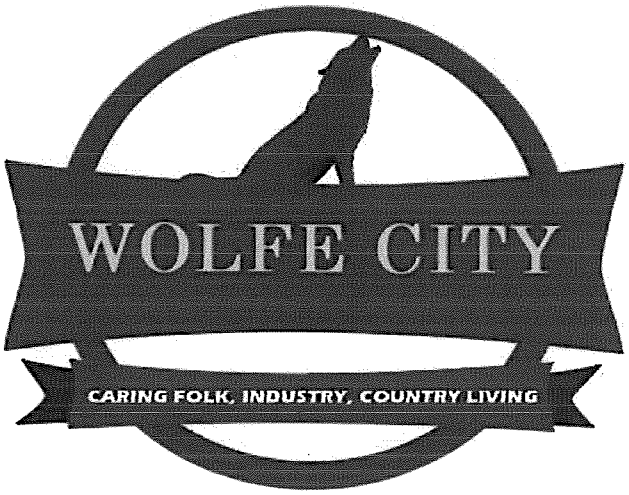
CITY OF WOLFE CITY, TEXAS

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
SEPTEMBER 30, 2025



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WILF & HENDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
Member of American Institute of Certified Public Accountants
Member of Private Company Practice Section
Member of AICPA Governmental Audit Quality Center

Independent Auditor's Report

February 26, 2026

Honorable Mayor and
Members of the City Council
City of Wolfe City, Texas

Members of the Council:

Report on the Audit of Financial Statements

Opinions

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

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

Responsibilities of Management for the Financial Statements

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

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

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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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9 and budgetary comparison information on page 33 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Delinquent Taxes Receivable, Historical Schedule of Assessed Property Valuation, and Historical Schedule of Property Tax Rates but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or other information otherwise appears to be materially misstated. If, based on work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated February 26, 2026, on our consideration of the City of Wolfe City, 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 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's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Wolfe City, Texas' internal control over financial reporting and compliance.

Wilf & Henderson, P.C.

WILF & HENDERSON, P.C.
Certified Public Accountants
Texarkana, Texas

February 26, 2026

City of Wolfe City, Texas
Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) for the City of Wolfe City is designed to:

- Assist the reader in focusing on significant financial issues;
- Provide an overview of the City's financial activities;
- Identify changes in the City's overall financial position and results of operations and assist the user in determining whether financial position has improved or deteriorated as a result of the year's operations;
- Identify any significant variations from the original, amended, and final budget amounts and include any currently known reasons for those variations that are expected to have a significant effect on future services or liquidity; and
- Identify individual fund issues or concerns.

The information contained within this MD&A should be considered only as part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes that are provided in addition to this MD&A.

Overview of the Financial Statements

The MD&A requires supplementary information that introduces the reader to the basic financial statements and provides an overview of the City's financial activities. The City's basic financial statements consist of the following components:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to the financial statements.

A general description of the components of the basic financial statements follows.

Government-Wide Financial Statements

The government-wide financial statements are designed to present the financial operations of the City as a whole in a format similar to private sector companies. All governmental and business-type activities are consolidated into columns which add to a total for the Primary Government. If the City determines that presentation of a component unit (which are other governmental units for which the City can exercise significant influence or for which the Primary Government financial statements would be misleading if component unit information is not presented) is necessary to allow the reader to determine the relationship of the component unit and primary government, the component unit information is presented in a separate column of the financial statements or in a separate footnote.

The focus is on the government-wide (entity-wide) Statement of Net Position and Statement of Activities to give the reader a broad overview of the City's financial position and results of operations.

a. The Statement of Net Position presents information on the City's assets and liabilities using the accrual basis of accounting, in a manner similar to the accounting used by private business enterprises. The difference between the assets and liabilities is reported as Net Position. Over time, the increases or decreases in net position (and changes in the components of net position) may serve as a useful indicator of whether the financial position of the City is improving or weakening. Although the focus of this MD&A will be on the analysis of the overall changes to net position, the reader should refer to Note 1 - Significant Accounting Policies for an explanation of the components of net position.

b. The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. The format for the Statement of Activities presents the expenses for each function (administrative, police protection, fire protection, public works, sanitation, and park) reduced by the Program Revenues (charges for services, operating grants and contributions, and capital grants and contributions) directly related to each respective function, to determine net costs of each function. The net costs of each function are normally covered by general revenues.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related and legal requirements. The City of Wolfe City uses two categories of funds to account for financial transactions: governmental funds and proprietary funds.

