CITY OF MERKEL, TEXAS

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2025

CATHRINE WILKS CPA LLC

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ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2025

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Cathrine Wilks CPA LLC

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
Merkel, Texas 79536

Opinions

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position 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 as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. 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 to provide a basis for my 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'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 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*, 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 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and other postemployment information 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 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 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 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*, I have also issued my report dated January 8, 2026, on my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Cathrine Wilks CPA LLC

Sweetwater, Texas
January 8, 2026

Management's Discussion and Analysis
September 30, 2025

This section of the City of Merkel's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2025. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The primary government's combined net position was a little over $5.8 million as of September 30, 2025.
- During the year, the primary government's combined net position decreased $80,970 from the previous year.
- The general fund reported a fund balance this year of nearly $2.3 million at year end. Of this amount, $1,509,921 is available for spending at the government's discretion (unassigned fund balance).

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts—*management's discussion and analysis* (this section), and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- The *governmental funds statements* tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund statements* offer *short-* and *long-term* financial information about the activities the government operates *like businesses*.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, deferred inflows of resources, and liabilities. All the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position—the difference between the City's assets and liabilities—are one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional non-financial factors such as changes in the City's tax base.

The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as general government, public safety, highways and streets, sanitation, economic development, culture and recreation, and interest on long-term debt. Property taxes and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*—not the City as a whole.

Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- City Administration establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that 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. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds*—Services for which the City charges customers a fee, are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City's (Primary Government) combined net position was a little over $5.8 million at September 30, 2025. The components of the City's net position are shown in the table below. The $2.3 million of unrestricted net position represents resources available to fund the programs of the City next year. This represents 39% of the total net position of the City.

Statement of Net position

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current & other assets	$2,389,342	$2,296,144	$ 1,354,929	$ 1,523,048	$3,744,271	$3,819,192
Capital assets	1,571,829	1,500,044	7,196,301	7,445,050	8,768,130	8,995,094
Total assets	3,961,170	3,796,188	8,551,230	8,968,098	12,512,400	12,764,286
Deferred outflows	177,949	206,302	96,072	113,740	274,021	320,042
Current liabilities	19,771	29,349	101,598	120,599	121,369	149,948
Long-term liabilities	1,257,471	1,300,489	5,393,812	5,546,565	6,651,283	6,847,054
Total Liabilities	1,277,242	1,329,838	5,495,410	5,667,164	6,772,652	6,997,002
Deferred pension inflow	104,874	99,823	49,208	46,846	154,082	146,669
Net position:						
Net investment in Capital assets	615,576	473,016	2,019,171	2,091,842	2,634,747	2,564,858
Restricted	346,768	316,184	581,812	476,166	928,580	792,350
Unrestricted	1,794,659	1,783,629	501,701	799,820	2,296,360	2,583,449
Total Net position	$2,757,003	$2,572,829	$3,102,684	$3,367,828	$5,859,687	$5,940,657

Management's Discussion and Analysis
September 30, 2025

As the above table shows, current and other assets decreased $74,921, and current liabilities decreased by $28,579. Cash in the general fund increased mainly due to an increase in revenues in nearly all areas. The cash in the enterprise fund decreased $230,558, the details of which can be seen on page 21 on the Statement of Cash Flows. Investments in the enterprise fund increased $221,255 due to the City transferring funds into TexSTAR.

Deferred pension outflows decreased $46,021 and deferred pension inflows increased $7,413, both related to TMRS investment changes for the year.

The City had $52,400 in current year long-term debt additions and $248,171 in long-term debt reductions. All scheduled debt service payments were timely made, and all debt covenants have been complied with. Details of the City's debt can be found on pages 32 through 34 in the notes to the financial statements.

Statement of Activities

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Program Revenues:						
Charges for services	$ 108,085	$ 138,278	$2,119,172	$2,000,137	$2,227,257	$2,138,415
Operating grants, contributions	470	1,789	-	-	470	1,789
Capital grants, contributions	182,964	-	-	71,050	182,964	71,050
General Revenues:						
Taxes	1,602,772	1,478,333	-	-	1,602,772	1,478,333
Grants and contributions not restricted to specific programs	7,500	83,632	2,002	210,145	9,502	293,777
Other	150,414	101,097	55,580	42,698	205,994	143,795
Total Revenues	2,052,205	1,803,129	2,176,754	2,324,030	4,228,959	4,127,159
Program Expenses						
General government	307,439	311,232	-	-	307,439	311,232
Public safety	809,550	778,761	-	-	809,550	778,761
Streets	529,982	389,635	-	-	529,982	389,635
Culture and recreation	199,943	124,175	-	-	199,943	124,175
Interest on long-term debt	21,117	22,825	-	-	21,117	22,825
Water and sewer	-	-	2,170,398	2,047,003	2,170,398	2,047,003
Sanitation	-	-	271,500	275,243	271,500	275,243
Total Program Expenses	1,868,031	1,626,628	2,441,898	2,322,246	4,309,929	3,948,874
Increase (decrease) in net position	184,174	176,501	(265,144)	1,784	(80,970)	178,285
Beginning net position	2,572,829	2,396,328	3,367,828	3,366,044	5,940,657	5,762,372
Ending net position	$2,757,003	$2,572,829	$3,102,684	$3,367,828	$5,859,687	$5,940,657

Total revenues increased from $4,127,159 to $4,228,959. This $101,800 is a 2.5% increase. As indicated in the table above, the main decrease is in grants and contributions not restricted to specific programs. The decrease was mainly due to federal grants being completely spent in 2025. Taxes increased due to an increase in the taxable values of the City as well as increased sales tax revenue.

Total program expenses increased $361,055. The main increase in governmental activities was in the street department with the City doing a large street maintenance project. The main increases in the water and sewer program were related to the cost of water and payroll costs. Depreciation and interest expense saw significant increases as well. Depreciation increased due to the various capital projects being completed. Interest expense increased with the additional bond issuance. At the end of the current fiscal year, the City of Merkel is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Activities

The focus of the City's general fund is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The general fund has several categories of restricted and assigned fund balances as seen on page 14. The unassigned fund balance in the general fund of $1,509,921 represents approximately 10 months of operating costs.

The City's total general fund revenues were up $49,372 from the previous year mostly due to an increase in property tax revenue. Other significant changes included a sales tax revenue increase of $46,741 and investment earnings increase of $54,159. A significant portion, 86%, of the City's revenue in 2025 came from taxes that include property, sales, franchise taxes, and other taxes.

The total cost of all governmental activities program expenses was $1,766,940 as seen on page 16. This amounts to an increase of $42,626 from the previous fiscal year. The street department saw the largest increase in expenditures due to a $93,181 increase in paving materials and costs. The City was also able to make major renovations in the parks department with the use of contributions.

Business-type Activities

The City's business-type program revenue charges for services increased from $2,000,137 to $2,119,172. This increase is mainly attributable to an increase in water rates. CLFRF grant funds were expended in 2025 in the amount of $2,002 which is a decrease from the $281,195 expended last year. Interest income increased from $42,698 to $55,580 with the increase in interest rates.

General Fund Budgetary Highlights

The City had no budget amendments during the year as discussed on page 25 of the notes. Actual general fund expenditures were $60,571 under budgeted amounts mainly due to the positive variance in the police department and general government expenditures. Revenues were $92,489 more than budgeted in nearly all areas. Other financing sources had a negative variance of $13,848 because the City didn't receive the debt advance funds anticipated. The net result was a positive budget variance of $139,212 in the net change in fund balance of the general fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2025, the City had invested a little under $17 million in a broad range of capital assets including land, equipment, buildings, and vehicles. The general fund purchased equipment and made park improvements for $229,640. The enterprise fund purchased equipment and made other additions for $117,140. More details on capital assets are in the notes to the financial statements. The Merkel Volunteer Fire Department and Merkel Economic Development Corporation (discretely presented component units) capital asset information is presented in the notes as well.

Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	$ 12,500	$ 12,500	$ 72,080	$ 72,080	$ 84,580	$ 84,580
Buildings	151,116	151,116	1,975	1,975	153,091	153,091
Water system	-	-	11,194,730	11,111,929	11,194,730	11,111,929
Infrastructure	1,935,484	1,935,484	-	-	1,935,484	1,935,484
Machinery and equipment	1,445,237	1,230,459	952,220	936,308	2,397,457	2,166,767
Vehicles	1,163,391	1,163,391	50,730	35,730	1,214,121	1,199,121
Total at historical cost	4,707,728	4,492,950	12,271,735	12,158,022	16,979,463	16,650,972
Total accumulated Depreciation	(3,135,899)	(2,992,906)	(5,075,434)	(4,712,972)	(8,211,333)	(7,705,878)
Net capital assets	$ 1,571,829	$ 1,500,044	$7,196,301	$7,445,050	$8,768,130	$8,945,094

Long-Term Obligations

At year-end the City had a little under $7 million in outstanding obligations as shown in the following table. More detailed information about the City's debt is presented in the notes to the financial statements on pages 32 through 34. All debt payments were made, and all debt covenants have been satisfied for the year. Net pension liability increased $34,606 and total OPEB liability decreased $1,792. Details of the pension and OPEB plans are on pages 34 through 42 of the notes to the financial statements. Compensated absences increased with the implementation of GASB 101 and the determination of what is considered a recordable liability.

City's Long-Term Obligations

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Notes	$ 114,361	$ 128,170	$ -	$ -	$ 114,361	$ 128,170
Bonds	842,366	898,858	5,177,130	5,353,208	6,019,496	6,252,066
Compensated absences	26,228	21,305	22,840	9,969	49,068	31,274
Net Pension liability	250,782	227,201	181,857	170,832	432,639	398,033
Total OPEB liability	23,734	24,955	11,985	12,556	35,719	37,511
Total Long-Term Obligations	$1,257,471	$1,300,489	$5,393,812	$5,546,565	$6,651,283	$6,847,054

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Ad valorem tax rate will remain at .5600 for fiscal year 2026.

Neither the general fund nor the water sewer fund is expected to see significant changes in economic factors next year. Expenditures will be based upon required timelines and allowable categories of projects. Proposed projects will be evaluated, prioritized, and will require engineering and approval prior to expenditure of funds.

The City will also continue with the implementation of their 5-year water rate increase plan.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Administrative Office at (325) 928-4911 or by mail at 100 Kent Street, Merkel, Texas 79536.

Government-wide Financial Statements

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CITY OF MERKEL, TEXAS

Statement of Net Position
September 30, 2025

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Current cash and cash equivalents	$ 1,252,945	$ 186,383	$ 1,439,328	$ 344,731
Investments	533,236	523,831	1,057,067	758,006
Receivables (net of allowance for uncollectibles)	185,348	205,330	390,678	30,062
Inventory	-	50,651	50,651	-
Internal balances	193,078	(193,078)	-	-
Cash - restricted	224,735	581,812	806,547	-
Capital assets (net of accumulated depreciation):				
Land	12,500	72,080	84,580	223,612
Buildings and improvements	18,196	-	18,196	-
Utility system	-	6,634,453	6,634,453	-
Machinery and equipment	373,564	462,201	835,765	306,400
Furniture and fixtures	31,022	-	31,022	-
Vehicles	191,435	27,567	219,002	-
Infrastructure	945,112	-	945,112	-
Total assets	3,961,170	8,551,230	12,512,400	1,662,811
Deferred Outflows of Resources				
Deferred pension outflow	177,233	95,920	273,153	-
Deferred OPEB outflow	716	152	868	-
Total deferred outflows of resources	177,949	96,072	274,021	-
Liabilities				
Accounts payable	14,932	55,476	70,408	-
Customer deposits	-	30,596	30,596	-
Accrued liabilities	4,839	15,526	20,365	-
Long-term Liabilities:				
Due Within one year	82,242	183,788	266,030	-
Due in More than one year	1,175,229	5,210,024	6,385,253	-
Total liabilities	1,277,242	5,495,410	6,772,652	-
Deferred Inflows of Resources				
Deferred pension inflow	99,137	46,397	145,534	-
Deferred OPEB inflow	5,737	2,811	8,548	-
Total deferred inflows of resources	104,874	49,208	154,082	-
Net Position				
Net Investment in Capital Assets	615,576	2,019,171	2,634,747	530,012
Restricted for Debt service	188,172	581,802	769,974	-
Restricted for Public safety	58,163	-	58,163	-
Restricted for Tourism development	71,321	-	71,321	-
Restricted for Court Technology and Security	29,112	-	29,112	-
Restricted for CSLFRF projects	-	10	10	-
Restricted for Economic development	-	-	-	1,068,255
Unrestricted	1,794,659	501,701	2,296,360	64,544
Total Net Position	$ 2,757,003	$ 3,102,684	$ 5,859,687	$ 1,662,811

The notes to the financial statements are an integral part of this statement.

CITY OF MERKEL, TEXAS

Statement of Activities
For the Year Ended September 30, 2025

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position — Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Units
Function/Program Activities								
Primary Government:								
Governmental Activities								
General government	$ 307,439	$ -	$ -	$ -	$ (307,439)	$ -	$ (307,439)	$ -
Public safety	809,550	107,770	-	-	(701,780)	-	(701,780)	-
Streets	529,982	-	-	-	(529,982)	-	(529,982)	-
Culture and recreation	199,943	315	470	182,964	(16,194)	-	(16,194)	-
Interest on long-term debt	21,117	-	-	-	(21,117)	-	(21,117)	-
Total governmental activities	1,868,031	108,085	470	182,964	(1,576,512)	-	(1,576,512)	-
Business-type Activities:								
Water and sewer	2,170,398	1,755,531	-	-	-	(414,867)	(414,867)	-
Sanitation	271,500	363,641	-	-	-	92,141	92,141	-
Total business-type activities	2,441,898	2,119,172	-	-	-	(322,726)	(322,726)	-
Total Primary Government	$ 4,309,929	$ 2,227,257	$ 470	$ 182,964	$ (1,576,512)	$ (322,726)	$ (1,899,238)	$ -
Component Units:								
Volunteer Fire Department	114,465	-	79,322	96,250	-	-	-	61,107
Merkel Economic Development Corporation	629,271	-	-	-	-	-	-	(629,271)
Total Component Units	$ 743,736	$ -	$ 79,322	$ 96,250	$ -	$ -	$ -	$ (568,164)
General revenues:								
Taxes:								
Property taxes, levied for general purposes					856,173	-	856,173	-
Sales tax					675,845	-	675,845	225,282
Occupancy					7,263	-	7,263	-
Franchise tax					63,491	-	63,491	-
Grants and contributions not restricted to specific programs					7,500	2,002	9,502	-
Investment earnings					82,685	55,580	138,265	36,367
Miscellaneous income					67,729	-	67,729	64,750
Total general revenues					1,760,686	57,582	1,818,268	326,399
Change in net position					184,174	(265,144)	(80,970)	(241,765)
Net Position - beginning					2,572,829	3,367,828	5,940,657	1,904,576
Net Position - ending					$ 2,757,003	$ 3,102,684	$ 5,859,687	$ 1,662,811

The notes to the financial statements are an integral part of this statement.

Fund Financial Statements

CITY OF MERKEL, TEXAS

Balance Sheet
Governmental Funds
September 30, 2025

	General	Non-Major Governmental	Total Governmental Funds
Assets			
Current cash and cash equivalents	$ 1,130,527	$ 122,418	$ 1,252,945
Investments	533,236	-	533,236
Receivables, net of allowance for uncollectibles	185,348	-	185,348
Due from other funds	193,078	-	193,078
Cash - restricted	224,735	-	224,735
Total Assets	$ 2,266,924	$ 122,418	$ 2,389,342
Liabilities			
Accounts payable	14,548	384	14,931
Total Liabilities	14,548	384	14,931
Deferred Inflows of Resources			
Unavailable revenue - property taxes	87,637	-	87,637
Total Deferred Inflows of Resources	87,637	-	87,637
Fund Balances:			
Restricted	224,735	122,034	346,769
Assigned	430,083	-	430,083
Unassigned	1,509,921	-	1,509,921
Total fund balances	2,164,739	122,034	2,286,773
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 2,266,924	$ 122,418	$ 2,389,342

The notes to the financial statements are an integral part of this statement.

