CITY OF IOWA PARK, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2025

MWH GROUP
CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS

CITY OF IOWA PARK, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2025

TABLE OF CONTENTS

Financial Section

MWH GROUP
CERTIFIED PUBLIC ACCOUNTANTS
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Independent Auditor's Report on Financial Statements

Members of the City Council
City of Iowa Park, Texas

Report on the Audit of the Financial Statements

Opinions

We 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 Iowa Park, Texas as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Iowa Park, Texas' basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Budgetary Comparison Schedule – General Fund, Texas Municipal Retirement System Schedule of Changes in Net Pension Liability and Related Ratios, and Texas Municipal Retirement System Schedule of Changes in Net Pension Liability and Related Ratios, Texas Municipal Retirement System Schedule of Contributions, and Texas Municipal Retirement System Schedule of Changes in Total OPEB Liability and Related Ratios, on pages 3 through 10 and 42 through 46 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2026 on our consideration of the City of Iowa Park, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Iowa Park, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Iowa Park, Texas' internal control over financial reporting and compliance.

Respectfully submitted,

MWH Group, P.C.

MWH GROUP, P.C.
March 6, 2026

City of Iowa Park

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Iowa Park, Texas, we offer readers of the City's Annual Financial Report this narrative overview 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 assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $21,282,579 (net position). Of this amount, $7,706,731 (unrestricted net position) may be used to meet the City's obligations.

- During the year, the City's total net position increased by $903,529.

- The governmental funds reported a fund balance this year of $3,665,354, which is a decrease of $643,714 compared to prior year. Of this amount $2,751,562, or 75%, of this amount is available for spending at the government's discretion (unassigned fund balance).

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $2,751,562, or 51% of the total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

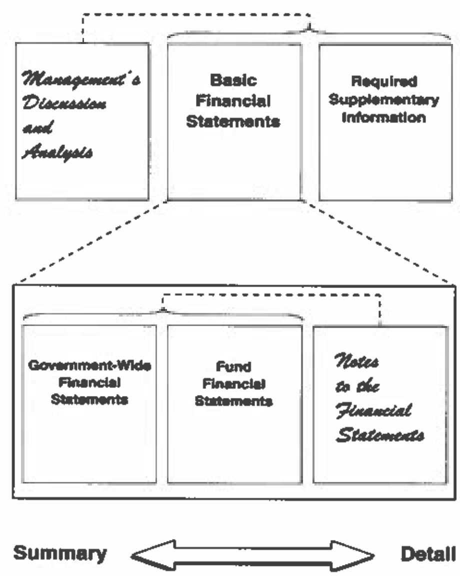
- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.

- 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.

- The *proprietary fund statements* offer *short-* and *long-term* financial information about the activities the government operates *like businesses*, such as the water and sewer system.

Figure A-1
Required Components of the City's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City's government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements

Type of Statements	Government-wide	Governmental Funds	Proprietary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses - the water and sewer system
Required financial statements	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances	• Statement of net position • Statement of revenues, expenses, and changes in net position • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

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 and liabilities. All of 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 - is 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 are divided into three categories:

- *Governmental activities.* Most of the City's basic services are included here, such as the fire, police, street department, sanitation, parks services, library, animal control, and general administration.

- *Business-type activities.* The City charges fees to customers to help it cover the cost of certain services it provides. The City's water and sewer system are included here.

- *Component Units.* The City includes two other entities in its report - the Iowa Park Economic Development Corporation and the Iowa Park Community Development Corporation. Although legally separate, these "component units" are important because the City is financially accountable for them.

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.

- The City Council 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* that 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- and short-term financial information. In fact, the City's proprietary funds are the same as its business-type activities, but provide more detail and information, such as cash flows.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's combined net position was $21,282,579 at September 30, 2025 (see Table A-1).

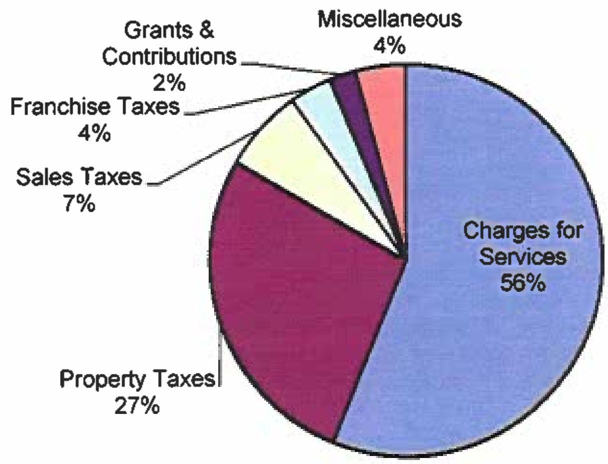
The unrestricted net position at September 30, 2025 of $7,706,731 represents resources available to fund the programs of the City next year if sufficient resources are not derived from future resources.

Table A-1
City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	$ 4,163,602	$ 5,019,992	$ 6,233,490	$ 5,828,444	$ 10,397,092	$ 10,848,436
Capital assets, net	10,151,765	9,262,953	7,054,603	7,204,685	17,206,368	16,467,638
Total assets	14,315,367	14,282,945	13,288,093	13,033,129	27,603,460	27,316,074
Deferred outflows of resources	197,480	490,855	78,421	205,605	275,901	696,460
Current liabilities	517,776	666,104	589,612	607,963	1,107,388	1,274,067
Noncurrent liabilities	4,871,943	5,351,335	453,500	932,348	5,325,443	6,283,683
Total liabilities	5,389,719	6,017,439	1,043,112	1,540,311	6,432,831	7,557,750
Deferred inflows of resources	117,750	54,324	46,201	21,410	163,951	75,734
Net investment in capital assets	5,856,716	4,772,087	6,833,851	6,629,900	12,690,567	11,401,987
Restricted	674,206	655,758	211,075	255,524	885,281	911,282
Unrestricted	2,474,456	3,274,192	5,232,275	4,791,589	7,706,731	8,065,781
Total net position	$ 9,005,378	$ 8,702,037	$ 12,277,201	$ 11,677,013	$ 21,282,579	$ 20,379,050

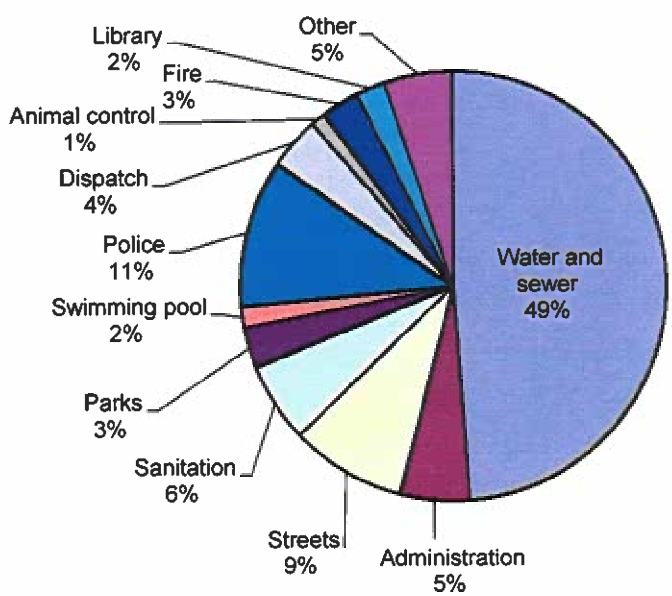
Changes in net position. The City's total revenues, both program and general, were $11,328,392. More than half of the City's revenue came from charges for services – 56% (see Figure A-3). The balance of revenues was derived from property taxes – 27%, sales taxes – 7%, franchise taxes – 4%, grants and contributions – 2%, and other categories combined made up approximately 4%.

Figure A-3
Sources of Revenue for Fiscal Year 2025



The total cost of all programs and services was $10,424,863. The City's expenses covered a range of services, which included water and sewer related expenses – 49%, police department – 11%, streets – 9%, sanitation – 6%, and 5% for administration (see Figure A-4). Other minor categories combined made up the remaining 20%.

Figure A-4
Functional Expenses for Fiscal Year 2025



Governmental Activities

Table A-2 presents the various revenue categories and gross costs of each of the City's functional areas for the current year.

