

CITY OF WEST, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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Independent Auditor's Report

To the City Council
City of West, Texas

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of the governmental activities and the business-type activities of City of West, Texas (the City) as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In my opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the business-type activities of the City as of September 30, 2024, and the changes in financial position and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-9 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated January 7, 2025 on my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Bill Sanders

West, Texas
January 7, 2025

CITY OF WEST, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2024

Within this section of the City of West, Texas' (the City) annual financial report, the City's management provides narrative discussion and analysis of the financial activities of the City for the year ended September 30, 2024. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights:

The City's assets exceeded its liabilities by \$25,968,897 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$25,185,795. The City's financial position improved slightly during the year.

Total net position is comprised of the following:

- (1) Capital assets, net of related debt, of \$13,926,865 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
- (2) Net assets of \$6,051,101 are restricted by debt covenants imposed outside the City.
- (3) Unrestricted net assets of \$5,990,931 represent the portion available to maintain the City's continuing obligations to citizens and creditors.

The City's governmental fund reported an ending fund balance of \$2,903,015 this year. This compares to the prior year ending fund balance of \$1,678,828 showing an increase of \$1,224,187 during the current year, primarily due to transfers from the Water & Sewer Fund.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

The City has two kinds of funds:

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

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

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

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

Notes to the financial statements

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

Other information

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

Financial Analysis of the City as a Whole

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

The City's net position at fiscal year-end is \$25,968,897. This is a \$783,102 increase over last year's net position of \$25,185,795. The following table provides a summary of the City's net position at September 30:

Summary of Net Position

	Governmental Activities		Business-Type Activity	
	2024	2023	2024	2023
Current Assets	\$ 2,926,435	\$2,087,745	\$ 1,676,589	\$ 4,307,625
Note Receivable	-	-	1,061,506	1,094,104
Restricted Assets	-	-	6,745,623	20,275,108
Other Assets	93,389	-	40,024	-
Water Rights, Net	-	-	790,983	828,649
Capital Assets, Net	8,196,436	5,919,771	30,519,412	20,904,446
Total Assets	11,216,260	8,007,516	40,834,137	47,409,932
Deferred Outflow of Resources	145,374	195,804	18,801	71,798
Bonds Payable	-	-	24,167,882	24,671,672
Notes Payable	96,963	40,567	1,347,020	1,434,674
Other Liabilities	165,220	564,154	468,590	3,788,188
Total Liabilities	262,183	604,721	25,983,492	29,894,534
Deferred Inflow of Resources	-	-	-	-
Net Position:				
Invested in Capital Assets, Net of Related Debt	8,099,473	5,879,204	5,827,392	(5,201,900)
Restricted			6,745,623	20,275,108
Unrestricted	2,999,978	1,719,395	2,296,431	2,513,988
Total Net Position	\$ 11,099,451	\$7,598,599	\$ 14,869,446	\$ 17,587,196

The City reported an increase in net position for governmental activities of \$3,500,852 and a decrease in net position of its business-type activity of \$2,717,750 for an overall increase in net position of \$783,102 during fiscal 2024. The reasons for this increase are discussed later in this section.

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

Summary of Changes in Net Position

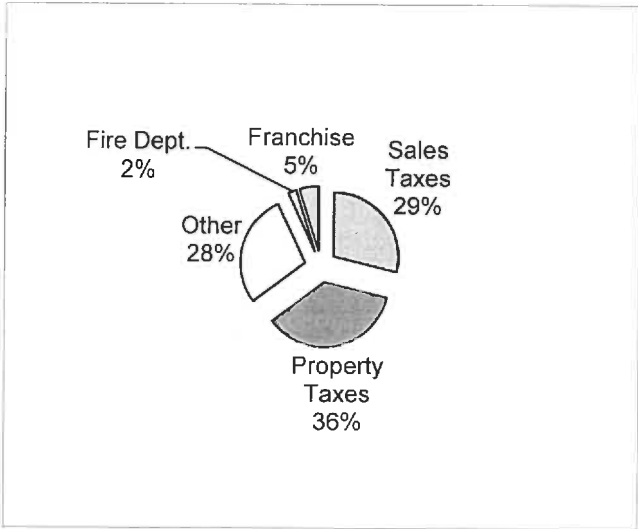
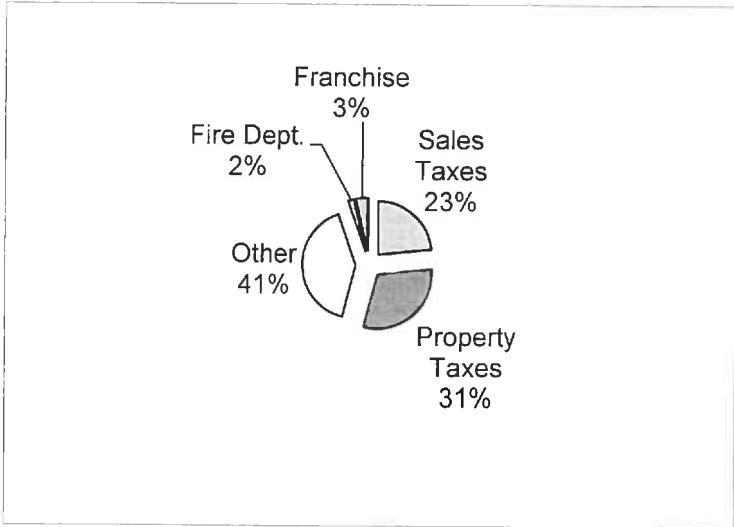
	Governmental Activities		Business-Type Activity	
	2024	2023	2024	2023
Revenues:				
Program Revenues				
Charges for Services	\$ 1,171,595	\$ 608,002	\$ 1,969,784	\$ 1,553,049
Grants	198,536	-	243,273	78,205
General Revenues				
Sales Taxes	1,031,276	942,948	-	-
Property Taxes	1,347,838	1,176,651	425,117	245,000
Franchise Taxes	156,146	157,527	-	-
Fines	141,447	69,395	-	-
Other Taxes & Fees	162,044	206,187	-	-
Fire Department	77,036	69,341	-	-
Donations	600	1,052	-	-
Other	120,019	42,363	677,707	277,866
Total Revenues	4,406,537	3,273,466	3,315,881	2,154,120
Expenses:				
Payroll & Benefits	1,164,637	1,102,497	365,686	351,491
Utilities	123,298	109,630	132,314	147,015
Surface Water Purchased	-	-	261,165	268,949
Interest	4,613	2,507	1,051,046	548,274
Depreciation	382,506	375,086	788,720	787,833
Repairs & Maintenance	114,396	187,813	117,076	121,625
Insurance	62,254	39,801	56,754	47,586
Supplies	93,040	99,036	86,059	72,685
Gasoline	44,063	53,671	13,405	5,570
Community Subsidies	112,347	120,000	-	-
Fees	282,979	173,567	80,115	186,479
Fire Department	90,263	94,407	-	-
Grant Expenses	235,194	14,329	-	-
Qualified Incentive Payments	1,171,595	608,002	-	-
Other	59,740	65,827	46,051	49,064
Total Expenses	3,940,925	3,046,173	2,998,391	2,586,571
Change in Net Position				
Before Transfers	465,612	227,293	317,490	(432,451)
Transfers Between Funds	3,035,240	277,749	(3,035,240)	(277,749)
Change in Net Position	3,500,852	505,042	(2,717,750)	(710,200)
Beginning Net Position	7,598,599	7,093,557	17,587,196	18,297,396
Ending Net Position	\$11,099,451	\$7,598,599	\$ 14,869,446	\$ 17,587,196

Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities for fiscal year 2024.

Governmental Revenues

2024

2023

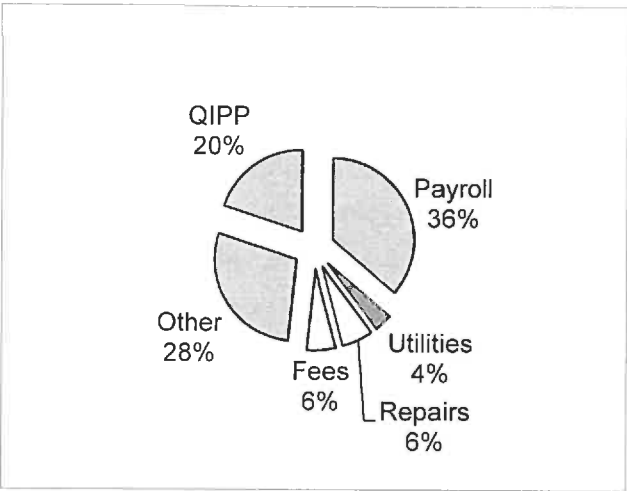
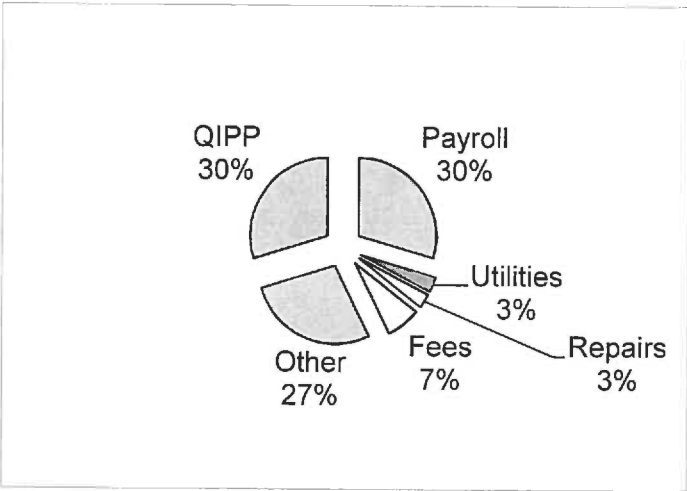


As graphically portrayed above, the City is heavily dependent on sales taxes and property taxes to support governmental operations. In both years, the QIPP receipts are included in "Other" and income received equals expenses, as this program is guaranteed by the State of Texas to break even.

Governmental Functional Expenses

2024

2023



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

Financial Analysis of the City's Funds

Governmental Fund

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. The governmental fund reported an ending fund balance of \$2,903,015, which is an increase of \$1,224,187 over the prior year, due to transfers from the Water & Sewer Fund to help pay for the Reagan-Marable-Davis street project.

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

Proprietary Fund

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

The Water and Sewer Fund is the City's only proprietary fund currently in use, and experienced a \$2,717,750 deficit this year, primarily due to transfers to the General Fund as explained above.

General Fund Budgetary Highlights

The General Fund budget for fiscal year 2024 was \$3,720,771 in revenues and \$3,322,177 in expenditures. This budget complied with financial policies approved by the City Council and maintained core City services.

Debt

At the end of the fiscal year, the City had total bonded debt outstanding of \$24,167,183. This amount is supported by pledged revenues generated by the business-type activities of the City. During the year, we also borrowed \$75,865 on a short-term basis for the purchase of two new police vehicles.

Long-Term Water Needs

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

New Program

This is the second year that the City has participated in the Qualified Incentive Payment Program (QIPP), a state-directed payment program for Texas nursing facilities serving residents enrolled in a STAR PLUS Medicaid managed care program. Providers earn payments by meeting participation and performance requirements across four components. The City is sponsoring West Rest Haven and St. Anthony's Care Center in Waco, and is guaranteed to at least break even, or possibly profit, based on the performance of the care facilities.

Contacting the City's Financial Management

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

**CITY OF WEST, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2024**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 1,510,270	\$ 1,061,500	\$ 2,571,770
Investments	169,165	972,990	1,142,155
Sales Taxes Receivable	204,437		204,437
Accounts Receivable	1,038,353	212,665	1,251,018
Delinquent Property Taxes Receivable, Net	4,210		4,210
Note Receivable		32,598	32,598
Inventory		91,358	91,358
Total Current Assets	<u>2,926,435</u>	<u>2,371,111</u>	<u>5,297,546</u>
Restricted Assets			
Cash in Banks		380,127	380,127
Investments		5,670,974	5,670,974
Note Receivable		1,061,506	1,061,506
Net Pension Asset	93,389	40,024	133,413
Reserved Water Rights, net of Accum. Amortization		790,983	790,983
Capital Assets:			
Land	194,129	151,098	345,227
Other Assets, Net of Accumulated Depreciation	<u>8,002,307</u>	<u>30,368,314</u>	<u>38,370,621</u>
Total Assets	<u>\$11,216,260</u>	<u>\$ 40,834,137</u>	<u>\$52,050,397</u>
Deferred Outflows of Resources	145,374	18,801	164,175
LIABILITIES:			
Current Liabilities:			
Accounts Payable	\$ 123,465	\$ 252,581	\$ 376,046
Meter Deposits Payable		198,114	198,114
Notes Payable	96,963	91,828	188,791
Revenue Bonds Payable		<u>445,000</u>	<u>445,000</u>
Total Current Liabilities	220,428	987,523	1,207,951
Long-Term Liabilities			
OPEB Payable	41,755	17,895	59,650
Notes Payable		1,255,192	1,255,192
Revenue Bonds Payable		22,900,000	22,900,000
Premium on Bonds Payable		<u>822,882</u>	<u>822,882</u>
Total Long-Term Liabilities	41,755	24,995,969	25,037,724
Total Liabilities	262,183	25,983,492	26,245,675
NET POSITION			
Invested in Capital Assets, net of Related Debt	8,099,473	5,827,392	13,926,865
Restricted		6,051,101	6,051,101
Unrestricted	<u>2,999,978</u>	<u>2,990,953</u>	<u>5,990,931</u>
Total Net Position	<u>11,099,451</u>	<u>14,869,446</u>	<u>25,968,897</u>

