WORTHAM, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

Changes in Long-Term Liabilities

	Amounts Outstanding 10/1/2024	Additions	Retirements	Amounts Outstanding 9/30/2025	Current Portion
Governmental Activities					
Notes Payable	71,537	98,827	31,990	138,374	41,910
Certificate of Obligation	575,000	-	-	575,000	17,000
Compensated absences	13,366			13,366	
Sales taxes due to the State	29,834	-	(29,834)	-	-
Net Pension Liability	(39,020)	(40,130)	-	(79,150)	
OPEB Liability	9,671	913	-	10,584	
Total	<u>660,388</u>	<u>913</u>	<u>31,990</u>	<u>658,174</u>	<u>58,910</u>
		-	-	-	-
Business-Type Activities					
Certificates of Obligation	142,000	-	14,000	128,000	14,000
Notes Payable	43,000		43,000	-	-
Compensated Absences	6,094	-	-	6,094	-
Net Pension Liability	(21,011)	(21,609)	-	(42,620)	
OPEB Liability	5,207	492	-	5,699	-
Total	<u>196,301</u>	<u>(21,117)</u>	<u>57,000</u>	<u>97,173</u>	<u>14,000</u>

III. DETAILED NOTES ON ALL FUNDS (Continued)

G. DEFERRED REVENUE

Deferred revenue at year end consisted of the following:

Unearned property tax revenue	<u>\$57,368</u>
-------------------------------	-----------------

H. INTERFUND TRANSFERS

Interfund transfers during the year ended September 30, 2025 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		\$0
Water, Sewer and Sanitation Fund	0	
Total	<u>\$0</u>	<u>\$0</u>

CITY OF WORTHAM, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

I. DEFINED BENEFIT PENSION PLAN

A. Plan Description

The City of Wortham participates as one of 860 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 comprehensive annual report (CAFR) that can be obtained at www.tmrs.com.

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

B. Benefits Provided

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

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

Employees covered by benefit terms.

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

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	7
Active employees	<u>7</u>
Total	22

C. Contributions

The contribution rate for the employees in TMRS is 5%, 6% and 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 annually determined 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.

CITY OF WORTHAM, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

Employees for the City of Wortham were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Wortham were 6.39% and 6.44% in calendar years 2025 and 2024 respectively. The city's contributions to TMRS for the year ended September 30, 2025 were \$24,696 and were equal to the required contributions.

D. Net Pension Liability

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

Actuarial assumptions:

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

Inflation 2.5% per year

Overall payroll growth 3.0% to 10.5% 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, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB on account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

CITY OF WORTHAM, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

I. PENSION PLAN (Continued)

Actuarial assumptions used in the December 31, 2024, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2010 through December 31, 2014, first used in the December 31, 2016 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2010 through 2014, and dated December 31, 2016. These assumptions were first used in the December 31, 2016 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2023 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

Discount Rate

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

CITY OF WORTHAM, TEXAS
 NOTES TO FINANCIAL STATEMENTS (Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

I. PENSION PLAN (Continued)

City of Wortham
Schedule of Changes in Net Pension Liability and Related Ratios Current Period
September 30, 2025

A. Total pension liability		
1. Service Cost	\$	49,942
2. Interest (on the Total Pension Liability)		67,946
3. Changes of benefit terms		5,734
4. Difference between expected and actual experience		(30,666)
5. Changes of assumptions		-
6. Benefit payments, including refunds of employee contributions		(29,059)
7. Net change in total pension liability	\$	63,897
8. Total pension liability - beginning		990,437
9. Total pension liability - ending	\$	<u>1,054,334</u>
B. Plan fiduciary net position		
1. Contributions - employer	\$	24,696
2. Contributions - employee		21,873
3. Net investment income		108,843
4. Benefit payments, including refunds of employee contributions		(29,059)
5. Administrative Expense		(700)
6. Other		(16)
7. Net change in plan fiduciary net position	\$	125,637
8. Plan fiduciary net position - beginning		1,050,468
9. Plan fiduciary net position - ending	\$	<u>1,176,105</u>
C. Net pension liability [A.9-B.9]	\$	<u>(121,771)</u>
D. Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]		111.55%
E. Covered-employee payroll	\$	364,542
F. Net pension liability as a percentage of covered employee payroll [C / E]		-33.40%