Table A-2
Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Revenues						
Program revenues:						
Charges for services	$ 932,352	$ 970,704	$ 5,405,720	$ 5,130,265	$ 6,338,072	$ 6,100,969
Operating grants and contributions	120,305	78,980	10,204	12,013	130,509	90,993
Capital grants and contributions	122,472	88,182	-	-	122,472	88,182
General revenues:						
Property taxes	3,105,817	3,024,414	-	-	3,105,817	3,024,414
Sales taxes	770,133	689,963	-	-	770,133	689,963
Franchise taxes	395,347	391,482	-	-	395,347	391,482
Investment earnings	177,177	254,101	183,060	159,772	360,237	413,873
Gain (loss) on sale of assets	-	1,220	(6,087)	7,126	(6,087)	8,346
Miscellaneous	11,892	64,801	100,000	-	111,892	64,801
Transfers	-	-	-	-	-	-
Total revenues	5,635,495	5,563,847	5,692,897	5,309,176	11,328,392	10,873,023
Expenses						
Administration	549,508	464,377	-	-	549,508	464,377
Public works	64,338	60,260	-	-	64,338	60,260
Code enforcement	79,118	74,004	-	-	79,118	74,004
Streets	914,207	911,167	-	-	914,207	911,167
Sanitation	622,705	602,699	-	-	622,705	602,699
Parks	323,015	403,333	-	-	323,015	403,333
Swimming pool	164,330	176,841	-	-	164,330	176,841
Police	1,158,615	1,072,090	-	-	1,158,615	1,072,090
Dispatch	405,765	346,127	-	-	405,765	346,127
Animal control	116,295	110,511	-	-	116,295	110,511
Municipal court	88,008	98,319	-	-	88,008	98,319
Fire	301,394	273,597	-	-	301,394	273,597
Library	233,644	215,001	-	-	233,644	215,001
RAC - Youth Center	11,032	12,676	-	-	11,032	12,676
Economic development	124,430	114,101	-	-	124,430	114,101
Interest and fees on long-term debt	175,750	139,601	-	-	175,750	139,601
Water and sewer	-	-	5,092,709	4,854,116	5,092,709	4,854,116
Total expenses	5,332,154	5,074,704	5,092,709	4,854,116	10,424,863	9,928,820
Increase in net position	$ 303,341	$ 489,143	$ 600,188	$ 455,060	$ 903,529	$ 944,203

Explanations for large and/or unusual variances between 2024 and 2025 are as follows:

- Charges for services increased by $273,103 or 4%, primarily due to an increase in gallons of water sold during the year. Water sales fluctuate based on a number of factors, including temperatures, annual rainfall, and economic activity. Water and sewer expenses increased by $238,593, or 5%, which was largely driven by increases in bulk water purchases in 2025.

- Property tax revenue increased by $81,403, or 3%, resulting from an increase in the City's appraised taxable values of 6%.

- Sales tax revenue increased $80,170, or 12%, as the City's economic environment improved due to strong business activity and capital projects.

- Administration expenses increased $85,131, or 18%, primarily driven by increases in payroll and benefits of $28,379, insurance of $24,726, special events of $7,514, and cemetery donations of $7,378.

- Police expenses increased $86,525, or 8%, largely due to increases in building improvements of $27,608, equipment maintenance of $19,807, and membership fees of $12,050.

- Park expenses decreased by $80,318, or 20%, due to a reduction in CDC projects of $153,856, which was offset by an increase in payroll expenses of $ 55,271.

Table A-3 presents the net cost of the City's governmental functions (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all governmental activities this year was $5,332,154; however, the amount that our taxpayers paid for these activities through property taxes was only $3,105,817.

- Some of the cost was paid by those who directly benefited from the programs through charges for services of $932,352.

Table A-3
Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2025	2024	2025	2024
Administration	$ 549,508	$ 464,377	$ 492,945	$ 402,070
Public works	64,338	60,260	64,338	60,260
Code enforcement	79,118	74,004	38,163	35,552
Streets	914,207	911,167	857,165	854,254
Sanitation	622,705	602,699	(3,748)	(5,063)
Parks	323,015	403,333	228,918	299,280
Swimming pool	164,330	176,841	110,060	99,978
Police	1,158,615	1,072,090	1,101,498	1,063,416
Dispatch	405,765	346,127	405,765	346,127
Animal control	116,295	110,511	112,278	109,326
Municipal court	88,008	98,319	16,689	17,050
Fire	301,394	273,597	250,567	234,414
Library	233,644	215,001	194,120	195,861
RAC - Youth Center	11,032	12,676	11,032	12,676
Economic development	124,430	114,101	102,430	74,601
Interest and fees	175,750	139,601	174,805	137,036
Total government activities	$ 5,332,154	$ 5,074,704	$ 4,157,025	$ 3,936,838

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and segregation for particular purposes.

Governmental Funds

The focus of the City's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

General Fund

The ending fund balance for the General Fund for the current fiscal year was $3,398,587, a decrease of $24,717 from prior year. Of this balance, $2,751,562 was unassigned. Restricted amounts consisted of $501,450 for drainage improvements, $32,772 for Municipal Court, $12,239 for police costs, and $5,043 for special projects. Specific projects designated by the City Council had committed costs of $95,521. The unassigned fund balance represented 51% of the total General Fund expenditures for the year ended September 30, 2025.

General Fund revenues totaled $5,398,668, an increase of $156,867, or 3%, from the preceding year.

General Fund expenditures totaled $5,423,385, an increase of $71,344, or 1%, from the preceding year.

General Fund Budgetary Highlights

The City approved the budget prior to the start of the fiscal year, and no amendments were made during the course of the year.

Actual expenditures were $243,935 over final budget amounts. The unfavorable variances were primarily due to Administration and Police Department of $98,342 and $85,430, respectively.

Revenues were $223,818 greater than the final budgeted amount. The general fund budget for property taxes included taxes levied for debt service, which was ultimately received in the debt service fund, creating a negative variance. Offsets for the unfavorable variance were sales tax, revenues from use of money and property, and other revenues which were favorable by $70,133, $70,825, and $103,273, respectively.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2025, the City had invested in a broad range of capital assets totaling $17,206,368, net of accumulated depreciation, including buildings, systems, equipment, infrastructure and construction in progress (see Table A-4).

Table A-4
Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Land	$ 112,438	$ 112,438	$ 631,320	$ 631,320	$ 743,758	$ 743,758
CIP	5,330,866	4,665,859	295,580	115,364	5,626,446	4,781,223
Buildings and improvements	1,576,039	1,290,884	88,580	94,660	1,664,619	1,385,544
System improvements	-	-	5,810,931	6,102,924	5,810,931	6,102,924
Machinery and equipment	1,497,468	1,638,531	228,192	260,417	1,725,660	1,898,948
Infrastructure	1,634,954	1,555,241	-	-	1,634,954	1,555,241
Totals	$ 10,151,765	$ 9,262,953	$ 7,054,603	$ 7,204,685	$ 17,206,368	$ 16,467,638

Capital assets, net of accumulated depreciation, increased $738,730, or 4.5% from the previous year. Additional information about the City's capital assets is presented in the notes to the financial statements.

Long-term Debt

At September 30, 2025, the City had $4,632,787 in long-term liabilities outstanding as shown in Table A-5 below.

Table A-5
Long-term Liabilities Outstanding

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Certificates of obligation	$ -	$ -	$ 195,000	$ 240,000	$ 195,000	$ 240,000
General obligation refunding	4,500	58,500	25,500	331,500	30,000	390,000
Taxable bonds	3,790,000	3,870,000	-	-	3,790,000	3,870,000
Premium on general obligation refunding	52,008	56,667	1,257	16,344	53,265	73,011
Financed purchase	448,718	508,003	-	-	448,718	508,003
Compensated absences	79,252	66,643	36,552	32,551	115,804	99,194
Totals	$4,374,478	$4,559,813	$ 258,309	$ 620,395	$4,632,787	$5,180,208

Additional information about the City's long-term liabilities outstanding is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The appraised value used for the 2025-2026 budget preparation was $362,620,781, up $21,944,671, or 6.4%, from last year's values.

These indicators were taken into account when adopting the General Fund budget for 2025-2026. The budgeted revenues and expenditures are balanced for the General Fund with each set at $6,456,190, an increase of 25% from the final 2024-2025 budget of $5,179,450.

If these estimates are realized, the City's budgetary General Fund balance is not expected to change by the end of fiscal year 2026.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Finance Director at 103 North Wall Street, Iowa Park, Texas 76367.