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

**CITY OF WEST, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Functions/Programs	<u>Governmental Activities</u>	<u>Business-Type Activity</u>	<u>Total</u>
Governmental Activities:			
General Government	\$ 3,940,924	\$ -	\$ 3,940,924
Business-Type Activities:			
Water & Sewer	-	2,998,391	2,998,391
Program Revenues:			
Charges for Services	<u>1,171,595</u>	<u>1,965,497</u>	<u>3,137,092</u>
Net (Expense) Revenue	(2,769,329)	(1,032,894)	(3,802,223)
General Revenues:			
Property Taxes	1,347,838	425,117	1,772,955
Sales Taxes	1,031,276	-	1,031,276
Franchise Taxes	156,146	-	156,146
Interest	30,875	677,707	708,582
Grants & Donations	198,536	243,273	441,809
Fire Department	77,036	-	77,036
Other	<u>393,234</u>	<u>4,287</u>	<u>397,521</u>
Total General Revenues	3,234,941	1,350,384	4,585,325
Transfers Between Funds	<u>3,035,240</u>	<u>(3,035,240)</u>	<u>-</u>
Change in Net Position	3,500,852	(2,717,750)	783,102
Beginning Net Position	<u>7,598,599</u>	<u>17,587,196</u>	<u>25,185,795</u>
Ending Net Position	<u><u>\$11,099,451</u></u>	<u><u>\$ 14,869,446</u></u>	<u><u>\$25,968,897</u></u>

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

**CITY OF WEST, TEXAS
BALANCE SHEET - GOVERNMENTAL FUND
SEPTEMBER 30, 2024**

ASSETS:

Cash on Hand and in Banks	\$ 1,510,270
Investments	169,165
Sales Taxes Receivable	204,437
Other Accounts Receivable	1,038,353
Net Pension Asset	93,389
Delinquent Property Taxes Receivable, Net	<u>4,210</u>
Total Assets	<u>\$ 3,019,824</u>
Deferred Outflow of Resources	145,374

LIABILITIES AND FUND BALANCES:

LIABILITIES:

Current Liabilities:	
Accounts Payable	\$ 123,465
Notes Payable	<u>96,963</u>
Total Current Liabilities	220,428
Long-Term Liabilities	
OPEB Payable	<u>41,755</u>
Total Long-Term Liabilities	<u>41,755</u>
Total Liabilities	262,183

FUND BALANCES:

Unreserved	<u>2,903,015</u>
Total Liabilities and Fund Balances	<u>\$ 3,165,198</u>

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

Fund Balance, Governmental Fund	\$ 2,903,015
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets of \$12,096,200 less accumulated depreciation of (\$3,899,764) are not financial resources and, therefore, are not reported in the funds.	<u>8,196,436</u>
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Net Assets of Governmental Activities	<u>\$ 11,099,451</u>
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The accompanying notes are an integral part of this financial statement.

**CITY OF WEST, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	General
Revenues:	
General Property Taxes	\$ 1,347,838
Penalty & Interest	17,315
City Sales Tax	1,031,276
Alcohol Device Tax	4,131
Occupation Tax	156,146
Hotel Tax	134,852
Permits	5,586
Fines	141,447
Child Safety Fees	3,727
Fire Department Revenues	77,036
Rentals	4,470
Grants	198,536
Quality Improvement Payment Program	1,171,595
Miscellaneous	81,706
Interest	30,875
 Total Revenues	 4,406,536
 Expenditures:	
Salaries	980,266
Payroll Taxes	83,502
Benefits - Retirement	5,023
Benefits - Group Insurance	95,846
Utilities	94,630
Telephone	28,668
Office Supplies	6,582
Hotel Tax Disbursement	49,088
General Supplies	21,828
Postage	2,461
Street Supplies	6,992
Animal Control	8,081
Code Enforcement	3,420
Police Supplies	55,179
Repairs & Maintenance Buildings, Parks, Equipment	97,173
Repairs & Maintenance Street	17,222
Recycling	1,352
Criminal Justice Fees	55,786
Dues & Subscriptions	79,078
Election Expense	1,715
Legal & Professional	75,870
Travel & Training	15,242

	<u>General</u>
Public Works & Police Uniforms	7,151
Fire Department Expenses	90,263
Community Subsidies	112,347
Gasoline	18,144
Gasoline - Police	25,920
Gasoline - EMS	12,512
Miscellaneous	23,874
Capital Outlay	2,664,852
Insurance	62,254
Grant Expenses	235,194
Quality Improvement Payment Program	1,171,595
Public Health District	<u>8,479</u>
 Total Expenditures	 <u>6,217,589</u>
 Excess (Deficit) of Revenues Over (Under) Expenditures Before Other Financing Uses	 (1,811,053)
 Other Financing Sources - Interfund Transfers	 <u>3,035,240</u>
 Excess (Deficit) of Revenues Over (Under) Expenditures	 1,224,187
 Fund Balance at Beginning of Year	 <u>1,678,828</u>
 Fund Balance at End of Year	 <u><u>\$ 2,903,015</u></u>
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund to the Statement of Activities	
 Net Change in Fund Balance - Governmental Fund	 1,224,187
 Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which which capital outlay of \$2,664,852 exceeded depreciation of \$382,506 and basis of a sold asset of \$5,681 during the current period.	 <u>2,276,665</u>
 Change in net position of governmental activities	 <u><u>\$ 3,500,852</u></u>