Governmental funds are used to account for most of the basic services and projects reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The City of Wolfe City's governmental funds include the General Fund for accounting for the City's basic services and the Debt Service Fund for accounting of debt payments

The Proprietary Fund accounts for water, sewer, and sanitation services for the City of Wolfe City. Enterprise funds are used to account for the same functions as business-type activities presented in the government-wide financial statements, but the fund presentation provides more detail.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, there are differences in the information presented for government funds and for governmental activities in the government-wide financial statements. Review of these differences provides the reader of the financial statements insight on the long-term impact of the City's more immediate decisions on the current use of financial resources. We describe the differences between government-wide financial statements (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

Notes to the Financial Statements

When reviewing this MD&A, the reader should also refer to and review the notes to the financial statements, as well as the government-wide and fund financial statements.

City Highlights

Unrestricted net position balance at September 30, 2025 in the governmental activities increased from $514,723 to $547,737. The business-type activities unrestricted net position balance increased from $782,246 to $825,108 Unrestricted net position represents the net balance accumulated by the City above the amount of net investment in capital assets and the amount for restricted net position (restricted because of constraints imposed by grantors, contributors, or by laws and regulations).

- For governmental activities, the total net investment in capital assets (after subtracting out debt owed on capital assets) decreased from $447,782 to $426,451. For business type activities, the total of net investment in capital assets increased from $3,746,209 to $4,029,929 due to the construction of new infrastructure funded with a grant.
- For business type activities, the City's long-term debt at September 30, 2025, decreased from $7,773,732 to $7,459,974 due to payments of principal.
- The most significant continuing revenue sources for governmental activities of the City consisted of $560,113 of property tax revenues and $234,410 in other tax revenues.

Government-Wide Financial Analysis

Statement of Net position

Included is a Statement of Net Position for the City of Wolfe City. The format allows the reader to view the overall financial position of the City.

City of Wolfe City
Statement of Net Position

	Governmental Activities		Business-Type Activities		Component Unit	
	2025	2024	2025	2024	2025	2024
Current assets	$ 958,783	$ 1,042,339	$ 2,181,391	$ 2,182,631	$ 228,257	$ 217,083
Capital assets	499,295	447,782	11,811,903	11,840,941	40,633	50,346
Total Assets	1,458,078	1,490,121	13,993,294	14,023,572	268,890	267,429
Current liabilities	329,143	412,526	805,971	929,030	-	-
Long-term liabilities	59,898	-	7,459,974	7,773,732	-	-
Total Liabilities	389,041	412,526	8,265,945	8,702,762	-	-
Net Position:						
Net investment in capital assets	426,451	447,782	4,029,929	3,746,209	40,633	50,346
Restricted	94,849	115,090	872,312	792,355	-	-
Unrestricted	547,737	514,723	825,108	782,246	228,257	217,083
Total Net Position	$ 1,069,037	$ 1,077,595	$ 5,727,349	$ 5,320,810	$ 268,890	$ 267,429

Statement of Activities

A statement of activities for the City of Wolfe City is presented below listing the major categories of revenues and expenses for the fiscal year ended September 30, 2025. An explanation of the components of this statement is included immediately following the table.