CITY OF MERKEL, TEXAS

Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
September 30, 2025

Total Fund Balances - Governmental Funds	$	2,286,773
Capital assets, receivables and deferred outflows used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was $4,492,950 and accumulated depreciation was ($2,992,906). Also included is deferred outflow of resources of $206,302.		1,706,346
In addition, long-term liabilities are not due and payable in the current period, and therefore are not reported as liabilities in the funds. At the beginning of the year, this balance was ($1,300,489). Also added is ($5,313) of accrued interest payable and ($99,823) of deferred inflows of resources.		(1,405,625)
Current year capital asset additions of $218,781, and long-term debt reductions of $70,775 and debt additions of ($4,923), are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions/additions in long-term debt in the government-wide financial statements along with changes in other liabilities of ($2,591). The net effect of including these changes is to increase (decrease) net position.		282,042
Included in the items related to debt is the recognition of the City's proportionate share of the net pension and total OPEB liabilities required by GASB 68 and 75 in the amount of ($22,360), a deferred resource outflow related to pensions in the amount of ($28,353), and a deferred resource inflow related to pensions in the amount of ($5,051).		(55,764)
The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(144,405)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis accounting. These include recoginzing deferred revenue as revenue, and eliminating interfund transactions. The net effect of these reclassifictions and recognitions is to increase (decrease) net position.		87,636
Net Position of Governmental Activities	$	2,757,003

The notes to the financial statements are an integral part of this statement.

CITY OF MERKEL, TEXAS

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2025

	General	Non-Major Governmental	Total Governmental Funds
Revenues			
Taxes:			
Property	$ 837,436	$ -	$ 837,436
Sales	675,845	-	675,845
Occupancy	-	7,263	7,263
Franchise Fees	63,491	-	63,491
Licenses and permits	5,073	-	5,073
Charges for services	1,569	-	1,569
Fines	40,294	-	40,294
Contributions and donations	470	-	470
Intergovernmental	68,648	-	68,648
Rents and royalties	5,680	-	5,680
Investment earnings	79,396	3,289	82,685
Other	62,052	-	62,052
Total revenues	1,839,954	10,552	1,850,506
Expenditures			
Current:			
General government	288,228	-	288,228
Public safety	728,078	-	728,078
Streets	451,756	-	451,756
Culture and recreation	118,006	53,163	171,169
Debt Service:			
Principal	63,809	-	63,809
Interest	28,083	-	28,083
Capital outlay:			
Public safety	28,317	-	28,317
Culture and recreation	7,500	-	7,500
Total expenditures	1,713,777	53,163	1,766,940
Excess (deficiency) of revenues over (under) expenditures	126,177	(42,611)	83,566
Net change in fund balances	126,177	(42,611)	83,566
Fund balances - beginning (as previously reported)	2,152,571	50,636	2,203,207
Restate beginning balance	(114,009)	114,009	-
Fund balances - beginning (as restated)	2,038,562	164,645	2,203,207
Fund balances - ending	$ 2,164,739	$ 122,034	$ 2,286,773

The notes to the financial statements are an integral part of this statement.

CITY OF MERKEL, TEXAS

Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended September 30, 2025

Amounts reported for governmental activities in the statement of activities (page 12) are different because:

Net change in fund balances - total governmental funds (page 16)	$	83,566
Current year capital asset additions of $218,781 and long-term debt net reductions of $70,775 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions/additions in long-term debt in the government-wide financial statements along with changes in other liabilities. Also shown as increases in debt are changes in compensated absences of ($7,514).		282,042
Included in the items related to debt is the recognition of the City's proportionate share of the net pension and OPEB expenses required by GASB 68 and 75		(55,764)
The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(144,405)
Reclassification entries to convert modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, and adjusting current year revenue to show revenue earned from the current year's tax levy, as well as revenue earned on a current year contract yet not available in the current year.		18,735
Change in net position of governmental activities (page 12)	$	184,174

The notes to the financial statements are an integral part of this statement.

CITY OF MERKEL, TEXAS

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2025

	Budgeted Amounts		Actual	Variance with Final budget-
	Original	Final	Amounts	Positive (Negative)
Revenues				
Taxes:				
Property	$ 818,665	$ 818,665	$ 837,436	$ 18,771
Sales	626,250	626,250	675,845	49,595
Occupancy	-	-	-	-
Franchise tax	65,000	65,000	63,491	(1,509)
Licenses and permits	14,000	14,000	5,073	(8,927)
Charges for services	1,000	1,000	1,569	569
Fines	28,550	28,550	40,294	11,744
Contributions and donations	-	-	470	470
Intergovernmental	146,000	146,000	68,648	(77,352)
Rents and royalties	5,500	5,500	5,680	180
Investment earnings	25,000	25,000	79,396	54,396
Other	17,500	17,500	62,052	44,552
Total revenues	1,747,465	1,747,465	1,839,954	92,489
Expenditures				
Current:				
General government	334,415	334,415	288,228	46,187
Public safety:				
Fire department	36,910	36,910	43,478	(6,568)
Police department	751,515	751,515	660,607	90,908
Municipal Court	59,662	59,662	52,311	7,351
Streets	409,015	409,015	451,756	(42,741)
Culture and Recreation:				
Heritage Hall	23,782	23,782	42,034	(18,252)
Library	39,267	39,267	41,616	(2,349)
Parks	22,812	22,812	41,856	(19,044)
Debt Service:				
Principal	67,970	67,970	63,809	4,161
Interest	29,000	29,000	28,083	917
Total expenditures	1,774,348	1,774,348	1,713,777	60,571
Excess (deficiency) of revenues over (under) expenditures	(26,883)	(26,883)	126,177	153,060
Other financing sources (uses)				
Debt Advance	13,848	13,848	-	(13,848)
Total other financing sources and uses	13,848	13,848	-	(13,848)
Net change in fund balances	(13,035)	(13,035)	126,177	139,212
Fund balances - beginning (as previously reported)	2,152,571	2,152,571	2,152,571	-
Restate beginning balance	-	-	(114,009)	(114,009)
Fund balances - beginning (as restated)	2,152,571	2,152,571	2,038,562	(114,009)
Fund balances - ending	$ 2,139,536	$ 2,139,536	$ 2,164,739	$ 25,203

The notes to the financial statements are an integral part of this statement.

CITY OF MERKEL, TEXAS

Statement of Net Position
Proprietary Funds
September 30, 2025

		Business-type Activities- Enterprise Fund
Assets		
Current assets:		
Cash and cash equivalents	$	186,383
Investments		523,831
Accounts receivable (net of allowance for uncollectibles)		205,330
Inventories		50,651
Restricted cash		581,812
Total current assets		1,548,007
Capital assets:		
Land		72,080
Buildings		1,975
Machinery and equipment		952,220
Vehicles		50,730
Utility system		11,194,730
Less accumulated depreciation		(5,075,434)
Total capital assets (net of accumulated depreciation)		7,196,301
Total assets		8,744,308
Deferred Outflows of Resources		
Deferred pension outflow		95,920
Deferred OPEB outflow		152
Total deferred outflows of resources		96,072
Liabilities		
Current Liabilities:		
Accounts payable		55,476
Due to other funds		193,078
Accrued expenses		15,526
Customer deposits		30,596
Unearned revenue		-
Compensated absences		5,710
Bonds payable - current		178,078
Total current liabilities		478,464
Noncurrent liabilities:		
Compensated absences		17,130
Net pension liability		181,857
Total OPEB liability		11,985
Bonds payable		4,999,052
Total noncurrent liabilities		5,210,024
Total liabilities		5,688,488
Deferred Inflow of Resources		
Deferred pension inflow		46,397
Deferred OPEB inflow		2,811
Total deferred inflows of resources		49,208
Net Position		
Net investment in capital assets		2,019,171
Restricted for debt service		581,802
Restricted for CSLFRF projects		10
Unrestricted		501,701
Total net position	$	3,102,684

The notes to the financial statements are an integral part of this statement.

CITY OF MERKEL, TEXAS

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2025

	Business-type Activities- Enterprise Fund
Operating revenues:	
Charges for sales and services:	
Water	$ 1,286,821
Sewer	395,595
Sanitation	363,641
Other operating revenue	73,115
Total operating revenue	2,119,172
Operating expenses:	
Personal services	476,903
Maintenance and supplies	285,394
Other services and charges	1,137,956
Depreciation	365,889
Total operating expenses	2,266,142
Operating income (loss)	(146,970)
Nonoperating revenues (expenses):	
Intergovernmental	2,002
Interest income	55,580
Interest expense	(175,756)
Total nonoperating revenue (expense)	(118,174)
Change in net position	(265,144)
Total net position - beginning	3,367,828
Total net position - ending	$ 3,102,684

The notes to the financial statements are an integral part of this statement.