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$45,940	\$(121,770)	\$(257,616)

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.tmr.com

**CITY OF WORTHAM
SCHEDULE OF PENSION EXPENSE
SEPTEMBER 30, 2025**

1. Total Service Cost	\$ 49,942
2. Interest on the Total Pension Liability	67,946
3. Current Period Benefit Changes	5,734
4. Employee Contributions (Reduction of Expense)	(21,873)
5. Projected Earnings on Plan Investments (Reduction of Expense)	(70,907)
6. Administrative Expense	700
7. Other Changes in Fiduciary Net Position	16
8. Recognition of Current Year Outflow (Inflow) of Resources - Liabilities	(9,020)
9. Recognition of Current Year Outflow (Inflow) of Resources - Assets	(7,588)
10. Amortization of Prior Year Outflows (Inflows) of Resources - Liabilities	(1,929)
11. Amortization of Prior Year Outflows (Inflows) of Resources - Assets	6,950
12. Total Pension Expense	<u>\$ 19,971</u>

CITY OF WORTHAM
SCHEDULE OF OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE
SEPTEMBER 30, 2025

	<u>Recognition Period (or amortization yrs)</u>	<u>Total (Inflow) or Outflow of Resources</u>	<u>2024 Recognized in current pension expense</u>	<u>Deferred (Inflow) Outflow in future expense</u>
<u>Due to Liabilities:</u>				
Difference in expected and actual experience [actuarial (gains) or losses]	3.4000	\$ (30,666)	\$ (9,020)	\$ (21,646)
Difference in assumption changes [actuarial (gains) or losses]	3.4000	\$ -	\$ -	\$ -
			<u>\$ (9,020)</u>	<u>\$ (21,646)</u>
<u>Due to Assets:</u>				
Difference in projected and actual earnings	5.0000	\$ (37,936)	\$ (7,588)	\$ (30,348)
on pension plan investments [actuarial (gains) or losses]			<u>\$ (7,588)</u>	<u>\$ (30,348)</u>
<u>Total:</u>				<u>\$ (51,994)</u>

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

	<u>Net deferred outflows (inflows) of resources</u>
2025	\$ (12,301)
2026	(2,638)
2027	(23,465)
2028	(7,584)
2029	-
Thereafter	-
Total	<u>\$ (45,988)</u>

**CITY OF WORTHAM, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE J– SUPPLEMENTAL DEATH BENEFITS PLAN

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

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 on “other postemployment benefit,” or OPEB.

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

The City’s contributions to the TMRS SDBF for the years ended 2022, 2021, and 2019 were \$1275, \$1275, and \$1,275 respectively, which equaled the required contributions each year.

TMRS records indicate the following percentages contributed by the City (as employer contributions) for the following fiscal years ending:

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2018	N/A	N/A	100%
2019	N/A	N/A	100%
2020	0.00%	0.00%	100%
2021	0.00%	(city to provide)	(city to provide)
2022	0.00%	(city to provide)	(city to provide)

**Net Other Post Employment Benefits Liability.
Actuarial Assumptions**

Actuarial assumptions were developed from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2015 to December 31, 2019. These assumptions were adopted in 2019 and first used in the December 31, 2019 valuation.

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

The Mortality Experience Investigation Study covering 2015 through 2019 is used as the basis for the post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs). Mortality Rates for service employees uses the RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

**CITY OF WORTHAM, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE J – SUPPLEMENTAL DEATH BENEFITS PLAN (continued)

Inflation	2.50% per year
Overall payroll growth	3.50 to 10.5% per year including inflation
Discount rate	2.75%

Changes in the Net Other Post Employment Benefits Liability

	Increase (Decrease)
	<u>Total OPEB Liability</u>
Balance at 12/31/23	\$ 14,878
Changes for the year	
Service Cost	656
Interest on Total OPEB liability	570
Changes of benefit terms	0
Differences between expected and actual experience	1,511
Changes in assumption or other inputs	(1,150)
Benefit payments	<u>(182)</u>
Net changes	1,405
Total OPEB Liability – end of year	\$16,283
Total OPEB Liability as a Percentage of Covered Payroll	4.47%

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

The following presents the total OPEB liability of the City, calculated using the current discount rate of 4.08% as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.08%) or 1 percentage point higher (5.08%) than the current rate. Because the SDBF is considered an unfunded trust, the relevant discount rate to calculate the total OPEB liability is based on the Fidelity Index’s 20-year Municipal GO AA Index.