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

CITY OF WEST, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
General Property Taxes	\$ 1,337,020	\$ 1,347,838	\$ 10,818
Penalty & Interest	20,000	17,315	(2,685)
City Sales Taxes	1,000,000	1,031,276	31,276
Alcohol Device Taxes	7,500	4,131	(3,369)
Franchise Taxes	170,000	156,146	(13,854)
Hotel Taxes	175,000	134,852	(40,148)
Permits	45,000	5,586	(39,414)
Fines	30,000	141,447	111,447
Child Safety Fees	3,600	3,727	127
Fire Department Revenues	-	77,036	77,036
Rental Income	5,000	4,470	(530)
Grants	-	198,536	198,536
Quality Improvement Payment Program	892,651	1,171,595	278,944
Miscellaneous	20,000	81,706	61,706
Interest	15,000	30,875	15,875
Total Revenues	3,720,771	4,406,536	685,765
Expenditures:			
Saiairies	1,103,000	980,266	122,734
Payroll Taxes	74,200	83,502	(9,302)
Benefits - Retirement	68,300	5,023	63,277
Benefits - Group Insurance	142,000	95,846	46,154
Utilities	88,000	94,630	(6,630)
Telephone	20,000	28,668	(8,668)
Office Supplies	13,400	6,582	6,818
Hotel Tax Disbursement	100,000	49,088	50,912
General Supplies	15,000	21,828	(6,828)
Postage	1,000	2,461	(1,461)
Street Supplies	10,000	6,992	3,008
Animal Control	6,500	8,081	(1,581)
Code Enforcement	50,000	3,420	46,580
Police Supplies	24,000	55,179	(31,179)
Repairs & Maintenance	115,000	97,173	17,827
Repairs & Maintenance Street	150,000	17,222	132,778
Recycling	3,000	1,352	1,648
Criminal Justice Fees	15,000	55,786	(40,786)
Dues & Subscriptions	70,000	79,078	(9,078)
Election Expense	1,000	1,715	(715)

	Budget	Actual	Variance Favorable (Unfavorable)
Legal & Professional	82,000	75,870	6,130
Travel & Training	21,500	15,242	6,258
Public Works & Police Uniforms	10,000	7,151	2,849
Fire Department Expenses	63,700	90,263	(26,563)
Community Subsidies	96,000	112,347	(16,347)
Gasoline	40,000	18,144	21,856
Gasoline - Police	12,000	25,920	(13,920)
Gasoline - EMS	-	12,512	(12,512)
Miscellaneous	15,000	23,874	(8,874)
Capital Outlay	255,000	2,664,852	(2,409,852)
Insurance	60,000	62,254	(2,254)
Grant Expenses	10,000	235,194	(225,194)
Quality Improvement Payment Program	558,798	1,171,595	(612,797)
Public Health District Fees	7,593	8,479	(886)
Total Expenditures	3,300,991	6,217,589	(2,922,728)
Excess (Deficit) of Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	419,780	(1,811,053)	(2,230,833)
Interfund Transfers	-	3,035,240	3,035,240
Excess (Deficit) of Revenues Over (Under) Expenditures	419,780	1,224,187	804,407
Fund Balance at Beginning of Year	1,678,828	1,678,828	-
Fund Balance at End of Year	<u>\$ 2,098,608</u>	<u>\$ 2,903,015</u>	<u>\$ 804,407</u>
Other Budgeted Item: Note Payment	<u>\$ 21,186</u>	<u>\$ 21,186</u>	<u>\$ -</u>

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

CITY OF WEST, TEXAS
STATEMENT OF FUND NET POSITION - PROPRIETARY FUND
SEPTEMBER 30, 2024

	Water & Sewer Fund
ASSETS:	
Current Assets:	
Cash on Hand and in Banks	\$ 443,238
Investments	896,730
Accounts Receivable	212,665
Note Receivable	32,598
Inventory	91,358
Total Current Assets	1,676,589
Restricted Assets:	
Cash in Banks	6,669,363
Investments	76,260
Total Restricted Assets	6,745,623
Other Assets	
Note Receivable	1,061,506
Net Pension Asset	40,024
Reserved Water Rights, net of Accumulated Amortization	790,983
Total Other Assets	1,892,513
Capital Assets:	
Land	151,098
Other Capital Assets, net of Accumulated Depreciation	30,368,314
Total Capital Assets	30,519,412
Total Assets	\$40,834,137
Deferred Outflow of Resources	18,801
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 252,581
Meter Deposits Payable	198,114
Notes Payable	91,828
Revenue Bonds Payable	445,000
Total Current Liabilities	987,523
Long-Term Liabilities:	
OPEB Payable	17,895
Notes Payable	1,255,192
Revenue Bonds Payable	22,900,000
Premium on Bonds Payable	822,882
Total Long-Term Liabilities	24,995,969
Total Liabilities	25,983,492
NET POSITION:	
Invested in Capital Assets, Net of Related Debt	5,827,392
Restricted	6,745,623
Unrestricted	2,296,431
Total Net Position	\$ 14,869,446

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

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	Water and Sewer
Operating Revenues:	
Water Sales	\$ 1,082,032
Sewer Service	809,029
Water Tap Fees	9,500
Sewer Tap Fees	-
Late Charges	33,901
Property Taxes	425,117
Grants	243,273
Collection Fees	31,034
Miscellaneous	4,287
Total Operating Revenues	\$ 2,638,173
Cost of Water Purchased	261,165
Gross Profit	\$ 2,377,008
Operating Expenses:	
Salaries	298,824
Payroll Taxes	22,860
Retirement	2,153
Group Insurance	41,849
Utilities	118,098
Telephone	14,216
Office Supplies	1,847
General Supplies	50,030
Postage	6,320
Chlorine Supplies	27,862
Repairs & Maintenance	117,076
Dues & Subscriptions	19,652
Legal & Professional	40,765
Travel & Training	5,025
Public Works Uniforms	2,289
Laboratory Fees	16,914

	<u>Water and Sewer</u>
Gasoline	13,405
Miscellaneous	3,854
Insurance	56,754
Bad Debts	-
Interest	1,051,046
Bond Issuance Costs	-
Amortization	37,666
Depreciation	<u>788,720</u>
Total Operating Expenses	<u>2,737,225</u>
Operating Income (Loss)	\$ (360,217)
Nonoperating Revenues (Expenses)	
Interest Income	677,707
Interfund Transfers	<u>(3,035,240)</u>
Net Income (Loss)	(2,717,750)
Beginning Net Position	<u>17,587,196</u>
Ending Net Position	<u><u>\$ 14,869,446</u></u>

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

CITY OF WEST, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Water and Sewer
Cash Flows Used By Operating Activities:	
Cash Receipts From Customers	\$ 1,894,569
Cash Receipts From Property Taxes	425,117
Cash Payments to Vendors	(3,486,748)
Cash Payments to Employees	(298,824)
Cash Payments for Interest	(1,507,280)
Net Cash Flows Used By Operating Activities	(2,973,166)
Cash Flows Used By Capital and Related Financing Activities:	
Receipt of Grant	243,273
Purchases of Capital Assets	(13,144,895)
Receipt of Note	31,212
Payment of Notes	(87,654)
Payment of Revenue Bonds	(475,000)
Net Cash Flows Used By Capital and Related Financing Activities	(13,433,064)
Cash Flows Used By Noncapital Financing Activities:	
Interfund Transfers	(3,035,240)
Purchase of Investments	(19,000,000)
Receipts from Investments	16,473,338
Net Cash Flows used by Noncapital Financing Activities	(5,561,902)
Cash Flows From Investing Activities:	
Interest Income	55,176
Net Increase (Decrease) in Cash	(19,386,294)
Cash and Equivalents, Beginning of Year	20,827,921
Cash and Equivalents, End of Year	\$ 1,441,627

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

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

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

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

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

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

B. Government-Wide and Fund Financial Statements

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

Fund financial statements are provided for governmental and proprietary funds.