Basic Financial Statements

CITY OF IOWA PARK, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	$ 2,174,400	$ 4,660,110	$ 6,834,510
Investments	1,672,873	873,500	2,546,373
Receivables, net of allowances for uncollectibles:			
Property taxes	20,016	-	20,016
Sales taxes	136,938	-	136,938
Customer accounts	88,479	514,859	603,338
Municipal court	29,540	-	29,540
Other	20,979	5,898	26,877
Note receivable	-	-	-
Note receivable from component unit	4,500	195,000	199,500
Internal balances	15,877	(15,877)	-
Land held for sale	-	-	-
Capital assets, net of accumulated depreciation	10,151,765	7,054,603	17,206,368
Total assets	14,315,367	13,288,093	27,603,460
Deferred outflows of resources:			
Deferred loss on early retirement	177	1,005	1,182
Deferred outflows of resources from pensions	192,553	75,552	268,105
Deferred outflows of resources from OPEB	4,750	1,864	6,614
Total deferred outflows of resources	197,480	78,421	275,901
Liabilities:			
Accounts payable	92,651	226,793	319,444
Accrued payroll	52,883	19,490	72,373
Retainage payable	238,884	-	238,884
Customer deposits	-	331,733	331,733
Other accrued liabilities	21,063	7,017	28,080
Unearned revenues	30,265	-	30,265
Accrued interest payable	82,030	4,579	86,609
Long-term liabilities:			
Accrued compensated absences	79,252	36,552	115,804
Net pension liability	407,844	160,026	567,870
Total OPEB liability	89,621	35,165	124,786
Portion due or payable within one year	151,623	70,500	222,123
Portion due or payable after one year	4,143,603	151,257	4,294,860
Total liabilities	5,389,719	1,043,112	6,432,831
Deferred inflows of resources:			
Deferred inflows of resources from pensions	94,280	36,992	131,272
Deferred inflows of resources from OPEB	23,470	9,209	32,679
Total deferred inflows of resources	117,750	46,201	163,951
Net position:			
Net investment in capital assets	5,856,716	6,833,851	12,690,567
Restricted for:			
Debt service	122,702	211,075	333,777
Drainage improvements	501,450	-	501,450
Municipal court	32,772	-	32,772
Police	12,239	-	12,239
Special projects	5,043	-	5,043
Unrestricted	2,474,456	5,232,275	7,706,731
Total net position	$ 9,005,378	$ 12,277,201	$ 21,282,579

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

EXHIBIT A-1

Component Units	
Iowa Park Economic Development Corporation	Iowa Park Community Development Corporation
$ 253,283	$ 227,715
1,357,542	777,558
-	-
68,469	68,469
-	-
-	-
-	-
214,750	-
-	-
-	-
68,217	-
246,277	-
2,208,538	1,073,742
-	-
-	-
-	-
-	-
11,106	2,160
-	-
-	-
-	-
-	677,442
-	-
-	-
-	-
-	-
-	-
45,000	4,500
150,000	-
206,106	684,102
-	-
-	-
-	-
246,277	-
-	-
-	-
-	-
-	-
-	-
1,756,155	389,640
$ 2,002,432	$ 389,640

CITY OF IOWA PARK, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Administration	$ 549,508	$ 19,277	$ 37,286	$ -
Public works	64,338	-	-	-
Code enforcement	79,118	40,955	-	-
Streets	914,207	57,042	-	-
Sanitation	622,705	626,453	-	-
Parks	323,015	-	5,915	88,182
Swimming pool	164,330	54,270	-	-
Police	1,158,615	847	56,270	-
Dispatch	405,765	-	-	-
Animal control	116,295	450	3,567	-
Municipal court	88,008	71,319	-	-
Fire	301,394	38,827	12,000	-
Library	233,644	912	4,322	34,290
RAC - Youth Center	11,032	-	-	-
Economic development	124,430	22,000	-	-
Interest and fees on long-term debt	175,750	-	945	-
Total governmental activities	5,332,154	932,352	120,305	122,472
Business-type activities:				
Water and sewer	5,092,709	5,405,720	10,204	-
Total business-type activities	5,092,709	5,405,720	10,204	-
Total primary government	$ 10,424,863	$ 6,338,072	$ 130,509	$ 122,472
Component units:				
Economic Development Corporation	$ 95,064	$ -	$ -	$ -
Community Development Corporation	882,947	-	-	-
Total component units	$ 978,011	$ -	$ -	$ -

General revenues:
- Property taxes
- Sales taxes
- Franchise taxes
- Investment earnings
- Gain (loss) on sale of assets
- Miscellaneous
- Total general revenues

Change in net position
Net position - beginning
Net position - ending

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

EXHIBIT A-2

Net (Expense) Revenue and Changes in Net Position				
			Component Units	
			Iowa Park Economic Development Corporation	Iowa Park Community Development Corporation
Governmental Activities	Business-type Activities	Total		
$ (492,945)	$ -	$ (492,945)	$ -	$ -
(64,338)	-	(64,338)	-	-
(38,163)	-	(38,163)	-	-
(857,165)	-	(857,165)	-	-
3,748	-	3,748	-	-
(228,918)	-	(228,918)	-	-
(110,060)	-	(110,060)	-	-
(1,101,498)	-	(1,101,498)	-	-
(405,765)	-	(405,765)	-	-
(112,278)	-	(112,278)	-	-
(16,689)	-	(16,689)	-	-
(250,567)	-	(250,567)	-	-
(194,120)	-	(194,120)	-	-
(11,032)	-	(11,032)	-	-
(102,430)	-	(102,430)	-	-
(174,805)	-	(174,805)	-	-
(4,157,025)	-	(4,157,025)	-	-
-	323,215	323,215	-	-
-	323,215	323,215	-	-
(4,157,025)	323,215	(3,833,810)	-	-
-	-	-	(95,064)	-
-	-	-	-	(882,947)
-	-	-	(95,064)	(882,947)
3,105,817	-	3,105,817	-	-
770,133	-	770,133	385,066	385,066
395,347	-	395,347	-	-
177,177	183,060	360,237	55,978	39,690
-	(6,087)	(6,087)	-	-
11,892	100,000	111,892	-	-
4,460,366	276,973	4,737,339	441,044	424,756
303,341	600,188	903,529	345,980	(458,191)
8,702,037	11,677,013	20,379,050	1,656,452	847,831
$ 9,005,378	$ 12,277,201	$ 21,282,579	$ 2,002,432	$ 389,640

CITY OF IOWA PARK, TEXAS

EXHIBIT A-3

BALANCE SHEET - GOVERNMENTAL FUND
SEPTEMBER 30, 2025

	General Fund	Capital Projects Fund	Debt Service Fund	Totals
Assets:				
Cash and cash equivalents	$ 1,549,499	$ 387,449	$ 237,452	$ 2,174,400
Investments	1,672,873	-	-	1,672,873
Receivables, net of allowances:				
Property taxes	18,215	-	1,801	20,016
Sales taxes	136,938	-	-	136,938
Customer accounts	88,479	-	-	88,479
Municipal court	29,540	-	-	29,540
Other	20,979	-	-	20,979
Due from other funds	135,127	-	-	135,127
Total assets	$ 3,651,650	$ 387,449	$ 239,253	$ 4,278,352
Liabilities:				
Accounts payable	$ 92,651	$ -	$ -	$ 92,651
Accrued payroll	52,883	-	-	52,883
Retainage payable	-	238,884	-	238,884
Other accrued liabilities	21,063	-	-	21,063
Unearned revenue	30,265	-	-	30,265
Due to other funds	-	-	119,250	119,250
Total liabilities	196,862	238,884	119,250	554,996
Deferred inflows of resources:				
Unavailable revenue	56,201	-	1,801	58,002
Fund balances:				
Restricted for:				
Drainage improvements	501,450	-	-	501,450
Municipal court	32,772	-	-	32,772
Police	12,239	-	-	12,239
Special projects	5,043	-	-	5,043
Capital projects	-	148,565	-	148,565
Debt Service	-	-	118,202	118,202
Committed for:				
Risk management	24,654	-	-	24,654
Infrastructure	35,427	-	-	35,427
Capital projects	-	-	-	-
Other projects	35,440	-	-	35,440
Unassigned	2,751,562	-	-	2,751,562
Total fund balances	3,398,587	148,565	118,202	3,665,354
Total liabilities, deferred inflows of resources and fund balances	$ 3,651,650	$ 387,449	$ 239,253	$ 4,278,352