CITY OF MERKEL, TEXAS

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2025

	Business-type Activities- Enterprise Fund
Cash Flows From Operating Activities	
Receipts from customers and users	$ 2,080,101
Payments to suppliers	1,465,720
Payments to employees	433,548
Net cash provided (used) by operating activities	180,833
Cash Flows From Capital and Related Financing Activities	
Proceeds from certificates of obligation	-
Capital grants	2,002
Acquisition and construction of capital assets	(117,140)
Principal paid on debt	(157,000)
Interest paid on debt	(194,834)
Net cash provided (used) by capital and related financing activities	(466,972)
Cash Flows From Investing Activities	
Purchase of investments	(221,255)
Interest received	55,580
Net cash provided (used) by investing activities	(165,675)
Net decrease in cash and cash equivalents	(451,814)
Cash and cash equivalents at beginning of year	1,220,009
Cash and cash equivalents at end of year	$ 768,195
As reported on the balance sheet:	
Cash and cash equivalents	186,383
Restricted cash	581,812
Total cash and equivalents at end of year	$ 768,195
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	(146,970)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	365,889
Other expenses	43,355
Change in current assets and liabilities:	
(Increase) decrease in accounts receivable	(33,497)
(Increase) decrease in inventory	(28,942)
Increase (decrease) in accounts payable	(13,426)
Increase (decrease) in customer deposits	3,926
Increase (decrease) in unearned revenue	(9,502)
Total adjustments	327,803
Net cash provided (used) by operating activities	$ 180,833

The notes to the financial statements are an integral part of this statement.

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(1) Summary of Significant Accounting Policies

A. General Statement

The City of Merkel, Texas, is a Type A General Law City with a council-manager form of government and provides the following services: Police and Fire, Streets, Sanitation, Water, Sewer, Social Services, Recreation, Public Improvements, and General Administrative Services.

B. Financial Reporting Entity

The governmental reporting entity consists of the City (Primary Government) and its component units. Component units are legally separate organizations for which the Board is financially accountable or other organizations whose nature and significant relationship with the City are such that exclusion would cause the City's financial statements to be misleading. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and (i) either the City's ability to impose its will on the organization or (ii) there is potential for the organization to provide a financial benefit to or impose a financial burden on the City. Organizations for which the City is not financially accountable are also included when doing so is necessary in order to prevent the City's financial statements from being misleading.

The basic financial statements include both blended and discretely presented component units. The blended component unit, although a legally separate entity is, in substance, part of the City's operations and so data from this unit is combined with data of the primary government. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the government.

Discretely presented component units.
Based on these criteria, Merkel Economic Development Corporation is reported as a discretely presented component unit of the City. The corporation is fiscally dependent upon the City and the City is able to impose its will on the organization. The EDC does not have separately issued financial statements.

The Merkel Volunteer Fire Department is reported as a discretely presented component unit of the City. They are fiscally dependent on the City and a financial benefit exists. The Volunteer Firemen provide services to the City as well as the surrounding area. They do not prepare separate financial statements.

Blended component unit.
The Emergency Medical Services, Inc. is reported as a blended component unit of the City. They are fiscally dependent upon the City, the City is able to impose its will on the organization, and they are nearly exclusively funded by the City. Exclusion of the organization would result in misleading or incomplete financial statements. The funds of the Emergency Medical Services, Inc. have been included in the Governmental Activities in the financial statements. They do not prepare separate financial statements.

Resource flows (except those affecting the statement of net assets/balance sheet only) between a primary government and its discretely presented component unit are reported as external transactions – that is, as revenues and expenses. Resource flows between the primary government and blended component units are classified as interfund transactions in the financial statements.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of Interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Separate fund financial statements are provided for governmental funds and proprietary funds.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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

The government reports the following major governmental fund:

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

The government reports the following major proprietary fund:

The *water, sewer and sanitation fund* accounts for the activities of the City. The City of Merkel supplies water to city residents, disposal of wastewater is primarily limited to the citizens of Merkel. The City also provides for solid waste collection and disposal within the City.

The City has two non-major governmental funds. The Emergency Medical Services is a blended component unit; therefore, it is a special revenue fund and the Hotel Motel Fund is a special revenue fund.

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise fund and the government's internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. Budgetary Control

The departments submit to the City Manager a budget of estimated expenditures for the ensuing fiscal year after which the City Manager subsequently submits a budget of estimated expenditures and revenues to the City Council by August 15. The City has one governmental fund with a legally adopted budget and it is the General Operating fund.

Upon receipt of the budget estimates, the Council holds a first reading on the Budget Ordinance and Tax Rate Ordinance. Information about the Budget Ordinance is then published in the official newspaper of the City. The Council is precluded from passing the Budget Ordinance (second reading) until ten days have passed after the Ordinance Publication and after the first Monday in September.

Prior to October 1, the budget is legally adopted or is amended by the City Council on a basis consistent with generally accepted accounting principles. The City Manager is authorized to transfer budgeted amounts between line items and departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. The City did not have any budget amendments for the year ending September 30, 2025.

F. Cash and Investments

Cash and cash equivalents reflected in the financial statements includes petty cash and cash in banks.

For purposes of reporting cash flows, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents.

In accordance with GASB Statement No. 72 *Fair Value Measurement and Application*, investments are recorded at fair value. Consistent with GASB Statement No. 72, the City categorizes its fair value measurements within the fair value hierarchy. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. A detail of the fair value hierarchy of investments held by the City are disclosed in Note (3) to the financial statements.

G. Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year.

H. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". Unbilled utility services receivables are recorded when earned. The estimated value of services provided but unbilled at year-end has been included in the accompanying financial statements.

I. Inventory

Inventories are valued at cost using the first in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when purchased.

J. Restricted Assets

Certain cash balances in the water sewer and sanitation fund are set aside for the repayment of debt. They are maintained in separate bank accounts and their use is limited by applicable bond or lending covenants. The general fund has cash that is restricted for debt service and restricted by legislative mandates such as hotel/motel tax monies, drug seizure monies, and court security and technology monies. The general fund restricted cash is $224,735. Of this amount, $36,563 is restricted by legislative mandates and $188,172 is restricted for debt through debt covenants. The water sewer and sanitation fund has $581,802 restricted cash for debt service. This fund also has restricted CSLFRF funds in the amount of $10 for a total restricted cash in the water sewer sanitation fund of $581,812.

K. Capital Assets

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 are defined by the government as assets with an initial, individual cost of more than $500 and an estimated useful life in excess of three years for October through December, and $5,000 for January through September 2025. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets 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.

Property, plant, infrastructure, and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Vehicles	3 – 5
Machinery and Equipment	6 – 30
Buildings	40 – 60
Infrastructure	40 – 60
Improvements	27.5 – 60

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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 two items that qualifies for reporting in this category; the deferred outflow related to pensions and also OPEB reported in the government-wide Statement of Net Position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types which arise only under a modified accrual basis of accounting that qualifies for reporting in this category.

Accordingly, the item, unavailable revenue, is reported only in the fund balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

M. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation, sick, and comp pay benefits. Employees are allowed to carryover 5 days for unused vacation time. Employees are allowed to accumulate 30 days of sick time. However, no payment for unused sick pay would be made in the event of termination or death. The estimated liability for accumulated time as of September 30, 2025 is recorded as an accrued payable in the appropriate fund. Governmental fund liabilities are paid by the general fund. Business-type compensated absences are paid by the water, sewer and sanitation fund.

N. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of fund net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

O. Fund Balance

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – amounts that are either not in a spendable form or are legally or contractually required to remain intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of City Charter, City Code, state or federal laws, or externally imposed conditions by grantors or creditors.

Assigned - amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or the City Manager when the City Council has delegated that authority. Modifications or rescissions of the constraints can also be removed by the same action that limited the funds.

Unassigned - all other spendable amounts.

As of September 30, 2025, fund balances are composed of the following:

	General Fund	Nonmajor Funds	Total Governmental Funds
Restricted:			
Public Safety	$ 7,451	$ 50,713	$ 58,164
Tourism Development	-	71,321	71,321
Court Technology and Security	29,112	-	29,112
Debt	188,172	-	188,172
Assigned:			
Street Improvements	286,697	-	286,697
Debt	135,184	-	135,184
Senior Nutrition	8,202	-	8,202
Unassigned Fund Balances	1,509,921	-	1,509,921
Total Fund Balances	$ 2,164,739	$ 122,034	$ 2,286,773

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

Net Position

In the government-wide financial statements and proprietary fund financial statements, the net position is reported in three components: (1) net investment in capital assets; (2) restricted; and (3) unrestricted. Net investment in capital assets represents the City's total investment in capital assets, net of depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restriction imposed by creditors, grantors or laws or regulations of other governments. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied. The government-wide statement of net position of the primary government reported restricted net position of $928,580 of which, $36,563 is restricted by enabling legislation.