	Governmental Activities		Business-Type Activities		Component Unit	
Revenues	2025	2024	2025	2024	2025	2024
Program Revenues						
Charges for Services	$ 215,188	$ 198,869	$ 877,215	$ 853,071	$ -	$ -
Operating and Capital Contributions	-	40,697	-	-	-	-
Capital Grants and Contributions	-	-	183,596	5,580	-	-
General Revenues						
Property taxes	560,113	431,007	-	-	-	-
Other taxes	234,410	217,599	-	-	84,004	69,826
Investment earnings	1,378	1,406	47,396	63,109	1,573	131
Miscellaneous	21,025	20,042	-	-	1,331	-
Total General Revenues	1,032,114	909,620	1,108,207	921,760	86,908	69,957
Expenses						
Administration and general	350,581	277,639	-	-	-	-
Public safety and judicial services	324,543	308,098	-	-	-	-
Waste management	174,619	164,954	-	-	-	-
Fire department	-	25,074	-	-	-	-
Public works	40,016	28,013	-	-	-	-
Water and sewer	-	-	852,581	889,322	-	-
WCIDC	-	-	-	-	85,447	141,573
Total Expenses	889,759	803,778	852,581	889,322	85,447	141,573
Other Sources (Uses)						
Operating transfers in (out)	(150,913)	(182,085)	150,913	182,085	-	-
Total Other Sources (Uses)	(150,913)	(182,085)	150,913	182,085	-	-
Increase (Decrease) in Net Position	(8,558)	(76,243)	406,539	214,523	1,461	(71,616)
Beginning Net Position	1,077,595	1,153,838	5,320,810	5,106,287	267,429	339,045
Ending Net Position	$ 1,069,037	$ 1,077,595	$ 5,727,349	$ 5,320,810	$ 268,890	$ 267,429

Government-Wide Review of Statement of Activities

The statement of net position presents revenues, expenses, and changes in net position separately for governmental activities and business-type activities. The format allows for presentation of general revenues (i.e., taxes, investment earnings, miscellaneous revenues, and gain on sale of capital assets) followed by a listing of general revenues to support the City's overall governmental or business-type activities. Expenses are presented on a functional basis, with depreciation on fixed assets directly allocated to the related expense (e.g., administration and general, police, fire).

Governmental Activities

Operating revenues are divided into taxes and other sources of revenue. For the City of Wolfe City, the major tax revenues are property tax revenue of $560,113 and other tax revenue of $234,410. Remaining revenue sources consist of investment earnings of $1,378 miscellaneous revenue of $21,025 and charges for services of $215,188.

Expenses are presented in the statement of activities by function and total $889,759 for the current fiscal year-end.

Business-Type Activities

Business-type activities provided by the City of Wolfe City consist of water and sewer sales of $877,215, which is an increase of $24,144. Revenues for the current fiscal year in the investment earnings subcategory are $47,396.

The City reports the total amount of expenses as $852,581 for the fiscal year ended September 30, 2025. The change in net position (revenues less expenses) for the current fiscal year is $406,539. This is an increase from the prior year change of $214,523.

Governmental Funds

At year-end, the City's governmental funds, consisting of the General Fund and Debt Service Fund reported combined fund balances of $585,861 with $64,759 recorded as restricted and $521,102 recorded as unassigned. Under the modified-accrual basis for fund financial statements, the emphasis is on accounting for current financial resources of the City.

The fund-reporting format presents in the Statement of Revenues, Expenditures, and Changes in Fund Balance all revenue types followed by the expenses of the City, also presented on a functional basis. However, for the fund financial statements, the City reports only current year capital expenditures and does not report depreciation on capital assets. The major revenue sources are similar to the government-wide presentation above, with additional detail provided for services for which the City receives a fee or charge for services (licenses and permits, sanitation fees, fines, court fees, and parks and recreation fees). The General Fund reported expenditures in excess of revenues of ($62,540) before proceeds from notes payable and transfers. Fund balance at the end of the current fiscal year for the General Fund was $521,102. The Debt Service Fund reported revenue in excess of expenditures of $148,098 before transfers out. Fund balance at the end of the current fiscal year for the Debt Service Fund was $64,759.