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

CITY OF IOWA PARK, TEXAS

EXHIBIT A-4

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

Total fund balance - governmental fund balance sheet (Exhibit A-3)		$ 3,665,354
Amounts reported for governmental activities in the statement of net position (Exhibit A-1) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets at year-end consist of:		
Gross capital assets	$ 16,720,490	
Related accumulated depreciation	(6,568,725)	10,151,765
Accounts receivable are not available to pay for current period expenditures and therefore are deferred in the funds.		58,002
The City's proportionate share of net pension liability as well as pension-related deferred outflows of resources are recognized in the government-wide statements and include:		
Net pension liability	(407,844)	
Deferred outflows of resources from pensions	192,553	
Deferred inflows of resources from pensions	(94,280)	(309,571)
The City's total OPEB liability as well as OPEB-related deferred outflows of resources are recognized in the government-wide statements and include:		
Total OPEB liability	(89,621)	
Deferred outflows of resources from OPEB	4,750	
Deferred inflows of resources from OPEB	(23,470)	(108,341)
Some long-term liabilities and related assets are not due and payable in the current period and therefore are not reported in the funds. Those assets and liabilities at year-end consist of:		
Note receivable from component unit	4,500	
Bonds payable	(3,794,500)	
Premium on debt	(52,008)	
Financed purchase	(448,718)	
Accrued compensated absences	(79,252)	
Accrued interest	(82,030)	
Deferred loss on early retirement	177	(4,451,831)
Net position of governmental activities - statement of net position (Exhibit A-1)		$ 9,005,378

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

CITY OF IOWA PARK, TEXAS **EXHIBIT A-5**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General Fund	Capital Projects Fund	Debt Service Fund	Totals
Revenue:				
Ad valorem taxes	$ 2,849,875	$ -	$ 253,779	$ 3,103,654
Franchise taxes	395,347	-	-	395,347
City sales taxes	770,133	-	-	770,133
Charges for services	768,852	-	-	768,852
Licenses and permits	42,352	-	-	42,352
Fines and forfeitures	72,291	-	-	72,291
Revenue from use of money and property	154,325	24,037	7,063	185,425
Intergovernmental revenues	56,270	-	-	56,270
Other revenues	289,223	-	-	289,223
Total revenues	5,398,668	24,037	260,842	5,683,547
Expenditures:				
Administration	519,917	-	-	519,917
Public works	62,802	-	-	62,802
Code enforcement	73,217	-	-	73,217
Streets	793,036	-	-	793,036
Sanitation	622,705	-	-	622,705
Parks	257,010	-	-	257,010
Swimming pool	129,788	-	-	129,788
Police	1,070,971	-	-	1,070,971
Dispatch	386,694	-	-	386,694
Animal control	116,130	-	-	116,130
Municipal court	85,903	-	-	85,903
Fire	185,113	-	-	185,113
Library	217,334	-	-	217,334
RAC - Youth Center	610	-	-	610
Economic development	117,040	-	-	117,040
Capital projects	643,358	690,364	-	1,333,722
Debt service:				
Principal	113,245	-	80,000	193,245
Interest and fiscal charges	28,512	-	133,512	162,024
Total expenditures	5,423,385	690,364	213,512	6,327,261
Surplus (deficiency) of revenues over (under) expenditures	(24,717)	(666,327)	47,330	(643,714)
Change in fund balance	(24,717)	(666,327)	47,330	(643,714)
Fund balance - beginning	3,423,304	814,892	70,872	4,309,068
Fund balance - ending	$ 3,398,587	$ 148,565	$ 118,202	$ 3,665,354

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

CITY OF IOWA PARK, TEXAS **EXHIBIT A-6**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Net change in fund balance - total governmental fund (Exhibit A-5)		$ (643,714)
Amounts reported for governmental activities in the statement of activities (Exhibit A-2) are different because:		
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the costs of those assets are allocated over their useful lives as depreciation expense. The net difference between the two is as follows:		
Capital outlay during the year	$ 1,333,722	
Depreciation expense for the year	(444,910)	888,812
Proceeds from the sale of capital assets are reported in governmental funds as other financing sources without regard to any cost basis adjustment. However, for governmental activities those proceeds are adjusted for any remaining cost basis of the assets that were disposed.		-
Because accounts receivable will not be collected for several months after the City's fiscal year ends, they are not considered 'available' revenues and are deferred in the governmental funds. Deferred revenues decreased by this amount this year.		5,950
The commitment from the component unit to provide funding in the future does not provide a current financial resource, but payments made under that commitment do provide a current resource. The City received this payment this year.		(54,000)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due rather than as it accrues. This adjustment is a combination of five items.		
Compensated absences	(12,609)	
Amortization of advanced refunding difference	(2,127)	
Amortization of bond premium	4,659	
Accrued interest	(16,298)	(26,375)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. The net effect of these transactions is as follows:		
Repayment of long-term debt	193,285	193,285
Changes in the proportionate share of net pension liability and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds. The net effect of these transactions is:		(69,718)
Changes in the total OPEB liability and related deferred outflows reported in the Statement of Activities do not provide for or require use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds. The net effect of these transactions is:		9,101
Change in net position of governmental activities - statement of activities (Exhibit A-2)		$ 303,341

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

CITY OF IOWA PARK, TEXAS **EXHIBIT A-7**
STATEMENT OF NET POSITION
ENTERPRISE FUND
SEPTEMBER 30, 2025

		Utility Fund
Assets:		
Current assets:		
Cash and cash equivalents	$	4,660,110
Investments		873,500
Customer accounts receivable		514,859
Other receivables		5,898
Total current assets		6,054,367
Noncurrent assets:		
Note receivable from component unit		195,000
Capital assets, net of accumulated deprecation		7,054,603
Total noncurrent assets		7,249,603
Total assets		13,303,970
Deferred outflows of resources:		
Deferred loss on early retirement		1,005
Deferred outflows of resources from pensions		75,552
Deferred outflows of resources from OPEB		1,864
Total deferred outflows of resources		78,421
Total assets and deferred outflows of resources	$	13,382,391
Liabilities:		
Current liabilities:		
Accounts payable	$	226,793
Accrued payroll		19,490
Customer deposits		331,733
Other accrued liabilities		7,017
Accrued interest payable		4,579
Due to other funds		15,877
Total current liabilities		605,489
Long-term liabilities:		
Accrued compensated absences		36,552
Net pension liability		160,026
Total OPEB liability		35,165
Portion due within one year		70,500
Portion due after one year		151,257
Total long-term liabilities		453,500
Total liabilities		1,058,989
Deferred inflows of resources:		
Deferred inflows of resources from pensions		36,992
Deferred inflows of resources from OPEB		9,209
Total deferred inflows of resources		46,201
Net position:		
Invested in capital assets, net of related debt		6,833,851
Restricted for:		
Debt service		211,075
Capital projects		-
Unrestricted		5,232,275
Total net position		12,277,201
Total liabilities, deferred inflows of resources, and net position	$	13,382,391

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

CITY OF IOWA PARK, TEXAS **EXHIBIT A-8**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Utility Fund
Operating revenues:	
Water	$ 4,354,008
Sewer	756,246
Tap fees	15,890
Contact fees	121,435
Other	158,141
Total operating revenues	5,405,720
Operating expenses:	
Administrative and support services	1,714,215
Water treatment and distribution	2,625,643
Sewer collection and treatment	376,523
Depreciation and amortization	368,907
Total operating expenses	5,085,288
Operating income	320,432
Nonoperating revenue (expense):	
Interest revenue	183,060
Insurance proceeds	100,000
Contributions	10,204
Bond interest expense	(7,421)
Loss on disposal of assets	(6,087)
Total nonoperating revenue (expense)	279,756
Change in net position	600,188
Net position - beginning	11,677,013
Net position - ending	$ 12,277,201

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

CITY OF IOWA PARK, TEXAS **EXHIBIT A-9**

STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

		Utility Fund
Cash flows from operating activities:		
Cash received from customers	$	5,433,467
Cash payments to employees for services		(605,055)
Cash payments to other suppliers for goods and services		(4,107,302)
Net cash provided by operating activities		721,110
Cash flows from non-capital financing activities:		
Payment on interfund loans		(742)
Net cash used by non-capital financing activities		(742)
Cash flows from capital and related financing activities:		
Principal paid on long-term debt		(351,000)
Principal and interest received on note from component unit		55,204
Insurance proceeds received for capital projects		100,000
Interest and agent fees paid on long-term debt		(15,558)
Acquisition of capital assets		(224,912)
Proceeds from sale of capital assets		-
Net cash used by capital and related financing activities		(436,266)
Cash flows from investing activities:		
Purchase of investments		(35,756)
Interest earned		183,060
Net cash provided by investing activities		147,304
Net increase in cash and cash equivalents		431,406
Cash and cash equivalents - beginning		4,228,704
Cash and cash equivalents - ending	$	4,660,110
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	320,432
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation		368,907
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable		21,888
Other receivables		(4,030)
Deferred outflows of resources from pensions		115,146
Deferred outflows of resources from OPEB		(16)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable		(25,853)
Accrued liabilities		908
Accrued payroll		1,809
Customer deposits		9,889
Accrued compensated absences		4,001
Net pension liability		(114,611)
Total OPEB liability		(2,151)
Deferred inflows of resources from pensions		24,791
Net cash provided by operating activities	$	721,110

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

Notes to the Financial Statements

A. Summary of Significant Accounting Policies

The combined financial statements of the City of Iowa Park, Texas (City) have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The City's basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in GASB Statement No. 14, *The Financial Reporting Entity*, include whether:

- the organization is legally separate (can sue and be sued in its name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City
- the exclusion of the organization would result in misleading or incomplete financial statements

Blended component units, although legally separate entities, are in substance, part of the City's operations and data from these units are combined with data presented by the City. Discretely presented component units, on the other hand, are reported in separate columns in the financial statements to emphasize they are legally separate from the City. Each blended and discretely presented component unit has a September 30th year end.