Net Investment in Capital Assets

Net investment in capital assets is composed of the following:

	Capital Assets - Net	Related Debt	Unspent Debt Proceeds	Total
Governmental Activities	$ 1,571,828	$ 956,252	$ -	$ 615,576
Business-type Activities	$ 7,196,301	$ 5,177,130	$ -	$ 2,019,171

P. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reporting amounts and disclosures. Accordingly, actual results could differ from those estimates.

(3) Deposits and Investments

As of September 30, 2025, the Primary Government had investments in TexSTAR, and one discretely presented component unit had investments in certificates of deposit.

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

Credit risk. This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. It is the City's policy to limit its investments to those investments that are fully insured or collateralized from a bank in the State of Texas and under the term of written depository agreement, obligations of the United States government, its agencies and instrumentalities and government sponsoring enterprises, or Texas Local Government Investment Pools.

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

Custodial credit risk - deposits and investments. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a fair value of not less than the principal amount of the deposits. The Primary Government's deposits and certificates of deposits were fully insured or collateralized as required by the state statutes at September 30, 2025. At year-end, the carrying amount of the Primary Government's cash and cash equivalents totaled $2,245,875 and bank balances totaled $2,216,579.

9/30/2025 Balances Primary Government	Prosperity	First Financial	Total
Carrying Amount:			
City of Merkel Accounts	$ 5,176	$ 2,189,602	$2,194,778
Blended Component Unit	51,097	-	51,097
Total	$ 56,273	$ 2,189,602	$ 2,245,875
Bank Balances			
City of Merkel	$ -	$ 2,165,482	$ 2,165,482
Blended Component Unit	51,097	-	51,097
Total	$ 51,097	$ 2,165,482	$ 2,216,579

Deposits held at Prosperity Bank were fully secured. The collateral is held by Prosperity Bank of El Campo, Texas and is held in the City's name. The deposits held at First Financial Bank were also fully secured at year-end with collateral held in the City's name at First Financial Bankshares Inc., Abilene Texas.

9/30/2025 Balances Discretely Presented CUs	Prosperity	First Financial	Total
Carrying Amount:			
Volunteer Fire Department	$ 64,544	$ -	$ 64,544
Economic Development	793,615	244,578	1,038,193
Total	$ 858,159	$ 244,578	$ 1,102,737
Bank Balances			
Volunteer Fire Department	$ 65,692	$ -	$ 65,692
Economic Development	811,393	244,578	1,055,971
Total	$ 877,085	$ 244,578	$ 1,121,663

The City's discretely presented component units had carrying amounts of $1,102,737 in cash and certificates of deposits, and bank balances of $1,121,663 on September 30,2025. The balances of the Volunteer Fire Department were fully secure at year end by FDIC. The Economic Development discretely presented component unit had bank balances of $1,055,971 in Prosperity Bank which is fully secure by FDIC and pledged securities held by Prosperity Bank of El Campo, Texas in the EDC's name. The EDC also has cash deposits at First Financial Bank with a balance of $244,578. This account was secured by FDIC in the amount of $250,000 and pledge securities of $490,365 in Merkel Economic Development Corporation's name. All cash, cash equivalents and certificates of deposit of the component units were fully secure as of September 30, 2025.

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

At year end, the City's and its component unit's investment balances were as follows:

Primary Government:	Fair Value	Weighted Average Maturity (months)
TexSTAR	$ 1,057,067	<2
Component Units:		
EDC – Certificates of Deposit	$ 758,006	48

For short-term liquidity requirements, the City utilizes a local government investment pool. Texas Short Term Asset Reserve Fund (TexSTAR) is managed by JP Morgan Asset Management and Hilltop Securities. As of September 30, 2025, Tex Star's portfolio maintained a weighted average maturity of approximately 49 days.

The investments of the City are in compliance with the Council's investment policy and with the Public Funds Investment Act (Government Code Chapter 2256). The City did not have any derivative investment products during the current year. All significant legal and contractual provisions for investments were complied with during the year. Investments at year-end are representative of the types of investments maintained by the City during the year. The certificates of deposit of the primary government and the two discretely presented component unit are considered a level 1 of the fair value hierarchy as explained in note F.

(4) Receivables

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

	General Fund	Water, Sewer Sanitation Fund	Total
Accounts	$ -	$ 237,847	$ 237,847
Taxes	195,089	-	195,089
Gross Receivables	195,089	237,847	432,936
Less: allowance for Uncollectibles	(9,741)	(32,517)	(42,258)
Net total receivables	$ 185,348	$ 205,330	$ 390,678

The City's component unit, Merkel Economic Development Corporation, had taxes receivable of $30,062. Receivables are expected to be collected within one year.

(5) Capital Assets

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

Primary Government

Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 12,500	$ -	$ -	$ 12,500
Total capital assets not being depreciated	12,500	-	-	12,500
Capital assets, being depreciated:				
Buildings and improvements	151,116	-	-	151,116
Equipment	1,142,211	218,781	4,003	1,356,989
Infrastructure	1,935,484	-	-	1,935,484
Motor vehicles	1,163,391	10,859	10,859	1,163,391
Furniture and fixtures	88,248	-	-	88,248
Total capital assets being depreciated	4,480,450	229,640	14,862	4,695,228
Less accumulated depreciation for:				
Buildings and improvements	129,871	3,049	-	132,920
Equipment	939,039	45,798	1,412	983,425
Infrastructure	930,212	60,160	-	990,372
Motor vehicles	944,993	26,963	-	971,956
Furniture and fixtures	48,791	8,435	-	57,226
Total accumulated depreciation	2,992,906	144,405	1,412	3,135,899
Total capital assets, being depreciated, net	1,487,544	85,235	13,450	1,559,329
Governmental activities capital assets, net	$ 1,500,044	$ 85,235	$ 13,450	$ 1,571,829

Business-type activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 72,080	$ -	$ -	$ 72,080
Construction in-progress	-	-	-	-
Total capital assets not being depreciated	72,080	-	-	72,080
Capital assets, being depreciated:				
Buildings	1,975	-	-	1,975
Equipment	936,308	19,339	3,427	952,220
Motor vehicles	35,730	15,000	-	50,730
Water system	11,111,929	82,801	-	11,194,730
Total capital assets being depreciated	12,085,942	117,140	3,427	12,199,655
Less accumulated depreciation for:				
Buildings	1,975	-	-	1,975
Equipment	407,167	86,279	3,427	490,019
Motor vehicles	18,792	4,371	-	23,163
Water system	4,285,038	275,239	-	4,560,277
	4,712,972	365,889	3,427	5,075,434
Total capital assets, being depreciated, net	7,372,970	(248,749)	-	7,124,221
Business-type activities capital assets, net	$ 7,445,050	$ (248,749)	$ -	$ 7,196,301

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	$ 6,130
Public safety	47,658
Streets	64,558
Culture and recreation	26,059
Total depreciation expense – governmental activities	$144,405

Component Units

Merkel Volunteer Fire Department	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Equipment	$ 601,968	$ 130,644	$ 13,000	$ 719,612
Total capital assets being depreciated	601,968	130,644	13,000	719,612
Less accumulated depreciation for:	362,862	63,350	13,000	413,212
Total accumulated depreciation	362,862	63,350	13,000	413,212
Total capital assets being depreciated, net	239,106	67,294	-	306,400
capital assets, net	$ 239,106	$ 67,294	$ -	$ 306,400

Merkel Economic Development Corporation	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 54,202	$ 224,410	$ 55,000	$ 223,612
Total capital assets not being depreciated	54,202	224,410	55,000	223,612
capital assets, net	$ 54,202	$ 224,410	$ 55,000	$ 223,612

(6) Long-Term Notes and Certificates of Obligation

At September 30, 2025, long-term debt consisted of the following:

Governmental Activities:

A Government Capital Corporation loan for $154,638 bearing an interest rate of 2.84% payable in 10 annual installments of $17,441. This note is for the purchase of a rescue pumper and is secured by the equipment	$ 114,361
General Obligation Refunding Bonds, Series 2021 in the amount of $965,000. The certificates bear interest of 2% to 3% and have a final maturity in 2037. The Bonds are payable from ad valorem taxes. This bond issue refunds a bond issue that was for street and pavement improvements. This issue includes $550,000 in Serial Bonds and $415,000 in 3% Term Bonds.	$ 765,000