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024
(Continued)

C. Fund Accounting

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

(A) Governmental Fund Type:

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

1. General Fund

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

(B) Proprietary Fund Type:

1. Water and Sewer Fund

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

D. Basis of Accounting

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

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

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024
(Continued)

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

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

E. Budgets and Budgetary Accounting

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

F. Inventory of Parts and Supplies

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

G. Property Taxes

Property taxes attach as enforceable liens on property as of January 1. Taxes are levied on October 1 and are due and payable on or before January 31 of the following year. All unpaid taxes become delinquent on February 1 of the following year. The City's taxes are billed and collected by the McLennan County Tax Office. City property tax revenues are recognized when levied. An allowance is established for delinquent taxes to the extent that their collectibility is improbable. At September 30, 2024, this allowance is \$65,787.

H. Property, Plant, Equipment, and Infrastructure

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

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024
(Continued)

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

Estimated useful lives for depreciable assets are as follows:

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

I. Water Reservation Rights

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

J. Statement of Cash Flows

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

K. Pension Coverage

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

2. Cash, Investments, and Custodial Credit Risk

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

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

CITY OF WEST, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2024
 (Continued)

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

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

As of September 30, 2024, the City's deposits with financial institutions in excess of federal depository insurance limits were fully collateralized. The book balances of the City's deposits were \$2,951,547, of which \$500,000 were covered by FDIC insurance and \$2,451,547 were collateralized by United States Government and other municipal securities with market values of \$7,694,387 held by independent financial institutions.

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

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

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally-recognized statistical rating organization. At September 30, 2024, the City's investments in LOGIC totaled \$6,813,128, and were rated AAA by Standard & Poor's.

3. Components of Restricted Assets

Revenue Bond Sinking Fund	\$ 205,494
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The ordinances authorizing the 2021 tax and revenue refunding bonds require that the City establish a certificate fund for the purpose of paying principal and interest on these bonds.

Disaster Recovery Funds	\$ 174,633
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The State of Texas requires that the City only spend these funds for disaster recovery.

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024
(Continued)

3. Components of Restricted Assets (continued)

Wastewater Treatment Plant Construction Fund

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

\$5,670,974

4. Changes in Capital Assets

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

	Balance September 30, 2023	Additions	Retirements	Balance September 30, 2024
Land (not depreciated)	\$194,129	\$ -	\$ -	\$194,129
Streets and Bridges	2,676,627	2,356,244		5,032,871
Buildings and Contents	2,172,629	86,736		2,259,365
City Parks	323,765			323,765
Community Center	640,629			640,629
Street Department Equipment	1,058,182	62,926		1,121,108
Fire Department Equipment	2,059,427	51,407		2,110,834
Police Department Equipment	373,305	107,539	67,345	413,499
Accumulated Depreciation	(3,578,922)	(382,506)	(61,664)	(3,899,764)
Net Capital Assets	\$5,919,771	\$2,282,346	\$ 5,681	\$8,196,436

Depreciation recognized during the year was \$375,087.

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

	Balance September 30, 2023	Additions	Retirements	Balance September 30, 2024
Water System	\$ 20,050,528	\$ 69,980	\$ -	\$ 20,120,508
Sewer System	1,529,173	-		1,529,173
Vehicles and Equipment	875,940	62,927		938,867
Buildings	8,836,956	10,270,779		19,107,735
Land (not depreciated)	151,098			151,098
Accumulated Depreciation	(10,539,249)	(788,720)	-	(11,327,969)
Net Capital Assets	\$ 20,904,446	\$9,614,966	\$ -	\$30,519,412

Depreciation recognized during the year was \$788,720. Construction in Progress at September 30, 2024 was \$17,195,166, and consisted of the wastewater treatment plant project.

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024
(Continued)

5. Changes in Long-Term Debt

The following is a summary of debt transactions for the City for the year ended September 30, 2024:

<u>Description:</u>	<u>Balance September 30, 2023</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance September 30, 2024</u>
Note Payable to City of Waco for purchase of water reservation rights, 4.35 % imputed interest rate, maturing September 2045	\$ 1,125,316	\$ -	\$ 31,212	\$ 1,094,104
2015 Combination Tax and Revenue Certificates of Obligation, \$1,545,000 originally issued, with interest rates ranging from 3.25% to 5%, maturing April 2035	1,380,000	-	90,000	1,290,000
2021 Combination Tax and Revenue Certificates of Obligation, \$1,265,000 originally issued, with interest rates ranging from 2% to 3%, maturing April 2046	1,180,000	-	40,000	1,140,000
Note Payable to Kansas State Bank, \$21,186 payable annually, including 4.2% interest, maturing October 2024, secured by police vehicles	40,567	-	19,469	21,098
Note Payable to First Security State Bank, \$69,979 payable annually, including 4.25% interest, maturing October 2027, secured by equipmer	309,358	-	56,442	252,916
2023 Combination Tax and Revenue Certificates of Obligation, \$21,260,000 originally issued, with interest rates ranging from 4% to 6% maturing April 2053	21,260,000	-	345,000	20,915,000
Total	\$ 25,295,241	\$ -	\$ 582,123	\$ 24,713,118

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024
(Continued)

5. Changes in Long-Term Debt (continued)

The annual debt requirements as of September 30, 2024, including principal and interest are as follows:

<u>Years Ending September 30</u>	<u>Amount</u>
2025	\$ 1,631,162
2026	1,620,238
2027	1,624,495
2028	1,627,157
2029	1,563,034
2030-34	7,818,342
2035-39	7,233,911
2040-44	7,082,997
2045-49	6,532,648
2050-53	<u>5,033,750</u>
Total Principal and Interest	41,767,734
Less Interest	<u>17,054,616</u>
Liability at September 30, 2024	<u><u>\$24,713,118</u></u>

6. Note Receivable

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

7. Premium on Bonds Payable

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

8. Defined-Benefit Pension Plan

Plan Description

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

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024
(Continued)

8. Defined-Benefit Pension Plan (continued)

Plan Description (continued)

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

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

Benefits Provided

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

Employees Covered by Benefit Terms

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	14
Inactive employees entitled to but not yet receiving benefits	14
Active Employees	21
Total	49
Covered Payroll	\$ 1,050,787

Contributions

Employees of the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rate for the City was 7% and totaled \$81,713 for the year, which equaled the required contributions.