The City also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 39 requires inclusion of such an organization as a component unit when: 1) the economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the City, its component units or its constituents; and 2) the City or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) such economic resources are significant to the City.

Discretely Presented Component Units

The Iowa Park Economic Development Corporation is a non-profit corporation formed in March 2003 to promote economic development for the City in order to retain and expand existing business, expand and diversify the tax base of the City, attract new business and investment to the City, enhance existing job opportunities, create new job opportunities, and improve the quality of life and environment for the citizens of the City. The Corporation operates under the authority of Vernon's Civil Statutes, Article 5190.6, Section 4A and utilizes modified accrual basis of accounting. The Iowa Park Economic Development Corporation is considered to be a part of the City's financial reporting entity because the City Council appoints its Board of Directors, approves its budgets, and exercises final authority over its operations.

The Iowa Park Community Development Corporation is a non-profit corporation formed in March 2003 for the purpose of promoting or developing new or expanding business enterprises, parks, and other community projects. The Corporation operates under the authority of Vernon's Civil Statutes, Article 5190.6, Section 4B and utilizes modified accrual basis of accounting. The Iowa Park Community Development Corporation is considered to be a part of the City's financial reporting entity because the City Council appoints its Board of Directors, approves its budgets, and exercises final authority over its operations.

<u>Excluded from Reporting Entity</u>

The activities of the Firemen's Relief and Retirement Fund, in the City's professional judgment, are not a part of the City and thus are excluded from the accompanying financial statements. The Iowa Park Firemen's Relief and Retirement Fund is established and controlled through various state of Texas legislative enactments. This fund is administered locally by a board, independent of the City Council. City management and the City Council do not influence or control the administration and financial affairs of the fund, and the net position of the fund are not the property of the City.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund: This is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

Capital Project Fund: This fund is used for supporting large infrastructure costs. The City is using this fund for the purchase of a new building and remodel for a new police and fire station.

Debt Service Fund: This fund is used to service the City's debt.

The City reports the following major enterprise fund:

Water and Sewer Fund: This fund accounts for water and sewer services to residents of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance, and related debt service.

b. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under financed purchases and leases are reported as other financing sources.

When the City incurs an expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The City has chosen to apply future FASB standards.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

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

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

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

At September 30, 2025, net property taxes receivable is calculated as follows:

Gross property taxes receivable	$	137,735
Allowance for uncollectible taxes		(117,719)
Net property taxes receivable	$	20,016

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the 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. A capitalization threshold of $5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings and improvements	20-50
System improvements	10-50
Machinery and equipment	3-25
Infrastructure	50

d. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid obscuring significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables, other than delinquent property taxes receivable, which are not scheduled for collection within one year of year end. Of the $137,735 outstanding at September 30, 2025, it is expected that the City will collect approximately $30,000 during the 2025-2026 fiscal year. This is similar to the delinquent taxes collected for the year ended September 30, 2025.

e. Interfund Activity

Interfund activity results from loans, services provided, reimbursements, or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

f. Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The City reports three categories of net position, as follows:

- Net investment in capital assets - consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

- Restricted net position - net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the City's bonds. Restricted net position is restricted assets reduced by liabilities and deferred inflows of resources related to the restricted assets.

- Unrestricted net position - consists of all other net position that does not meet the definition of the above two components and is available for general use by the City.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, management applies restricted net position first, unless a determination is made to use unrestricted net position.

g. Governmental Fund Balances

Governmental fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance. Assigned fund balances are constrained by an intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by City management based on Council direction.

For the classification of governmental fund balances, the City considers an expenditure to be made from the most restrictive fund balance classification first when more than one classification is available.

h. Pensions

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

i. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms.

j. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

For the year ended September 30, 2025, the City overspent in ten functional areas of the General Fund relative to the budget (see Note N). The City will be more diligent in monitoring its actual expenditures compared to the City's adopted budget during the year.

2. Deficit Fund Balance or Fund Net Position of Individual Funds

There are no funds with deficit fund balance or deficit net position as of September 30, 2025.

C. Deposits and Investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Cash Deposits:

At September 30, 2025, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was $6,834,510 and the bank balance was $6,913,938. The City's cash deposits at September 30, 2025 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

At September 30, 2025, the carrying amount and bank balance of the Economic Development Corporation's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was $253,283. The Corporation's cash deposits at September 30, 2025 and during the year ended September 30, 2025, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

At September 30, 2025, the carrying amount and bank balance of the Community Development Corporation's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was $227,715. The Corporation's cash deposits at September 30, 2025 and during the year ended September 30, 2025, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Investments:

The Public Funds Investment Act (Act) requires an annual audit of investment practices. Audit procedures were conducted as a part of the audit of the basic financial statements. The City adhered to the requirements of the Act in the areas of investment practices, management reports and establishing appropriate policies. Additionally, investment practices of the City were in accordance with local policies.

The City's Investments at September 30, 2025 are shown below:

Investment or Investment Type	Weighted Maturity (Months)	Fair Value
Primary Government		
US Government Securities	2.70	$ 3,851
Certificate of Deposit	8.45	2,542,523
		$ 2,546,374

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and, if so, the reporting of certain related disclosures:

1. Credit Risk

   Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

2. Custodial Credit Risk

   Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

   Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name. At year end, the City was not exposed to custodial credit risk.

3. Concentration of Credit Risk

   This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

4. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

5. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

D. Due from Component Unit

In fiscal year 2014, the Iowa Park Economic Development Corporation agreed to pay principal and interest on $600,000 of City Certificate of Obligation Bonds. The bonds were issued to fund a water reuse project. The balance of this note as of September 30, 2025 is $195,000 in business-type activities.

In fiscal year 2006, the Iowa Park Community Development Corporation agreed to pay principal and interest on $800,000 of City Certificate of Obligation Bonds. The bonds were issued to construct a municipal swimming pool. The balance of this note as of September 30, 2025 is $4,500 in governmental activities.

E. Capital Assets

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

Governmental activities:	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	$ 112,438	$ -	$ -	$ 112,438
CIP	4,665,859	747,642	(82,635)	5,330,866
Total capital assets not being depreciated	4,778,297	747,642	(82,635)	5,443,304
Capital assets being depreciated:				
Buildings and improvements	2,925,249	378,894	-	3,304,143
Machinery and equipment	5,391,326	163,099	-	5,554,425
Infrastructure	2,291,896	126,722	-	2,418,618
Total capital assets being depreciated	10,608,471	668,715	-	11,277,186
Less accumulated depreciation for:				
Buildings and improvements	(1,634,365)	(93,739)	-	(1,728,104)
Machinery and equipment	(3,752,795)	(304,162)	-	(4,056,957)
Infrastructure	(736,655)	(47,009)	-	(783,664)
Total accumulated depreciation	(6,123,815)	(444,910)	-	(6,568,725)
Total capital assets being depreciated, net	4,484,656	223,805	-	4,708,461
Governmental activities capital assets, net	$ 9,262,953	$ 971,447	$ (82,635)	$ 10,151,765