	1% Decrease in Discount Rate (3.08%)	Discount Rate (4.08%)	1% Increase in Discount Rate (5.08%)
Total OPEB liability	\$20,418	\$16,283	\$13,177

**CITY OF WORTHAM
SCHEDULE OF OPEB EXPENSE
SEPTEMBER 30, 2025**

1. Total Service Cost	656
2. Interest on the Total OPEB Liability	570
3. Changes in Benefit terms	-
4. Employer administrative costs	-
5. Recognition of deferred outflows/inflows of resources	
6. Difference between expected and actual experience	(211)
7. Changes in assumptions or other inputs	<u>(176)</u>
8 Total OPEB Expense	839

CITY OF WORTHAM, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE J – SUPPLEMENTAL DEATH BENEFITS PLAN

Other Information

Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contributions for retirees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. In order to determine the retiree portion of the City's Supplemental Death Benefit Plan contributions (that which is considered OPEB), the City should perform the following calculation:
 Total covered payroll * retiree Portion of SDB Contribution (Rate)

			2024 Recognized in current opeb expense	Deferred (Inflow) Outflow in future expense
<u>Due to Liabilities:</u>				
Difference in expected and actual experience [actuarial (gains) or losses]	6.1900	1,511	245	1,266
Difference in assumption changes [actuarial (gains) or losses]	6.1900	(1,150)	(186)	(964)
			59	302
<u>Due to Assets:</u>				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]		-	-	-
			-	-
<u>Total:</u>				302

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

	Net deferred outflows (inflows) of resources
2025	(551)
2026	(414)
2027	(809)
2028	(889)
2029	(905)
thereafter	(250)
Total	(3,818)

III. DETAILED NOTES ON ALL FUNDS (Continued)

J. COMMITMENTS AND CONTINGENCIES (Continued)

As of September 30, 2025, the City of Wortham, Texas did not have any pending litigation or potential, non-disclosed liabilities that would have a material effect on the financial statements.

K. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's risk management program encompasses obtaining property and liability insurance through Texas Municipal League (TML), and Intergovernmental Risk – Pool. The City has not had any significant reduction in insurance coverage and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years.

The City also provides workers compensation insurance on its employees through TML.

During the year ended September 30, 2025, employees of the City were covered by a health insurance plan (the plan) with Texas Municipal League Intergovernmental Employee Benefit Program. The City paid premiums for employee coverage; optional dependent coverage is at the employee's expense. The City does not retain any risk of loss on health insurance.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WORTHAM, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE BUDGET TO ACTUAL – GENERAL FUND
For the Year Ended September 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		
<u>Revenues</u>				
Ad valorem tax	250,500	250,500	238,685	(11,815)
Sales tax	113,085	113,085	169,367	56,282
Franchise fees	66,000	66,000	36,533	(29,467)
Fine and forfeitures	148,250	148,250	225,822	77,572
Charges for services	165,768	165,768	215,189	49,421
Miscellaneous income	3,105	3,105	4,103	998
Interest income	-	-	191	191
Total Revenue	<u>746,708</u>	<u>746,708</u>	<u>889,890</u>	<u>143,182</u>
<u>Expenditures</u>				
Current:				
General government				
Administration	150,605	150,605	109,523	41,082
Public Works	108,773	108,773	103,578	5,195
Judicial	53,535	53,535	143,319	(89,784)
Grant Expenses	-	-	-	-
Public Safety:	433,795	433,795	538,636	(104,841)
Culture and Recreation:			1,194	
Debt Service:				
Principal	-	-	31,990	(31,990)
Interest and fiscal charges	-	-	20,380	(20,380)
Capital Outlay:	-	-	506,734	(506,734)
Total Expenditures	<u>746,708</u>	<u>746,708</u>	<u>1,455,354</u>	<u>(707,452)</u>
Excess (Deficiency) of Revenues				
Over Expenditures:	-	-	(565,464)	(564,270)
Other Financing Sources (Uses):				
Transfer In/(Out)	-	-	-	-
Grant income	-	-	745	745
Loan proceeds	-	-	98,827	98,827
Total Other Financing Sources (Uses)	-	-	<u>99,572</u>	<u>98,827</u>
Net Change in Fund Balance				
	-	-	(465,892)	(465,443)
Fund Balances - beginning of year	146,632	146,632	678,115	
Fund Balances - end of year	<u>146,632</u>	<u>146,632</u>	<u>212,223</u>	<u>(465,443)</u>