Net Pension Liability (Asset)

The City's Net Pension Asset (NPA) was measured as of December 31, 2023, and the Total Pension Liability (TPL) used to calculate the Net Pension Asset was determined by an actuarial valuation as of that date.

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024
(Continued)

8. Defined-Benefit Pension Plan (Continued)

Actuarial assumptions:

The Total Pension Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5%	per year
Overall payroll growth	2.75%	per year
Investment Rate of Return	6.75%	net of pension plan investment expense, including inflation

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

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

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

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024
(continued)

8. Defined-Benefit Pension Plan (Continued)

Discount Rate

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

Changes in the Net Pension Liability (Asset):

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
Balance, December 31, 2022	\$ 2,824,694	\$ 2,724,907	\$ 99,787
Changes for the year:			
Service Cost	106,550		106,550
Interest	187,909		187,909
Change of Benefit Terms			-
Differences Between Expected and Actual	(71,641)		(71,641)
Changes in Assumptions	(22,190)		(22,190)
Benefit Payments	(188,257)		(188,257)
Contributions - Employer		68,932	(68,932)
Contributions - Employee		52,539	(52,539)
Net Investment Income		314,378	(314,378)
Benefit Payments		(188,257)	188,257
Administrative Expense		(2,006)	2,006
Other		(15)	15
Balances, December 31, 2023	<u>\$ 2,837,065</u>	<u>\$ 2,970,478</u>	<u>\$ (133,413)</u>

Sensitivity Analysis:

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

	1% Decrease in Discount Rate 5.75%	Current Discount Rate 6.75%	1% Increase in Discount Rate 7.75%
Net Pension Liability (Asset)	<u>\$ 218,460</u>	<u>\$ (133,413)</u>	<u>\$ (426,211)</u>

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

8. Defined-Benefit Pension Plan (Continued)

Pension Expense:

Service Cost	\$ 106,550
Interest on Total Pension Liability	187,909
Changes in Current Period Benefits	-
Employee Contributions	(52,539)
Projected Earnings on Plan Investments	(183,931)
Administrative Expense	2,006
Other Changes in Fiduciary Net Position	15
Recognition of Current Year Outflow (Inflow) of Liabilities	(24,122)
Recognition of Current Year Outflow (Inflow) of Assets	(26,090)
Amortization of Prior Year Outflows (Inflows) of Liabilities	(9,790)
Amortization of Prior Year Outflows (Inflows) of Assets	7,752
Total Pension Expense	<u>\$ 7,760</u>

Schedule of Deferred Inflows/Outflows of Resources:

	Total (Inflow) or Outflow of Resources	Current Pension Expense	Deferred (Inflow)/Outflow of Resources
Difference in Expected and Actual Experience	\$ (71,641)	\$ (18,417)	\$ (53,224)
Difference in Changes in Assumptions	(22,190)	(5,705)	(16,485)
Difference in Projected and Actual Earnings	(130,447)	(26,090)	(104,357)
Totals	<u>\$ (224,278)</u>	<u>\$ (50,212)</u>	<u>\$ (174,066)</u>

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

Year Ending December 31:

2024	\$ (8,126)
2025	1,567
2026	37,821
2027	(26,087)
thereafter	-
Total	<u>\$ 5,175</u>

9. Postemployment Benefits Other Than Pensions (OPEB)

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

**CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024
(continued)**

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

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

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

As of December 31, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	9
Inactive employees entitled to but not yet receiving benefit payments	3
Active employees	21
Total	33

Total OPEB Liability

The City's total OPEB liability of \$59,650 was measured as of December 31, 2023, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation		2.50%
Salary increases	3.6% to 11.85%	
Discount rate		3.77%
Retirees' share of benefit-related costs		-
Administrative expenses	Paid through the Pension Trust	
Mortality rates	2019 Municipal Retirees of Texas Mortality Tables projected on a fully generational basis by the most recent Scale MP-2021	

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024
(continued)

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

Changes in the Total OPEB Liability:

Balance, December 31, 2022	\$	63,365
Changes for the year		
Service Cost		2,207
Interest on Total OPEB Liability		2,562
Changes of benefit terms		
Differences between expected an actual experience		(8,817)
Changes in assumptions or other inputs		2,750
Benefit payments		(2,417)
Net changes		(3,715)
Balance, December 31, 2023	\$	59,650
Covered Payroll	\$	1,050,787
Total OPEB Liability as a Percentage of Covered Payroll		5.68%

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

	1% Decrease 2.77%	Current Discount Rate 3.77%	1% Increase 4.77%
Total OPEB Liability	\$ 69,485	\$ 59,650	\$ 51,749

OPEB Expense:

Service cost	\$	2,207
Interest on total OPEB liability		2,562
Changes in benefit terms		-
Employer administrative costs		-
Recognition of deferred outflow/inflows of resources:		
Differences between expected and actual experience		(4,488)
Changes in assumptions or other inputs		(865)
Total OPEB Expense	\$	(584)

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024
(continued)

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

Schedule of Outflows and Inflows - Current and Future Expense

<u>Due to Liabilities:</u>	<u>Recognition Period</u>	<u>Total (Inflow) or Outflow of Resources</u>	<u>Current OPEB Expense</u>	<u>Deferred (Inflow) Outflow</u>
Difference in expected and actual experience	5.35	\$ (8,817)	\$ (1,649)	\$ (7,168)
Change in assumptions	5.35	<u>2,750</u>	<u>515</u>	<u>2,235</u>
Total		<u><u>\$ (6,067)</u></u>	<u><u>\$ (1,134)</u></u>	<u><u>\$ (4,933)</u></u>

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

	<u>Net Deferred Outflows / (Inflows) of Resources</u>
2024	\$ (4,125)
2025	(5,833)
2026	(6,045)
2027	(2,266)
2028	(397)
thereafter	<u>-</u>
Total	<u><u>\$ (18,666)</u></u>

10. Commitments and Contingencies

The City has committed to spend \$19,741,975 on the Wastewater Treatment Plant Project. As of September 30, 2024, the City had spent \$15,975,938, leaving \$3,766,037 to be spent in the next fiscal year.