Business-type activities:	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	$ 631,320	$ -	$ -	$ 631,320
CIP	115,364	180,216	-	295,580
Total capital assets not being depreciated	746,684	180,216	-	926,900
Capital assets being depreciated:				
Buildings and improvements	427,680	-	(76,878)	350,802
System improvements	14,376,160	7,801	-	14,383,961
Machinery and equipment	1,670,428	36,894	(28,926)	1,678,396
Total capital assets being depreciated	16,474,268	44,695	(105,804)	16,413,159
Less accumulated depreciation for:				
Buildings and improvements	(333,020)	(6,080)	76,878	(262,222)
System improvements	(8,273,236)	(299,794)	-	(8,573,030)
Machinery and equipment	(1,410,011)	(63,033)	22,840	(1,450,204)
Total accumulated depreciation	(10,016,267)	(368,907)	99,718	(10,285,456)
Total capital assets being depreciated, net	6,458,001	(324,212)	(6,086)	6,127,703
Business-type activities capital assets, net	$ 7,204,685	$ (143,996)	$ (6,086)	$ 7,054,603

Depreciation was charged to functions as follows:

Governmental activities:

Administration	$ 12,140
Animal control	1,771
Code enforcement	4,745
Dispatch	10,611
Fire	116,283
Library	13,637
Economic development	170
Municipal court	1,030
Parks	58,716
Police	66,569
RAC	10,422
Street	114,274
Swimming pool	34,542
Total	$ 444,910

Discretely presented component units

Activity for Iowa Park Economic Development Corporation for the year ended September 30, 2025, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	$ 87,182	$ -	$ -	$ 87,182
CIP	92,545	66,550	-	159,095
Capital assets	$ 179,727	$ 66,550	$ -	$ 246,277

F. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and from other funds at September 30, 2025 consisted of the following:

Due to	Due from	Amount
General Fund	Water and Sewer Fund	$ 15,877

This interfund payable from the Water and Sewer Fund is expected to be paid within a year.

2. Transfers To and From Other Funds

There were no transfers between funds during the year ended September 30, 2025.

G. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the period ended September 30, 2025, are as follows:

	Beginning Balances	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation refunding bond	$ 58,500	$ -	$ (54,000)	$ 4,500	$ 4,500
Bond premium	56,667	-	(4,659)	52,008	-
Taxable bonds	3,870,000	-	(80,000)	3,790,000	85,000
Financed purchase	508,003	-	(59,285)	448,718	62,123
Compensated absences	66,643	12,609	-	79,252	-
Total governmental activities	$ 4,559,813	$ 12,609	$ (197,944)	$ 4,374,478	$ 151,623
Business-type activities:					
General obligation refunding	$ 331,500	$ -	$ (306,000)	$ 25,500	$ 25,500
Premium on general obligation refunding	16,344	-	(15,087)	1,257	-
Taxable certificates of obligation	240,000	-	(45,000)	195,000	45,000
Compensated absences	32,551	4,001	-	36,552	-
Total business-type activities	$ 620,395	$ 4,001	$ (366,087)	$ 258,309	$ 70,500

2. Bonds Payable

On July 1, 2006, the City issued Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2006 in the amount of $800,000. The interest rate on the bonds ranges from 3.85% to 4.85% with an original maturity date of August 1, 2026. These bonds were issued to construct a municipal swimming pool. In 2014, a portion of these bonds were refunded. The final payment for the remaining outstanding issuance is due on August 1, 2026.

On April 3, 2014, the City issued Tax & Waterworks & Sewer System Revenue Certificates of Obligation, Taxable Series in the amount of $600,000. The interest rate on the bonds ranges from 0.65% to 4.90% with a maturity date of October 15, 2028. The bonds were issued to finance a water reuse project.

On February 1, 2014, the City issued $3,255,000 of Series 2014, General Obligation Refunding Bonds, allocated 15% to the general fund and 85% to the utility fund. The debt was issued to refund a portion of the City's outstanding debt to achieve a present value debt service savings. Net proceeds from the sale of the bonds totaled $3,376,629. The proceeds placed with an escrow agent to provide for all future debt payments of the refunded bonds. This refunding resulted in a decrease in the City's debt service payments of $363,373, which resulted in an economic gain (difference between the present value of the debt service payments of the old debt and new debt) of $319,617.

On March 17, 2022, the City issued Taxable Bonds for the general fund in the amount of $3,945,000. The interest rate on the bonds ranges from 2.75% to 4% with a maturity date of October 15, 2051. These bonds were issued to construct and furnish facilities for the police and fire departments.

Debt service requirements to maturity on bonds payable at September 30, 2025, are as follows:

Year Ending	Governmental Activities			Business-Type Activities		
September 30,	Principal	Interest	Total	Principal	Interest	Total
2026	$ 89,500	$ 129,930	$ 219,430	$ 70,500	$ 8,595	$ 79,095
2027	85,000	126,463	211,463	50,000	6,025	56,025
2028	90,000	122,963	212,963	50,000	3,650	53,650
2029	95,000	119,263	214,263	50,000	1,225	51,225
2030	95,000	115,463	210,463	-	-	-
2031-2035	550,000	514,813	1,064,813	-	-	-
2036-2040	660,000	405,493	1,065,493	-	-	-
2041-2045	790,000	274,950	1,064,950	-	-	-
2046-2050	925,000	133,125	1,058,125	-	-	-
2051-2052	415,000	12,525	427,525	-	-	-
Total	$3,794,500	$1,954,988	$5,749,488	$220,500	$19,495	$239,995

3. Financed Purchase

The City entered into a financed purchase agreement for a fire truck in February 2017. The fire truck agreement has annual payments of $33,855, bears interest of 3.06%, and matures in February 2029. The agreement is considered to be a financed purchase for accounting purposes. The liability for future payments total $125,650 and is reported as long-term liabilities due within one year of $30,005 and long-term liabilities due in more than one year of $95,654 in the Governmental Activities.

The City entered into a financed purchase agreement for a 2025 Freightliner in August 2024. The agreement has annual payments of $52,956, bears interest of 6.45%, and matures in August 2033. The agreement is considered to be a financed purchase for accounting purposes. The liability for future payments total $323,068 and is reported as long-term liabilities due within one year of $32,118 and long-term liabilities due in more than one year of $290,950 in the Governmental Activities.

The commitments under financed purchase agreements for equipment provide for future payments as of September 30, 2025 as follows:

Year Ending September 30,	Principal	Interest	Total
2026	$ 62,123	$ 24,688	$ 86,811
2027	65,114	21,697	86,811
2028	68,267	18,544	86,811
2029	71,591	15,220	86,811
2030	41,241	11,715	52,956
2031-2035	140,382	18,485	158,867
Total	$ 448,718	$ 110,349	$ 559,067

3. Component Units

Long-Term Obligation Activity

Long-term obligations for the discretely reported component units include long-term notes payable. Changes in long-term obligations for the period ended September 30, 2025, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Iowa Park Economic Development Corporation:					
Note payable to primary government	$ 240,000	$ -	$ (45,000)	$ 195,000	$ 45,000
Iowa Park Community Development Corporation:					
Note payable to primary government	$ 58,500	$ -	$ (54,000)	$ 4,500	$ 4,500

Notes Payable

In fiscal year 2014, the Iowa Park Economic Development Corporation agreed to pay principal and interest on $600,000 of City Certificate of Obligation Bonds. The bonds were issued to fund a water reuse project. The balance of this note as of September 30, 2025 is $195,000.

In fiscal year 2006, the Iowa Park Community Development Corporation agreed to pay principal and interest on $800,000 of City Certificate of Obligation Bonds. The bonds were issued to construct a municipal swimming pool. The balance of this note as of September 30, 2025 is $4,500.

Debt service requirements to maturity on notes payable at September 30, 2025, are as follows:

Year Ending	4A Development Corporation			4B Development Corporation		
September 30,	Principal	Interest	Total	Principal	Interest	Total
2026	$ 45,000	$ 8,213	$ 53,213	$ 4,500	$ 68	$ 4,568
2027	50,000	6,025	56,025	-	-	-
2028	50,000	3,650	53,650	-	-	-
2029	50,000	1,225	51,225	-	-	-
2030	-	-	-	-	-	-
Total	$ 195,000	$ 19,113	$ 214,113	$ 4,500	$ 68	$ 4,568

H. 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. The City maintains general liability insurance 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 (TML). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its insurance coverage discussed above. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

I. Commitments and Contingencies

1. Contingencies

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

2. Litigation

The City is a party to various legal actions normally associated with local governments, the aggregate of which, in the City's and legal counsel's opinion, would not be material to the financial statements of the City.

J. Accrued Compensated Absences

All full-time employees accumulate vacation benefits based on length of service, up to 20 days per year. The maximum allowable accumulation is 17 days. Upon leaving the City, employees will be paid for unused vacation days which they have accrued. At September 30, 2025 the City has accrued a liability of $115,804 for vacation leave. This liability is recorded as a long-term liability in the government-wide financial statements.