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

CITY OF WORTHAM, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE BUDGET TO ACTUAL – PROPRIETARY FUND
For the Year Ended September 30, 2025

	Original	Final	Actual Amounts	Variance with Final Budget -
<u>Revenues</u>				
Water Service Billed	488,000	488,000	521,377	33,377
Wastewater Service Billed	176,000	176,000	187,152	11,152
Water Sales non contract	11,000	11,000	20,270	9,270
Penalties	13,500	13,500	14,098	598
Sanitation income	155,100	155,100	191,009	35,909
Interest income	4,000	4,000	8,204	4,204
Total Revenue	<u>847,600</u>	<u>847,600</u>	<u>942,110</u>	<u>94,510</u>
<u>Expenditures</u>				
Mexia Water costs	222,000	222,000	235,664	(13,664)
Salaries and payroll taxes	191,990	191,990	182,401	9,589
Insurance	10,600	10,600	17,685	(7,085)
Contract Services	6,500	6,500	6,949	(449)
Utilities	20,750	20,750	35,671	(14,921)
Garbage Fees	155,100	155,100	185,318	(30,218)
Wastewater Service expenses	44,000	44,000	52,250	(8,250)
Repairs & maintenance	46,500	46,500	106,954	(60,454)
Other services and charges	99,089	99,089	65,485	33,604
Debt Service	44,571	44,571		
Capital Outlay	6,500	6,500		
Depreciation	-	-	194,287	(194,287)
Total Expenditures	<u>847,600</u>	<u>847,600</u>	<u>1,082,664</u>	<u>(272,471)</u>
Excess (Deficiency) of Revenues Over Expenditures:	-	-	(140,554)	(177,961)
Other Financing Sources (Uses):				
Transfers In/(Out)	-	-	-	-
Grant income	-	-	98,828	(98,828)
Grant expenses	-	-	-	-
Total Other Financing Sources (Uses)	-	-	98,828	-
Net Change in Fund Balance	-	-	(41,726)	(177,961)
Fund Balances - beginning of year	3,966,803	3,966,803	3,966,803	
Fund Balances - end of year	<u>3,966,803</u>	<u>3,966,803</u>	<u>3,925,077</u>	<u>(177,961)</u>

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

City of Wortham
Schedule of Changes in Net Pension Liability and Related Ratios
Last ten years (will ultimately be displayed)