Business-Type Activities:

General Obligation Refunding Bonds, Series 2020, dated March 31, 2020 in the original amount of $4,380,000 due in annual installments through September 2048, bearing interest from 3% to 4% increasing in fiscal year 2031. Property taxes secure the obligations and surplus revenues of the City's waterworks and sewer system are used for payment of the obligations.	$ 3,775,000
Certificates of Obligation, Series 2024 dated January 5, 2024 in the original amount of $1,000,000 due in annual installments through January 2039, bearing interest of 4.75%. Property taxes secure the obligations and surplus revenues of the City's waterworks and sewer system are used for payment of the obligations.	$953,000

Annual Requirements to Retire Debt Obligations

The annual aggregate maturities for the years subsequent to September 30, 2025 are as follows:

Governmental Activities:

Year Ending September 30	Principal	Interest	Total Obligation
2026	$ 69,185	$ 26,206	$ 95,391
2027	69,596	24,145	93,741
2028	70,011	22,080	92,091
2029	75,437	20,004	95,441
2030	75,876	17,766	93,642
2031-2035	374,256	54,290	428,546
2036-2037	145,000	6,450	151,450
Total	$ 879,361	$ 170,941	$ 1,050,302

Business-Type Activities:

Year Ending September 30	Principal	Interest	Total Obligation
2026	$ 159,000	$ 189,254	$ 348,254
2027	167,000	183,555	350,555
2028	169,000	177,588	346,588
2029	177,000	171,501	348,501
2030	184,000	165,146	349,146
2031-2035	1,047,000	706,930	1,753,930
2036-2040	1,200,000	464,050	1,664,050
2041-2045	1,030,000	245,800	1,275,800
2046-2048	595,000	43,000	638,000
Total	$ 4,728,000	$ 2,346,824	$ 7,074,824

The note payable is not paid from any one governmental revenue source. Repayment of principal and interest of the General Obligation Bond governmental debt is principally made from M&O property taxes. Also, for governmental activities, compensated absences, pension obligations, and other postemployment benefit obligations are liquidated by the general fund.

The General Obligation bonds are Refunding Bonds, Series 2021. The bond sale was used to refund Certificates of Obligation Series 2011 which were for street and pavement improvements.

The Certificates of Obligation Series 2024 were issued for waterworks and sewer system improvements.

Changes in Outstanding Long-Term Obligations

The following is a summary of the changes in noncurrent liabilities reported in Statement of Net Position for the year ended September 30, 2025:

	Balance September 30, 2024	Issues or Additions	Payments or Expenditures	Balance September 30, 2025	Due Within One Year
Governmental Activities					
General Obligation Bonds 2021	$ 815,000	$ -	$ 50,000	$ 765,000	$ 55,000
Premium	83,858	-	6,492	77,366	6,492
Total Bonds	898,858		56,492	842,366	61,492
Notes Payable	128,170	-	13,809	114,361	14,193
Compensated Absences	21,305	4,923	-	26,228	6,557
Net Pension Liability	227,201	23,581	-	250,782	-
Total OPEB Liability	24,955	-	1,221	23,734	-
Total Governmental	$ 1,300,489	$ 28,504	$ 71,522	$ 1,257,471	$ 82,242

	Balance September 30, 2024	Issues or Additions	Payments or Expenditures	Balance September 30, 2024	Due Within One Year
Business-type Activities					
General Obligation bonds	$ 3,885,000	$ -	$ 110,000	$ 3,775,000	$ 110,000
Certificates of Obligation	1,000,000	-	47,000	953,000	49,000
Premium	468,208	-	19,078	449,130	19,078
Total Bonds	5,353,208	-	176,078	5,177,130	178,078
Compensated Absences	9,969	12,871	-	22,840	5,710
Net Pension Liability	170,832	11,025	-	181,857	-
Total OPEB Liability	12,556	-	571	11,985	-
Total Business-type Activities	$5,546,565	$ 23,896	$ 176,649	$5,393,812	$ 183,788

Default Provisions

The governmental activities note is payable to First Financial Bank for a rescue pumper. The default provisions are that upon default, First Financial Bank may proceed against the City by mandamus or other suit, action, or special proceeding in equity or at law. No party shall have the right to declare the balance of the contract payments to be immediately due and payable nor is there a right to accelerate the debt.

Direct Interest

The debt listed for business-type activities above was issued for the creation or continuing existence of specific programs for the City's water and sewer system. Interest on the debt is reported in the water and sewer fund as direct expenses on the Statement of Activities. In governmental fund financial statements, interest is reported by the department responsible for the debt and making the payment.

(7) Property Tax

The City's property tax is levied each October 1, on 100 percent of assessed value listed for all real and personal property located in the City as of the prior January 1. Assessed values are established by the Taylor County Central Appraisal District and certified by the Board of Review. Taxes are due by January 31 following the October 1 levy date. A tax lien attaches to property on January 1 of each year to secure the payment of all taxes, penalties, and interest ultimately imposed on the property. The lien attaches whether or not the taxes were imposed in the year in which the lien attached.

The City is permitted by Article II, Section 5 of the State of Texas constitution to levy taxes up to $2.50 per $100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. Taxes are due on the levy date and are delinquent on January 31, following the October 1, levy date. Current tax collections for the year ended September 30, 2025 were 95 percent of the tax levy.

Property tax revenues are recognized when they become available. Available means collected within the current period and the amount expected to be collected soon after year-end to pay liabilities of the current period not to exceed 60 days. The amount of taxes collected in the balance of taxes receivable, net of allowance, is recorded as unavailable revenue.

(8) Employee Retirement Systems
Texas Municipal Retirement System (TMRS)

A. Plan Description

The City participates as one of 943 member cities in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan 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 employees of Texas participating cities. The TMRS Act places the general administration and management of the System with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available comprehensive annual financial report (Annual Report) 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 Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payments options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

TMRS members vest after 5 years of service. If a vested member leaves covered employment before reaching retirement eligibility, the member may leave his or her deposits with TMRS, earn interest on the deposits, and, upon reaching age 60, apply for and receive a monthly retirement payment. A member becomes eligible for service retirement based on various combinations of age and service, depending on which provisions have been adopted by the employing municipality. The City of Merkel has adopted a 5 yrs/age 60, 25 yrs/any age provision for their service retirement eligibilities.

A member city may elect to increase the annuities of its retirees (grant a cost-of-living adjustment, or COLA), either annually or on an annually repeating basis, effective January 1 of a calendar year. For cities that adopted annuity increases since January 1, 2000, the adjustment is either 30%, 50%, or 70% of the increase (if any) in the Consumer Price Index - All Urban Consumers (CPI-U) between the December preceding the member's retirement date and the December 13 months before the effective date of the increase, applied to the original monthly annuity.

Employees covered by benefit terms.

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

Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	18
Active employees	18
	46

C. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 1:1 (1 to 1), 1.5:1, or 2:1, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and nay changes in benefits or actual experience over time.

Employees for the City of Merkel were required to contribute 7% of their annual gross compensation during the fiscal year. The contribution rates for the City were 13.75% and 15.65% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were $137,039 and were equal to the required contributions.

D. Net Pension Liability

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

Actuarial assumptions:

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

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB (10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements.

For disabled annuitants, the same mortality tables for healthy retirees is used with a 4 year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale UMP-2021 to account for future mortality improvements subject to the 3% floor.