K. Defined Benefit Pension Plan

1. Plan Description

The City of Iowa Park participates as one of 938 plans 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 TMRS 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 annual comprehensive financial report (ACFR) that can be obtained at *www.tmrs.com*.

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

2. 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's deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2023	Plan Year 2024
Employee deposit rate	6%	6%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/25	60/5, 0/25
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

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	37
Inactive employees entitled to but not yet receiving benefits	67
Active employees	47
Total	151

3. Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the Member's total compensation, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City of Iowa Park were required to contribute 6% of their annual compensation during the fiscal year. The contribution rates for the City of Iowa Park were 10.42% and 11.52% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were $269,573, and were equal to the required contributions.

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

The actuarial assumptions were developed primarily from 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 in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in fiscal year 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Global Equity	35%	7.1%
Core Fixed Income	6%	5.0%
Non-Core Fixed Income	6%	6.8%
Hedge Funds	5%	6.4%
Private Equity	13%	8.5%
Private Debt	13%	8.2%
Real Estate	12%	6.7%
Infrastructure	6%	6.0%
Other Private Markets	4%	7.3%
Total	100%	

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 Member 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 Members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/2023	$ 11,617,578	$ 10,646,100	$ 971,478
Changes for the year:			
Service cost	310,894	-	310,894
Interest	778,382	-	778,382
Change of benefit terms	-	-	-
Difference between expected and actual experience	(15,482)	-	(15,482)
Changes of assumptions	-	-	-
Contributions – employer	-	240,400	(240,400)
Contributions – employee	-	138,426	(138,426)
Net investment income	-	1,105,837	(1,105,837)
Benefit payments, including refunds of employee contributions	(482,875)	(482,875)	-
Administrative expense	-	(7,094)	7,094
Other changes	-	(167)	167
Net changes	590,919	994,527	(403,608)
Balance at 12/31/2024	$ 12,208,497	$ 11,640,627	$ 567,870

Sensitivity of the Net Pension Liability to changes in the discount rate

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

	1% Decrease In Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase In Discount Rate (7.75%)
City's net pension liability	$ 2,230,527	$ 567,870	$ (805,808)

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.*

5. Pension Expense and 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 $364,615.

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 economic experience	$ 56,458	$ -
Change in assumptions and other inputs	-	(15,426)
Difference between projected and actual investment earnings	-	(115,846)
Contributions subsequent to the measurement date	211,647	-
Total	$ 268,105	$ (131,272)

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of $211,647 will be recognized as a reduction of the net pension liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31,	
2025	$ 51,836
2026	121,304
2027	(170,509)
2028	(77,445)
Total	$ (74,814)

L. Postemployment Benefits Other Than Pensions (OPEB)

1. Plan Description

The City of Iowa Park participates in a cost sharing multiple-employer defined benefit group life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to participate in SBDF, and the City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

2. Benefits Provided

The SBDF provides group-term life insurance coverage to both current and retired employees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500.

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

Inactive employees currently receiving benefits	20
Inactive employees entitled to but not yet receiving benefits	6
Active employees	47
Total	73

3. Total OPEB Liability

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

Actuarial assumptions and other inputs

The total OPEB liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	3.60% to 11.85%, including inflation
Discount rate	4.08%
Retirees' share of benefit-related costs	$0

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

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

Mortality rates for service retirees are based on 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 for disabled retirees are based on 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 the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

The actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

Changes in the Total OPEB Liability

Total OPEB Liability - beginning of year	$	131,997
Changes for the year:		
Service Cost		5,014
Interest on Total OPEB Liability		4,993
Differences between expected and actual experience		(7,206)
Changes in assumptions or other inputs		(5,909)
Benefit payments		(4,103)
Net changes		(7,211)
Total OPEB Liability – end of year	$	124,786

Sensitivity of the Total OPEB Liability to changes in the discount rate

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

	1% Decrease In Discount Rate (3.08%)	Discount Rate (4.08%)	1% Increase In Discount Rate (5.08%)
City's total OPEB liability	$ 145,207	$ 124,786	$ 108,115

4. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2025, the City recognized OPEB income of $8,698.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ (9,535)
Change in assumptions and other inputs	-	(23,144)
Contributions subsequent to the measurement date	6,614	-
Total	$ 6,614	$ (32,679)

Deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date of $6,614 will be recognized as a reduction of the net pension liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending December 31,	
2025	$ (13,218)
2026	(13,424)
2027	(3,376)
2028	(2,431)
2029	(230)
Total	$ (32,679)

M. Ad Valorem Tax Abatements

The City of Iowa Park entered into an ad valorem tax abatement agreement with a local business to promote economic development as permitted by chapter 311 of the Texas Tax Code. Under the tax abatement program, the City may negotiate to abate taxes based upon a project's capital investment and the number of jobs created as a result of expansion or new project location. The City may abate 100% of their portion of increased ad valorem tax during the first year that improvements are in place. Terms of these abatements are negotiated on a case-by-case basis and apply only to primary employers.

For the fiscal year ended September 30, 2025, the City of Iowa Park abated property taxes under this program totaling $29,938 for a local manufacturing company.

N. Expenditures in Excess of Budgeted Amounts

During the year ended September 30, 2025, the City had General Fund expenditures in excess of the budgeted amounts as follows:

Department	Amount	Department	Amount
Administration	$ 98,342	Police	$ 85,430
Code Enforcement	4,307	Dispatch	232
Sanitation	14,705	Animal Control	4,060
Parks	12,941	Fire	59,900
Swimming Pool	64,773	Library	11,657

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

CITY OF IOWA PARK, TEXAS **EXHIBIT B-1**

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenue:				
Ad valorem taxes	$ 2,946,700	$ 2,946,700	$ 2,849,875	$ (96,825)
Franchise taxes	368,000	368,000	395,347	27,347
City sales taxes	700,000	700,000	770,133	70,133
Charges for services	769,600	769,600	768,852	(748)
Licenses and permits	39,250	39,250	42,352	3,102
Fines and forfeitures	77,950	77,950	72,291	(5,659)
Revenue from use of money and property	83,500	83,500	154,325	70,825
Intergovernmental revenues	3,900	3,900	56,270	52,370
Other revenues	185,950	185,950	289,223	103,273
Total revenues	5,174,850	5,174,850	5,398,668	223,818
Expenditures:				
Administration	509,220	509,220	607,562	(98,342)
Public works	63,480	63,480	62,802	678
Code enforcement	68,910	68,910	73,217	(4,307)
Streets	1,002,960	1,002,960	908,673	94,287
Sanitation	608,000	608,000	622,705	(14,705)
Parks	404,050	404,050	416,991	(12,941)
Swimming pool	197,080	197,080	261,853	(64,773)
Police	1,183,930	1,183,930	1,269,360	(85,430)
Dispatch	389,150	389,150	389,382	(232)
Animal control	116,670	116,670	120,730	(4,060)
Municipal court	94,640	94,640	85,903	8,737
Fire	194,220	194,220	254,120	(59,900)
Library	216,680	216,680	228,337	(11,657)
RAC - Youth Center	1,500	1,500	610	890
Economic development	128,960	128,960	121,140	7,820
Total expenditures	5,179,450	5,179,450	5,423,385	(243,935)
Excess of revenues over expenditures	(4,600)	(4,600)	(24,717)	(20,117)
Excess of revenues and other financing sources over expenditures	$ (4,600)	$ (4,600)	$ (24,717)	$ (20,117)

Budget and Budgetary Accounting

The City Council adopts an annual budget for the general and utility funds. The general fund budget is legally adopted on a modified accrual basis. The budget for the utility fund is adopted under a basis consistent with GAAP, except that amortization and depreciation are not considered (working capital basis).

The following procedures are followed in establishing the budgetary data reflected in the Basic Financial Statements:

> Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must have been given. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the City Council.
>
> Once a budget is approved, it can only be amended by approval of a majority of the members of City Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of City Council and are not made after fiscal year end. All budget appropriations lapse at year end.

Budget Amendments

There were no amendments to the budget during the year ended September 30, 2025.