Proprietary Fund

The total amounts presented for the Proprietary Fund (utility fund for water and sewer services) are identical to the government-wide presentation. Statement of Revenues, Expenses, and Changes in Net Position, presents a more detailed listing of expenses than presented in the government-wide statements, pending implementation of financial reporting improvements to report activities of the water and sewer systems on a functional basis. The major operating expenses of this fund include $231,561 for repairs and maintenance, $199,745 for salaries, and $174,052 for depreciation. Non-operating revenues and expenses includes $47,396 of interest income and ($41,221) of interest expense.

Budget

The City Council did not amend the 2024-2025 budget during the year.

Capital Assets and Long-Term Debt

Capital Assets

At the end of the fiscal year 2025, the governmental activities had $499,295 invested in a broad range of capital assets, the business-type activities had $11,811,693 invested in capital assets and WCIDC had $40,633 invested in capital assets. Detailed information about the City's capital assets is presented in Note 7 to the financial statements.

Long-Term Debt

At year-end, the City owed $7,864,454 in long-term debt. Additionally, the WCIDC had no long-term debt. Detailed information about the City's long-term liabilities is presented in Note 8 to the financial statements.

Next Year's Budget and Economic Factors

The 2026 budget was approved by the City Council at its regular September meeting.

The City of Wolfe City continues to benefit from strong employee retention across all departments. Over the past year, the City has undertaken a strategic realignment and organizational restructuring to improve operational efficiency. As part of this effort, updated policies and procedures have been implemented to strengthen internal controls and enhance service delivery.

The adopted tax rate for fiscal year 2025–2026 is $0.531. Based on current property valuations, the City anticipates generating tax revenues comparable to the prior year. Fund equity is expected to remain stable. Overall, the City's financial position remains adequate to provide the level of services our citizens expect, provided that established budgetary policies and procedures are consistently followed.

Requests for Information

This financial report is designed to provide a general overview of the City of Wolfe City's finances and to demonstrate the City's accountability. If you have questions regarding this report or need additional information, contact the City Secretary's Office at 101 W Main St/PO BOX 106, Wolfe City, TX 75496. The phone number for the City is (903) 496-2251.

CITY OF WOLFE CITY, TEXAS
BASIC FINANCIAL STATEMENTS

Exhibit A-1

City of Wolfe City, Texas
Statement of Net Position
September 30, 2025

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
ASSETS				
Cash and cash equivalents	$ 740,631	$ 900,408	$ 1,641,039	$ 178,075
Certificates of deposit	-	-	-	35,739
Accounts receivable, net of allowance	125,914	108,299	234,213	14,443
Internal balances	(80,332)	80,332	-	-
Restricted assets:				
Cash and cash equivalents - capital projects	-	1,076,533	1,076,533	-
Cash and cash equivalents - debt service	172,570	2,956	175,526	-
Certificate of deposit - debt service	-	12,863	12,863	-
Capital assets:				
Non- depreciable capital assets	310,860	9,101,925	9,412,785	-
Capital assets, net	188,435	2,709,978	2,898,413	40,633
Total Assets	**1,458,078**	**13,993,294**	**15,451,372**	**268,890**
LIABILITIES				
Accounts payable	107,109	5,850	112,959	-
Accrued liabilities	15,600	9,072	24,672	-
Deferred grant revenue	183,852	123,360	307,212	-
Meter deposits payable	-	125,649	125,649	-
Payable from restricted cash and investments:				
Accrued interest payable	-	3,454	3,454	-
Accounts payable related to capital projects	-	216,586	216,586	-
Bonds, notes payable, and other liabilities due within one year	22,582	322,000	344,582	-
Noncurrent liabilities				
Bonds, notes payable, and other liabilities due in more than one year	59,898	7,459,974	7,519,872	-
Total Liabilities	**389,041**	**8,265,945**	**8,654,986**	**-**
NET POSITION				
Net investment in capital assets	426,451	4,029,929	4,456,380	40,633
Restricted for capital projects	-	859,947	859,947	-
Restricted for debt service	94,849	12,365	107,214	-
Unrestricted	547,737	825,108	1,372,845	228,257
Total Net Position	**$ 1,069,037**	**$ 5,727,349**	**$ 6,796,386**	**$ 268,890**

The accompanying notes are an integral part of this statement.