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	35.0%	7.1%
Core Fixed Income	6.0%	5.0%
Non-Core Fixed Income	6.0%	6.8%
Other Private Markets	4.0%	7.3%
Infrastructure	6.0%	6.0%
Real Estate	12.0%	6.7%
Hedge Funds	5.0%	6.4%
Private Debt	13.0%	8.2%
Private Equity	10.0%	8.5%
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.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability [a]	Plan Fiduciary Net Position [b]	Net Pension Liability [a] – [b]
Balance at 12/31/2023	$ 2,462,789	$ 2,064,756	$ 398,033
Changes for the year:			
Service cost	158,575	-	158,575
Interest	170,436	-	170,436
Change in benefit terms including substantially automatic status	32,882	-	32,882
Difference between expected and actual experience	68,793	-	68,793
Changes in assumptions	-	-	
Contributions – employer	-	121,201	(121,201)
Contributions – employee	-	61,702	(61,702)
Net investment income	-	214,585	(214,585)
Benefit payments, including refunds of employee contributions	(99,974)	(99,974)	-
Administrative expense	-	(1,376)	1,376
Other changes	-	(32)	32
Net changes	$ 330,712	$ 296,106	$ 34,606
Balance at 12/31/2024	$ 2,793,501	$ 2,360,862	$ 432,639

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:

	Discount rate	**Net pension liability**
1% decrease	5.75%	$ 832,418
Current discount rate	6.75%	$ 432,639
1% increase	7.75%	$ 105,944

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2025, the city recognized pension expense of $223,053.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 60,280	$ -
Changes in actuarial assumptions	-	9,815
Difference between projected and actual investment earnings	109,672	135,719
Contributions subsequent to the measurement date	103,201	-
Total	$ 273,153	$ 145,534

$103,201 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Plan year ending Dec 31:	
2025	$ 34,428
2026	38,073
2027	(33,041)
2028	(15,042)
2029	-
Thereafter	-
Total	$ 24,418

(9) Employee Retirement Systems - Volunteer Fire Department Texas Emergency Services Retirement System (TESRS)

A. Plan Description

The Texas Emergency Services Retirement System is an agency of the State of Texas and its financial records comply with state statutes and regulations. The nine Board of Trustees, appointed by the Governor, establishes policy for the administration of the Texas Emergency Services Retirement System.

The TESRS was created as a standalone agency by the 83rd Legislature via the passage of SB 220, effective September 1, 2013, to assume the related functions of the abolished Office of the Fire Fighters' Pension Commissioner. While the agency is new, the System has been in existence since 1977. TESRS, which is under the authority of Title 8, Subtitle H, Chapters 861-865 of the Texas Government Code, provides death and disability benefits to active volunteer fire fighters and first responders, and a pension to members with vested service, as well as to their survivor/beneficiaries. For financial reporting purposes, the State of Texas is considered the primary reporting government. TESRS' financial statements are included in the State's Comprehensive Annual Financial Report. TESRS issues a publicly available Annual Financial Report, which includes financial statements, notes, and required supplementary information, which can be obtained at www.tesrs.org. The separately issued actuarial valuations which may be of interest are also available at the same link. Information that is available in the annual financial report is not repeated in the allocation schedules and related notes.

The preparation of the schedules of participating department allocations and collective pension amounts in conformity with accounting principles generally accepted in the United States of America requires management to make significant estimates and assumptions that affect the reporting amounts during the reporting period. Actual results could differ from those estimates.

B. Benefits Provided

The benefit provision include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's year of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. There is no provision for automatic postretirement benefit increases.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount or continuing monthly payments to a member's surviving spouse and dependent children.

C. Contributions

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the system, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this contribution is $36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities. The state is required to contribute an amount necessary to make the System "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The contributions to TESRS for the year ended September 30, 2025 were $1,080 and were equal to the required contributions.

D. Net Pension Liability

The Volunteer Fire Department's Net Pension obligations are not recorded on the financial statements because of their materiality.

(10) Other Post-Employment Benefits

A. Plan Description

The City also participates in an optional death benefit plan, the Supplemental Death Benefits Fund (SDBF), which operates like a group-term life insurance plan. This is a voluntary program in which participating member cities may elect, by ordinance, to provide supplemental death benefits for their active Members with optional coverage for their retirees. A supplemental death contribution rates is determined annually for each participating municipality as a percentage of that city's covered payroll. The contribution rate finances the expected benefit payments each year on a pay-as-you-go basis.

As stated in the previous paragraph, the SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB no. 75, paragraph 4b, (i.e., no assets are accumulated for OPEB). As such the SDBF is considered to be a single-employer unfunded OPEB plan (and not a cost sharing plan) with benefit payments treated as being equal to the employer's yearly contributions for retirees. In accordance with paragraph 155, the applicable discount rate for an unfunded OPEB is based on an index of tax exempt 20-year municipal bond rates rated as AA or higher.

As of December 31, 2024, the discount rate used in the development of the Total OPEB Liability was 4.08% compared to 3.77% as of December 31, 2023.

B. Benefits Provided

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). The death benefit for retirees is a fixed amount of $7,500.

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	6
Inactive employees entitled to but not yet receiving benefits	2
Active employees	18
	26

C. Contributions

The participating city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. 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. As such, contributions fund the covered active member and retiree deaths on a pay-as-you-go basis.

D. Total OPEB Liability

Actuarial assumptions:

The actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study for the period ending December 31, 2002. The contribution rate for the Supplemental Death Benefit (SDB) is equal to the expected beefier payments during the upcoming year divided by the annualized pay of current active members, and it is calculated separately for actives and retirees. The 2025 SDB rate for retiree coverage is equal to 110% of the expected term cost. The SDB rate for active coverage is equal to 150% of the expected term cost.

General Inflation	2.50%
Salary increases	3.6% to 11.85% including inflation.
Discount Rate*	4.08%
Retirees' share of benefit-related costs	$0
Administrative expenses	All administrative expense are paid through the Pension Trust and Accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2024.

Changes in the Total OPEB Liability

Total OPEB Liability – beginning of year	$37,511
Changes for the year:	
Service cost	2,556
Interest	1,446
Changes in benefit terms	-
Differences between expected and actual experience	(2,890)
Changes in assumptions or other inputs	(2,023)
Benefit payments**	(881)
Net changes	(1,792)
Total OPEB Liability - end of year	$ 35,719

** Due to the SDBF considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

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

The following presents the net OPEB liability of the City, calculated using the discount rate of 4.08%, 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 (3.08%) or 1-percentage-point higher (5.08%) than the current rate:

	Discount rate	Total OPEB liability
1% decrease	3.08%	$ 42,862
Current discount rate	4.08%	$ 35,719
1% increase	5.08%	$ 30,156

E. OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended September 30, 2025 the city recognized OPEB expense of $1,149. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 198	$ -
Changes in assumptions and other inputs	-	8,548
Contributions subsequent to the measurement date	670	-
Total	$ 868	$ 8,548

The $670 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in pension expense as follows:

Plan Year ending Dec 31:	
2025	$ (2,989)
2026	(2,977)
2027	(1,850)
2028	(534)
2029	-
Thereafter	-
Total	$ (8,350)

(11) Individual Fund Disclosures

For fiscal year ended September 30, 2025, the City has expended funds in excess of appropriations at the level of control in the following areas:

Fund	Excess Amount
Fire Department	$ 6,568
Streets	42,741
Heritage Hall	18,252
Library	2,349
Parks	19,044

These over-expenditures were funded by greater than anticipated revenues and under-budget expenditures in other departments.

(12) Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of September 30, 2025, is as follows:

	Due From	Due To
General fund	$ 193,078	$ -
Major business-type fund	-	193,078
	$ 193,078	$ 193,078

The general fund pays all city employees and the water sewer fund reimburses the general fund. This balance due is scheduled to be collected in the subsequent year.

(13) Health Care Coverage

During the year ended September 30, 2025, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums for full time employee to the Plan. Employees at their option, authorized payroll withholdings to pay premiums for dependents. TX Health Benefits Pool (formerly TML Health Benefits Pool) is a non-profit trust organization created by political subdivisions to provide group benefits services to participating political subdivisions and is not an insurance company. The contract is renewable October 1, and terms of coverage and premium costs are included in the contractual provisions.

(14) Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2024, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TMLIRP"). TMLIRP is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TMLIRP for its above insurance coverage.

The City also obtained general liability coverage through United Fire Group. UFG is a publicly traded company and has been listed on the Nasdaq Stock Market under UFSC for more than three decades. They hold a financial strength rating of "A-" (Excellent) from AM Best.

During the last three years, no program has had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in coverage from coverage in the prior years.

(15) Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state and federal governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

(16) Restated Fund Balance

The Hotel Motel fund was restated from a general fund account to a separate special revenue fund. The beginning fund balance restated was $114,009.