CITY OF IOWA PARK, TEXAS **EXHIBIT B-2**

TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
DECEMBER 31, 2024

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Pension Liability										
Service cost	$ 220,303	$ 234,361	$ 231,830	$ 235,420	$ 237,574	$ 247,208	$ 253,236	$ 265,791	$ 290,248	$ 310,894
Interest (on the Total Pension Liability)	506,575	529,125	565,247	587,550	613,190	630,127	651,536	675,899	727,430	778,382
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	57,083	69,673	(110,049)	(58,690)	(273,430)	(208,636)	(129,418)	264,728	254,066	(15,482)
Changes of assumptions	55,548	-	-	-	28,282	-	-	-	(59,504)	-
Benefit payments, including refunds of employee contributions	(234,644)	(254,247)	(339,244)	(377,570)	(393,436)	(325,593)	(383,515)	(457,869)	(452,570)	(482,875)
Net Change in Total Pension Liability	604,865	578,912	347,784	386,710	212,180	343,106	391,839	748,549	759,670	590,919
Total Pension Liability - Beginning	7,243,963	7,848,828	8,427,740	8,775,524	9,162,234	9,374,414	9,717,520	10,109,359	10,857,908	11,617,578
Total Pension Liability - Ending (a)	$ 7,848,828	$ 8,427,740	$ 8,775,524	$ 9,162,234	$ 9,374,414	$ 9,717,520	$ 10,109,359	$ 10,857,908	$ 11,617,578	$ 12,208,497
Plan Fiduciary Net Position										
Contributions - employer	$ 254,507	$ 245,907	$ 261,498	$ 277,712	$ 266,611	$ 275,402	$ 250,964	$ 236,908	$ 211,883	$ 240,400
Contributions - employee	110,336	108,250	106,589	110,131	108,895	111,953	113,644	124,609	137,586	138,426
Net investment income	8,986	420,684	934,242	(230,587)	1,155,384	653,067	1,214,485	(766,874)	1,116,044	1,105,837
Benefit payments, including refunds of employee contributions	(234,644)	(254,247)	(339,244)	(377,570)	(393,436)	(325,593)	(383,515)	(457,869)	(452,570)	(482,875)
Administrative expenses	(5,473)	(4,749)	(4,840)	(4,455)	(6,526)	(4,225)	(5,617)	(6,634)	(7,098)	(7,094)
Other	(270)	(256)	(245)	(233)	(197)	(166)	38	7,916	(50)	(167)
Net Change in Plan Fiduciary Net Position	133,442	515,589	958,000	(225,002)	1,130,731	710,438	1,189,999	(861,944)	1,005,795	994,527
Plan Fiduciary Net Position - Beginning	6,089,052	6,222,494	6,738,083	7,696,083	7,471,081	8,601,812	9,312,250	10,502,249	9,640,305	10,646,100
Plan Fiduciary Net Position - Ending (b)	$ 6,222,494	$ 6,738,083	$ 7,696,083	$ 7,471,081	$ 8,601,812	$ 9,312,250	$ 10,502,249	$ 9,640,305	$ 10,646,100	$ 11,640,627
Net Pension (Asset) Liability - Ending (a) - (b)	$ 1,626,334	$ 1,689,657	$ 1,079,441	$ 1,691,153	$ 772,602	$ 405,270	$ (392,890)	$ 1,217,603	$ 971,478	$ 567,870
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	79.28%	79.95%	87.70%	81.54%	91.76%	95.83%	103.89%	88.79%	91.64%	95.35%
Covered Employee Payroll	1,838,927	1,804,164	1,776,476	1,816,512	1,814,924	1,860,107	1,894,064	2,018,157	2,175,770	2,279,282
Net Pension Liability as a Percentage of Covered Employee Payroll	88.44%	93.65%	60.76%	93.10%	42.57%	21.79%	-20.74%	60.33%	44.65%	24.91%

CITY OF IOWA PARK, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
SEPTEMBER 30, 2025

EXHIBIT B-3

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Actuarially Determined Contribution	$ 246,278	$ 258,717	$ 273,848	$ 268,090	$ 273,317	$ 267,508	$ 230,348	$ 210,161	$ 230,520	$ 269,573
Contribution in relation to the actuarially determined contribution	246,278	258,717	273,848	268,090	273,317	267,508	230,348	210,161	230,520	269,573
Contribution excess (deficiency)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 1,854,783	$ 1,852,028	$ 1,892,084	$ 1,921,614	$ 1,955,406	$ 2,102,524	$ 1,894,064	$ 2,018,157	$ 2,298,403	$ 2,459,353
Contributions as a percentage of covered employee payroll	13.28%	13.97%	14.47%	13.95%	13.98%	12.72%	12.16%	10.41%	10.03%	10.96%

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	22 Years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale-MP 2021 (with immediate convergence). Pre-retirement: PUB(10) mortality 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 MF 2021 (with immediate convergence).

Other Information:

Notes	There were no benefit changes during the year.

CITY OF IOWA PARK, TEXAS **EXHIBIT B-4**

TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
DECEMBER 31, 2024

	2017	2018	2019	2020	2021	2022	2023	2024
Total OPEB Liability								
Service cost	$ 4,086	$ 4,905	$ 4,174	$ 5,952	$ 7,766	$ 7,871	$ 4,134	$ 5,014
Interest	4,416	4,446	7,984	4,282	3,491	3,192	4,915	4,993
Changes of benefit terms	-	-	-	-	-	-	-	-
Difference between expected and actual experience	-	81,569	(95,446)	(10,953)	(13,685)	(241)	1,910	(7,206)
Changes of assumptions	9,560	(8,480)	24,275	21,093	4,847	(56,876)	4,151	(5,909)
Benefit payments	(888)	(1,090)	(1,270)	(1,488)	(3,409)	(3,633)	(4,787)	(4,103)
Net Change in Total OPEB Liability	17,174	81,350	(60,283)	18,886	(990)	(49,687)	10,323	(7,211)
Total OPEB Liability - Beginning	115,224	132,398	213,748	153,465	172,351	171,361	121,674	131,997
Total OPEB Liability - Ending (a)	$ 132,398	$ 213,748	$ 153,465	$ 172,351	$ 171,361	$ 121,674	$ 131,997	$ 124,786
Covered Employee Payroll	$ 1,852,028	$ 1,816,512	$ 1,814,924	$ 1,860,107	$ 1,894,064	$ 2,018,157	$ 2,175,770	$ 2,279,282
Total OPEB Liability as a Percentage of Covered Employee Payroll	7.15%	11.77%	8.46%	9.27%	9.05%	6.03%	6.07%	5.47%

NOTES TO SCHEDULE:

Changes of assumptions.

Changes of assumptions and other inputs reflect the change in the municipal bond rate index, which is used as a basis for the discount rate. The actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

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

Internal Control and Compliance

MWH GROUP
CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS

Independent Auditor's Report

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

City Council
City of Iowa Park, Texas
103 N. Wall St.
Iowa Park, Texas 76367

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Iowa Park, Texas, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Iowa Park, Texas' basic financial statements and have issued our report thereon dated March 6, 2026

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. See finding 2025-1.

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Report on Compliance and Other Matters

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

City of Iowa Park, Texas' Response to Finding

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

Purpose of this Report

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

Respectfully submitted,

MWH Group, P.C.

MWH Group, P.C.
Wichita Falls, Texas

March 6, 2026

CITY OF IOWA PARK, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

A. Summary of Auditor's Results - Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	____ Yes __X__ No
Significant deficiency identified that is not considered to be material weaknesses?	__X__ Yes ____ No
Noncompliance material to financial statements noted?	____ Yes __X__ No

B. Financial Statement Finding

Finding 2025-1: Control Environment

Condition and Criteria: An ideal control environment provides structure and clear communication of responsibilities for the City and its employees. However, the City's control structure does not provide for an ideal control environment.

Cause: The size of the City's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough in number to provide an optimum control environment.

Effect: There is a possibility that misstatements would not be detected or prevented by management or employees in a timely manner while performing their normal functions.

Recommendations: We recommend that the City always be aware of their deficiencies in internal control resulting from their small number of business office and administrative staff. We recommend that the City be open to opportunities to improve their internal controls as the opportunities present themselves. Below we have listed several such areas to consider.

- A monthly review should be performed to ensure detailed records and reconciliations agree to the general ledger amounts for items such as capital assets. This monthly review should be completed by someone that does not perform the functions related to that account.

- Written policies should be completed and updated periodically regarding areas such as capital assets, expense reports, purchasing, general administration, and finance procedures. Management is in the process of compiling a comprehensive set of policies and procedures, and we encourage them to complete the process as they are able.

Response: The City is aware of the limitations it has with regard to internal control because of the limited number of office staff. As a result, the City will always be aware of its need to improve internal controls when the opportunity presents itself and will remain committed to the involvement of the City Council in oversight and review of City functions and financial affairs.