SUPPLEMENTARY INFORMATION

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

Years Ended December 31

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Pension Liability										
Service cost	\$ 55,054	\$ 63,110	\$ 64,922	\$ 68,922	\$ 70,280	\$ 99,140	\$ 98,580	\$ 92,078	\$ 99,836	\$ 106,550
Interest on total pension liability	120,256	122,362	124,630	129,475	131,894	158,400	171,152	177,018	181,841	187,909
Change in benefit terms						295,891				
Difference between expected and actual experience	(22,037)	(17,950)	(11,966)	(50,179)	1,214	43,171	(29,432)	(16,885)	4,732	(71,641)
Changes in assumptions		36,430				17,374				(22,190)
Benefit payments/refunds of contributions	<u>(157,620)</u>	<u>(96,790)</u>	<u>(116,255)</u>	<u>(99,358)</u>	<u>(126,758)</u>	<u>(115,300)</u>	<u>(142,482)</u>	<u>(157,792)</u>	<u>(211,485)</u>	<u>(188,257)</u>
Net change in total pension liability	(4,347)	107,162	61,331	48,860	76,630	498,676	97,818	94,419	74,924	12,371
Total pension liability, beginning	1,769,221	1,764,874	1,872,036	1,933,367	1,982,227	2,058,857	2,557,533	2,655,351	2,749,770	2,824,694
Total pension liability, ending	<u>\$ 1,764,874</u>	<u>\$ 1,872,036</u>	<u>\$ 1,933,367</u>	<u>\$ 1,982,227</u>	<u>\$ 2,058,857</u>	<u>\$ 2,557,533</u>	<u>\$ 2,655,351</u>	<u>\$ 2,749,770</u>	<u>\$ 2,824,694</u>	<u>\$ 2,837,065</u>
Fiduciary Net Position										
Employer contributions	\$ 51,278	\$ 51,722	\$ 43,263	\$ 30,397	\$ 55,503	\$ 42,578	\$ 65,687	\$ 60,842	\$ 66,329	\$ 68,932
Employee contributions	37,700	37,655	38,325	40,165	40,860	48,885	48,371	45,270	49,277	52,539
Net investment income	112,128	2,954	134,866	290,246	(70,507)	347,472	194,927	356,353	(221,551)	314,378
Benefit payments/refunds of contributions	(157,620)	(96,790)	(116,255)	(99,358)	(126,758)	(115,300)	(142,482)	(157,792)	(211,485)	(188,257)
Administrative expenses	(1,171)	(1,800)	(1,523)	(1,504)	(1,363)	(1,967)	(1,264)	(1,652)	(1,922)	(2,006)
Other	<u>(96)</u>	<u>(88)</u>	<u>(82)</u>	<u>(76)</u>	<u>(71)</u>	<u>(59)</u>	<u>(50)</u>	<u>10</u>	<u>2,294</u>	<u>(15)</u>
Net change in fiduciary net position	42,219	(6,347)	98,594	259,870	(102,336)	321,609	165,189	303,031	(317,058)	245,571
Fiduciary net position - beginning	1,960,136	2,002,355	1,996,008	2,094,602	2,354,472	2,252,136	2,573,745	2,738,934	3,041,965	2,724,907
Fiduciary net position - ending	<u>\$ 2,002,355</u>	<u>\$ 1,996,008</u>	<u>\$ 2,094,602</u>	<u>\$ 2,354,472</u>	<u>\$ 2,252,136</u>	<u>\$ 2,573,745</u>	<u>\$ 2,738,934</u>	<u>\$ 3,041,965</u>	<u>\$ 2,724,907</u>	<u>\$ 2,970,478</u>
Net pension liability / (asset) - ending	<u>\$ (237,481)</u>	<u>\$ (123,972)</u>	<u>\$ (161,235)</u>	<u>\$ (372,245)</u>	<u>\$ (193,279)</u>	<u>\$ (16,212)</u>	<u>\$ (83,583)</u>	<u>\$ (292,195)</u>	<u>\$ 99,787</u>	<u>\$ (133,413)</u>
Fiduciary net position as a % of total pension liability	113.46%	106.62%	108.34%	118.78%	109.39%	100.63%	103.15%	110.63%	96.47%	104.70%
Pensionable covered payroll	\$ 754,008	\$ 753,107	\$ 766,496	\$ 803,292	\$ 817,208	\$ 977,708	\$ 967,416	\$ 905,393	\$ 985,544	\$ 1,050,787
Net pension liability (asset) as a % of covered payroll	-31.50%	-16.46%	-21.04%	-46.34%	-23.65%	-1.66%	-8.64%	-32.27%	10.13%	-12.70%

**CITY OF WEST, TEXAS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST 10 FISCAL YEARS (WILL ULTIMATELY BE DISPLAYED)**

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

Notes to Schedule of Contributions

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85%, including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022
Mortality	Different tables used for post-retirement and pre-retirement, both with rates projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information:

Notes: There were no benefit changes during the year.

CITY OF WEST, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED
EARNINGS - BUDGET AND ACTUAL - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Water and Sewer		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues:			
Water Sales	\$ 1,300,000	\$ 1,082,032	\$ (217,968)
Sewer Service	650,000	809,029	159,029
Water Tap Fees	5,000	9,500	4,500
Sewer Tap Fees	4,500	-	(4,500)
Late Charges	55,000	33,901	(21,099)
Property Taxes	425,117	425,117	-
Grants	-	243,273	243,273
Collection Fees	30,000	31,034	1,034
Miscellaneous	5,500	4,287	(1,213)
	2,475,117	2,638,173	163,056
 Cost of Water Purchased	 160,000	 261,165	 (101,165)
 Gross Profit	 2,315,117	 2,377,008	 61,891
Operating Expenses:			
Salaries	315,000	298,824	16,176
Payroll Taxes	24,000	22,860	1,140
Retirement	25,400	2,153	23,247
Group Insurance	43,000	41,849	1,151
Utilities	125,000	118,098	6,902
Telephone	15,000	14,216	784
Office Supplies	2,000	1,847	153
General Supplies	100,000	50,030	49,970
Postage	7,500	6,320	1,180
Chlorine Supplies	40,000	27,862	12,138
Repairs & Maintenance	150,000	117,076	32,924
Dues & Subscriptions	25,000	19,652	5,348
Legal & Professional	35,000	32,403	2,597
Engineering Fees	50,000	8,362	41,638
Travel & Training	3,000	5,025	(2,025)
Public Works Uniforms	500	2,289	(1,789)
Laboratory Fees	15,000	16,914	(1,914)
Gasoline	10,000	13,405	(3,405)