Total pension liability	2016	2017	2018	2019	2020	2021	2022	2023	2024
1. Service Cost	39,955	39,734	39,712	39,264	43,097	44,576	43,672	47,680	49,942
2. Interest (on the Total Pension Liability)	34,955	38,776	42,993	45,867	48,958	54,458	59,070	64,126	67,946
3. Changes of benefit terms	-	-	-	-	-	-	-	-	5,734
4. Difference between expected and	(2,080)	2,133	(9,393)	(16,649)	15,172	119	8,419	(41,587)	(30,666)
5. Changes of assumptions	-	-	-	7,496	-	-	-	14,756	-
6. Benefit payments	<u>(20,075)</u>	<u>(12,164)</u>	<u>(24,154)</u>	<u>(36,848)</u>	<u>(27,358)</u>	<u>(25,631)</u>	<u>(35,097)</u>	<u>(41,430)</u>	<u>(29,059)</u>
7. Net change in total pension liability	52,755	68,479	49,158	39,130	79,869	73,522	76,064	43,545	63,897
8. Total pension liability - beginning	<u>507,915</u>	<u>560,670</u>	<u>629,149</u>	<u>678,307</u>	<u>717,437</u>	<u>797,306</u>	<u>870,828</u>	<u>946,892</u>	<u>990,437</u>
9. Total pension liability - ending	<u>560,670</u>	<u>629,149</u>	<u>678,307</u>	<u>717,437</u>	<u>797,306</u>	<u>870,828</u>	<u>946,892</u>	<u>990,437</u>	<u>1,054,334</u>
Plan fiduciary net position									
1. Contributions - employer	14,276	18,755	18,942	19,278	20,530	21,221	22,730	24,515	24,696
2. Contributions - employee	18,541	18,891	18,911	19,310	20,361	21,060	20,633	22,526	21,873
3. Net investment income	36,690	81,489	(20,800)	106,343	60,376	113,331	(72,913)	108,165	108,843
4. Benefit payments	(20,075)	(12,164)	(24,154)	(36,848)	(27,358)	(25,631)	(35,097)	(41,430)	(29,059)
5. Administrative Expense	(415)	(426)	(405)	(604)	(392)	(526)	(633)	(690)	-700
6. Other	<u>(22)</u>	<u>(21)</u>	<u>(21)</u>	<u>(18)</u>	<u>(15)</u>	<u>4</u>	<u>755</u>	<u>(5)</u>	<u>-16</u>
7. Net change in plan fiduciary net	48,995	106,524	(7,527)	107,461	73,502	129,459	(64,525)	113,081	125,637
8. Plan fiduciary net position - begin	<u>543,496</u>	<u>592,491</u>	<u>699,015</u>	<u>691,488</u>	<u>798,949</u>	<u>872,451</u>	<u>1,001,910</u>	<u>937,385</u>	<u>1,050,466</u>
9. Plan fiduciary net position - end	<u>592,491</u>	<u>699,015</u>	<u>691,488</u>	<u>798,949</u>	<u>872,451</u>	<u>1,001,910</u>	<u>937,385</u>	<u>1,050,466</u>	<u>1,176,103</u>
Net pension liability [A.9-B.9]	<u>(31,821)</u>	<u>(69,866)</u>	<u>(13,181)</u>	<u>(81,512)</u>	<u>(75,145)</u>	<u>(131,082)</u>	<u>9,507</u>	<u>(60,029)</u>	<u>(121,769)</u>
Plan fiduciary net position as a % of the total pension liability	105.68%	111.10%	101.94%	111.36%	109.42%	115.05%	99.00%	106.06%	111.55%
Covered-employee payroll	309,012	314,852	315,178	321,837	339,343	350,995	343,875	375,429	364,542
Net pension liability as a percentage of covered employee payroll	-10.30%	-22.19%	-4.18%	-25.33%	-22.14%	-37.35%	2.76%	-15.99%	-33.40%

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

**City of Wortham
Schedule of Contributions**

**Last 10 Fiscal Years (will ultimately be displayed)
September 30, 2025**

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Actuarially Determined Contribution	14,395	17,862	18,824	18,963	20,280	20,702	21,303	22,730	24,515	24,696
Contributions in relation to the determined contribution	<u>14,395</u>	<u>17,862</u>	<u>19,113</u>	<u>18,963</u>	<u>20,280</u>	<u>20,702</u>	<u>21,303</u>	<u>22,730</u>	<u>24,515</u>	<u>24,696</u>
Contribution deficiency (excess)	-	-	289	-	-	-	-	-	-	-
Covered employee payroll	313,545	308,169	318,542	316,048	337,976	343,426	325,422	343,875	375,429	364,542
Contributions as a percentage of covered employee payroll	4.59%	5.80%	6.00%	6.00%	6.00%	6.03%	6.55%	6.61%	-15.99%	-33.40%

Noes to Schedule of Contributions

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 year smoothed market, 15% soft corridor
Inflation	2.5%
Salary increases	3.5% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied By 109% and female rates multiplied by 103% and projected on a fully generational basis with Scale BB.

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

COMPLIANCE AND INTERNAL CONTROL SECTION



Donald L. Allman, CPA, PC
160 Owen Pass
Liberty Hill, Texas 78642

CERTIFIED PUBLIC ACCOUNTANT

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 Mayor & City Council
City of Wortham, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Wortham, Texas, as of and for the year ended September 30, 2025 and the related notes to the financial statements, which collectively comprise the City of Wortham, Texas' basic financial statements, and have issued our report thereon dated June 11, 2026.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Wortham, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

Donald L. Allman, CPA, PC

Liberty Hill, TX
June 11, 2026