(17) Accounting Pronouncements Implemented

In June 2022, the GASB also issued Statement No. 101, *Compensated Absences*. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

Required Supplementary Information

CITY OF MERKEL, TEXAS

Schedule of Changes in Net Pension Liability and Related Ratios - TMRS
Last 10 years

	Measurement Year 2024	Measurement Year 2023	Measurement Year 2022	Measurement Year 2021
Total pension liability				
Service Cost	$ 158,575	$ 115,995	$ 118,317	$ 94,182
Interest (on the Total Pension Liability)	170,436	155,106	139,852	126,169
Changes of benefit terms	32,882	-	-	-
Difference between expected and actual experience	68,793	59,500	87,665	64,549
Change of assumptions	-	(32,915)	-	-
Benefit payments, including refunds of employee contributions	(99,974)	(149,518)	(87,867)	(100,661)
Net Change in Total Pension Liability	330,712	148,168	257,967	184,239
Total Pension Liability - Beginning	2,462,789	2,314,621	2,056,654	1,872,415
Total Pension Liability - Ending (a)	$ 2,793,501	$ 2,462,789	$ 2,314,621	$ 2,056,654
Plan Fiduciary Net Position				
Contributions - Employer	$ 121,201	$ 89,743	$ 90,149	$ 77,526
Contributions - Employee	61,702	49,002	50,317	39,126
Net Investment Income	214,585	215,630	(142,492)	223,361
Benefit payments, including refunds of employee contributions	(99,974)	(149,518)	(87,867)	(100,661)
Administrative Expense	(1,376)	(1,370)	(1,232)	(1,033)
Other	(32)	(10)	1,471	7
Net change in Plan Fiduciary Net Position	296,106	203,478	(89,655)	238,326
Plan Fiduciary Net Position - Beginning	2,064,756	1,861,278	1,950,933	1,712,607
Plan Fiduciary Net Position - Ending (b)	$ 2,360,862	$ 2,064,756	$ 1,861,278	$ 1,950,933
Net Pension Liability - Ending (a) - (b)	$ 432,639	$ 398,033	$ 453,343	$ 105,721
Plan Fiduciary Net Position as a % of Total Pension Liability	84.51%	83.84%	80.41%	94.86%
Covered Employee Payroll	$ 881,462	$ 700,028	$ 718,813	$ 558,944
Net Pension Liability as a % of Covered Employee Payroll	49.08%	56.86%	63.07%	18.91%

Notes to Schedule:

N/A

Measurement Year 2020	Measurement Year 2019	Measurement Year 2018	Measurement Year 2017	Measurement Year 2016	Measurement Year 2015
$ 96,516	$ 83,870	$ 71,058	$ 65,072	$ 70,767	$ 66,494
124,122	118,305	108,857	120,182	113,433	111,355
-	49,271	-	-	-	-
(99,134)	(46,504)	(9,178)	(243,261)	31,577	(37,710)
-	14,048	-	-	-	21,935
(79,350)	(100,383)	(72,512)	(152,995)	(72,913)	(76,096)
42,154	118,607	98,225	(211,002)	142,864	85,978
1,830,261	1,711,654	1,613,429	1,824,431	1,681,567	1,595,589
$ 1,872,415	$ 1,830,261	$ 1,711,654	$ 1,613,429	$ 1,824,431	$ 1,681,567
$ 77,683	$ 59,930	$ 68,889	$ 61,935	$ 68,655	$ 68,792
40,191	30,554	30,259	28,129	30,903	30,043
118,178	209,967	(41,129)	175,007	78,295	1,674
(79,350)	(100,383)	(72,512)	(152,995)	(72,913)	(76,096)
(765)	(1,186)	(795)	(906)	(884)	(1,020)
(30)	(36)	(42)	(46)	(48)	(50)
155,908	198,846	(15,330)	111,124	104,008	23,342
1,556,699	1,357,853	1,373,183	1,262,059	1,158,051	1,134,709
$ 1,712,607	$ 1,556,699	$ 1,357,853	$ 1,373,183	$ 1,262,059	$ 1,158,051
$ 159,808	$ 273,562	$ 353,801	$ 240,246	$ 562,372	$ 523,516
91.47%	85.05%	79.33%	85.11%	69.18%	68.87%
$ 574,156	$ 509,229	$ 504,314	$ 468,821	$ 515,044	$ 500,712
27.83%	53.72%	70.16%	51.24%	109.19%	104.55%

CITY OF MERKEL, TEXAS

Schedule of Contributions - TMRS
Last 10 years

		9/30/2025		9/30/2024		9/30/2023
Actuarially Determined Contribution	$	137,039	$	113,937	$	83,948
Contributions in relation to the actuarially determined contribution	$	137,039	$	113,937	$	83,948
Contribution deficiency (excess)	$	-	$	-	$	-
Covered employee payroll	$	913,025	$	842,656	$	658,439
Contributions as a percentage of covered employee payroll		15.01%		13.52%		12.75%

Notes to Schedule of Contributions

Valuation Date:

Notes	Actuarially determined contribution rates 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	20 years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
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 peroid ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Males are multiplied by 103% and female rates are multipled by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB (10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other information:

Notes	There were no benefit changes during the year.

9/30/2022		9/30/2021		9/30/2020		9/30/2019		9/30/2018		9/30/2017		9/30/2016	
$	92,855	$	75,237	$	71,513	$	60,515	$	70,824	$	63,574	$	69,196
$	92,855	$	75,237	$	71,513	$	60,515	$	70,824	$	63,574	$	69,196
$	-	$	-	$	-	$	-	$	-	$	-	$	-
$	722,431	$	546,285	$	546,028	$	494,788	$	523,392	$	479,127	$	514,947
	12.85%		13.77%		13.10%		12.23%		13.53%		13.27%		13.44%

CITY OF MERKEL, TEXAS

Schedule of Changes in Total OPEB Liability and Related Ratios - TMRS
Last 10 years (will ultimately be displayed)

Total OPEB liability	Measurement Year 2024	Measurement Year 2023	Measurement Year 2022
Service Cost	$ 2,556	$ 2,100	$ 3,810
Interest (on the Total OPEB Liability)	1,446	1,250	816
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(2,890)	3,293	1,845
Change of assumptions	(2,023)	1,448	(18,383)
Benefit payments **	(881)	(770)	(647)
Net Change	(1,792)	7,321	(12,559)
Total OPEB Liability - Beginning	37,511	30,190	42,749
Total OPEB Liability - Ending (a)	$ 35,719	$ 37,511	$ 30,190
Covered employee payroll	$ 881,462	$ 700,028	$ 718,813
Total OPEB Liability as a percentage of covered payroll	4.05%	5.36%	4.20%

** Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Notes to RSI:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB No. 75 to pay related benefits.

Notes to Schedule:

[1] No assets are accumulated in a trust meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits

[2] Mortality assumptions and premium calculation methods were modified as of the December 31, 2019 valuation.

	Measurement Year 2021	Measurement Year 2020	Measurement Year 2019	Measurement Year 2018	Measurement Year 2017
	$ 3,018	$ 2,756	$ 1,324	$ 1,362	$ 1,125
	786	1,113	1,164	1,065	1,036
	-	-	-	-	-
	63	(10,402)	(1,075)	(671)	-
	1,556	5,819	7,222	(2,321)	2,663
	(894)	(287)	(255)	(202)	(141)
	4,529	(1,001)	8,380	(767)	4,683
	38,220	39,221	30,841	31,608	26,925
	$ 42,749	$ 38,220	$ 39,221	$ 30,841	$ 31,608
	$ 558,944	$ 574,156	$ 509,229	$ 504,314	$ 523,392
	7.65%	6.66%	7.77%	6.12%	6.74%

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Other Information Required by Government Auditing Standards

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Cathrine Wilks CPA LLC

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Sweetwater, Texas 79556
(325) 236-9552

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*

Honorable Mayor and
Members of the City Council
Merkel, TX 79536

I 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, business-type activities, aggregate discretely presented component units, and the aggregate remaining funds of the City of Merkel, Texas ("City"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated January 8, 2026.

Report on Internal Control Over Financial Reporting

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

My consideration of internal control was for the limited purposes 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 the audit I did not identify any deficiency in internal control that I consider to be a material weakness. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Merkel's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the financial statements. 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 is 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.

Cathrine Wilks CPA LLC

Sweetwater, Texas
January 8, 2026

CITY OF MERKEL, TEXAS

Schedule of Findings and Responses
For the Year Ended September 30, 2025

I. Summary of the Auditor's Results:

a. The type of report issued on the general-purpose financial statements of the City of Merkel was an unmodified opinion.
b. There were no significant deficiencies in internal control.
c. There were no significant deficiencies that were material weaknesses in internal control.
d. The audit disclosed no instances of noncompliance which would be material to the financial statements.

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards.*

None

CITY OF MERKEL, TEXAS

Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2025

Finding/Recommendation	Current Status	Management's Explanation If not Implemented
2024-001		
Public funds were unsecured for four months.	Corrected. Public funds were fully secured for the fiscal year ending 9/30/2025.	N/A