	Budget	Actual	Variance Favorable (Unfavorable)
Miscellaneous	\$ 3,000	\$ 3,854	\$ (854)
Insurance	60,000	56,754	3,246
Bond Interest	970,022	1,051,046	(81,024)
Amortization	-	37,666	(37,666)
Depreciation	-	788,720	(788,720)
Total Operating Expenses	2,018,422	2,737,225	(718,803)
Operating Income (Loss)	296,695	\$ (360,217)	(656,912)
Nonoperating Revenues (Expenses):			
Interest Income	200,000	677,707	477,707
Interfund Transfers	-	(3,035,240)	(3,035,240)
Net Income (Loss)	496,695	(2,717,750)	(3,214,445)
Beginning Net Position	17,587,196	17,587,196	-
Ending Net Position	<u>\$ 18,083,891</u>	<u>\$ 14,869,446</u>	<u>\$ (3,214,445)</u>
Other Budgeted Items:			
Capital Outlay	\$ 113,000	\$ 10,403,686	\$(10,290,686)
Bond Principal Payments	475,000	475,000	-
Note Payment	69,979	69,979	-

**CITY OF WEST, TEXAS
COMBINED SUMMARY OF INVESTMENTS
SEPTEMBER 30, 2024**

General Fund:	Interest Rate (%)	Dated	Matures	Amount
Savings Account 8982	0.43			\$ 184,984
Savings Account 7744	0.43			29,610
Savings Account 9019	0.43			7,419
Savings Account 9052	0.43			750
Savings Account 6004345	0.43			175,100
Savings Account 6005607	0.43			22,375
LOGIC Savings 003	5.04			169,165
Savings Account 98061	0.15			126,057
Savings Account 98558	0.15			6,335
Savings Account 98608	0.15			3,348
Certificate of Deposit 4813	4.31	3/15/2024	3/15/2025	322,220
Total General Fund				\$ 1,047,363
Water and Sewer Fund:				
Time Deposit 118300	0.40	5/12/2024	11/12/2024	\$ 24,290
Savings Account 50	0.25			107,158
Savings Account 18754	0.25			15,021
Savings Account 18812	0.13			19,021
Savings Account 5018812	0.13			6,788
Savings Account 9720	0.25			584,273
Savings Account 509720	0.25			8,180
LOGIC Savings 001	5.04			77,150
LOGIC Savings 002	5.04			25,580
LOGIC Savings 004	5.04			50,680
LOGIC Savings 005	5.04			819,580
Total Water and Sewer Fund				\$ 1,737,721
Total Unrestricted Funds				\$ 2,785,084
Restricted Funds:				
Time Deposit 18541	1.52	9/10/2024	3/10/2025	205,494
Savings Account 18820	0.13			174,633
LOGIC Savings 006	5.04			5,670,974
Total Restricted Funds				6,051,101
Total				\$ 8,836,185

**CITY OF WEST, TEXAS
SUMMARY OF 2023 AND 2024 TAX ROLLS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	2023	2024
Real Property Valuation	\$ 326,860,721	\$ 354,832,834
Personal Property Valuation	28,265,220	28,654,660
Less Exemptions	(59,155,199)	(61,881,412)
Net Taxable Valuation	\$ 295,970,742	\$ 321,606,082
Tax Rate (per \$100)	0.60	0.63
Gross Tax Roll	\$ 1,778,192	\$ 2,026,118
Less: Current Collections	(1,540,721)	
Delinquent Collections	(216,189)	
Adjustments	1,229	
2023 Delinquent Taxes as of September 30, 2024	\$ 22,511	

**CITY OF WEST, TEXAS
ANALYSIS OF DELINQUENT TAXES RECEIVABLE
SEPTEMBER 30, 2024**

<u>Tax Roll</u>	<u>Taxes Receivable 9/30/23</u>	<u>Additions</u>	<u>Collections</u>	<u>Adjustments</u>	<u>Taxes Receivable 9/30/24</u>
2001-2007	\$ 951	\$ -	\$ -	\$ (29)	\$ 922
2008	463	-	-	-	463
2009	577	-	-	-	577
2010	478	-	-	-	478
2011	780	-	-	-	780
2012	1,090	-	-	-	1,090
2013	2,196	-	8	(332)	1,856
2014	2,411	-	-	-	2,411
2015	2,528	-	-	-	2,528
2016	3,667	-	897	-	2,770
2017	4,067	-	926	-	3,141
2018	5,004	-	1,366	-	3,638
2019	4,297	-	59	(72)	4,166
2020	5,801	-	(956)	(1,196)	5,561
2021	8,558	-	865	(1,339)	6,354
2022	21,831	-	10,440	(640)	10,751
2023	<u>-</u>	<u>1,778,192</u>	<u>1,756,910</u>	<u>1,229</u>	<u>22,511</u>
Totals	<u>\$ 64,699</u>	<u>\$ 1,778,192</u>	<u>\$ 1,770,515</u>	<u>\$ (2,379)</u>	<u>\$ 69,997</u>
	Balance, September 30, 2023			\$ 64,699	
	2023 Tax Levy			1,778,192	
	Subtotal			<u>\$1,842,891</u>	
	Less: Current Collections			(1,540,721)	
	Delinquent Collections			(229,794)	
	Adjustments			<u>(2,379)</u>	
	Balance, September 30, 2024			<u>\$ 69,997</u>	

**CITY OF WEST, TEXAS
WATER AND SEWER FUND OPERATIONS DATA
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Number of properties connected with the system:

Water	1,186
Sewer	1,116

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

Number of gallons of water purchased: 35,683,600

Number of gallons of water sold 107,236,400

**CITY OF WEST, TEXAS
 COMPREHENSIVE SCHEDULE OF INSURANCE COVERAGE
 SEPTEMBER 30, 2024**

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

<u>Loss Coverage</u>	<u>Coverage Amount</u>	<u>Expiration Date</u>
General Liability	\$ 1,000,000	10/1/24
Property Damage	1,000,000	
Completed Operations	1,000,000	
Information Security	1,000,000	
Automobile Liability	1,000,000	
Automobile Physical Damage	Actual Cash Value	
Real and Personal Property	21,357,011	
Mobile Equipment	1,069,038	
Boiler and Machinery	455,400	
Employee Dishonesty	10,000	
Forgery & Alteration	10,000	
Computer Fraud	10,000	
All Employees	Statutory	
Volunteer Firemen		

CITY OF WEST, TEXAS
PRINCIPAL OFFICIALS
SEPTEMBER 30, 2024

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

WILLIAM B. SANDERS
Certified Public Accountant

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

To the City Council
City of West, Texas

I have audited the financial statements of the governmental activities and the business-type activities of the City of West, Texas (the City), as of and for the year ended September 30, 2024, which comprise the City's basic financial statements and have issued my report thereon dated January 7, 2025. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described below to be a material weakness.

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

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

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

Compliance and Other Matters

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

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

Bill Sanders

West, Texas
January 7, 2025