Exhibit B-1

City of Wolfe City, Texas
Statement of Activities
Year Ended September 30, 2025

Functions/ Programs	Expenses	Program Revenues: Charges For Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Total Primary Government	Component Unit
Governmental activities:								
Administration	$ 350,581	$ 9,797	$ -	$ -	$ (340,784)	$ -	$ (340,784)	$ -
Public safety and judicial services	324,543	11,336	-	-	(313,207)	-	(313,207)	-
Waste management	174,619	194,055	-	-	19,436	-	19,436	-
Public works	40,016	-	-	-	(40,016)	-	(40,016)	-
Total governmental activities	889,759	215,188	-	-	(674,571)		(674,571)	-
Business-type activities:								
Water and sewer services	852,581	877,215	-	183,596	-	208,230	208,230	-
Total business-type activities	852,581	877,215	-	183,596	-	208,230	208,230	-
Total primary government	$ 1,742,340	$ 1,092,403	$ -	$ 183,596	$ (674,571)	$ 208,230	$ (466,341)	$ -
Component unit:								
Economic development corporation	85,447	-	-	-	-	-	-	(85,447)
Total component unit	$ 85,447	$ -	$ -	$ -	$ -	$ -	$ -	$ (85,447)
				General revenues:				
				Ad valorem taxes	560,113	-	560,113	-
				Franchise taxes	67,401	-	67,401	-
				Sales taxes	167,009	-	167,009	84,004
				Interest income	1,378	47,396	48,774	1,573
				Other income	21,025	-	21,025	1,331
				Total general revenues	816,926	47,396	864,322	86,908
				Transfers	(150,913)	150,913	-	-
				Total general revenues and transfers	666,013	198,309	864,322	86,908
				Change in net position	(8,558)	406,539	397,981	1,461
				Net position - beginning	1,077,595	5,320,810	6,398,405	267,429
				Net position - ending	$ 1,069,037	$ 5,727,349	$ 6,796,386	$ 268,890

The accompanying notes are an integral part of this statement.

Exhibit C-1

City of Wolfe City, Texas
Balance Sheet
Governmental Funds
September 30, 2025

	General Fund	Debt Service Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 740,631	$ 172,570	$ 913,201
Property taxes receivable, net	39,773	31,465	71,238
Court fines receivable, net	4,509	-	4,509
Sales taxes receivable	28,886	-	28,886
Garbage fees receivable, net	21,281	-	21,281
Due from other funds	28,854	-	28,854
Total Assets	**$ 863,934**	**$ 204,035**	**$ 1,067,969**
Liabilities			
Accounts payable	107,109	-	107,109
Accrued liabilities	15,600	-	15,600
Deferred grant revenues	183,852	-	183,852
Due to other funds	-	109,186	109,186
Total Liabilities	**306,561**	**109,186**	**415,747**
Deferred Inflows of Resources			
Unavailable property tax receivables	36,271	30,090	66,361
Total Deferred Inflows of Resources	**36,271**	**30,090**	**66,361**
Fund Balances			
Restricted for debt service	-	64,759	64,759
Unassigned	521,102	-	521,102
Total Fund Balances	**521,102**	**64,759**	**585,861**
Total Liabilities, Deferred Inflows of Resources and Fund Balances	**$ 863,934**	**$ 204,035**	**$ 1,067,969**

The accompanying notes are an integral part of this statement.

Exhibit C-2

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

Total Fund Balances - Governmental Funds	$ 585,861
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was $1,498,876 and the accumulated depreciation was ($1,051,094). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. At the beginning of the year, the balances of these liabilities were ($0). The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.	447,782
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including capital asset additions of $72,844 and debt principal payments of $0 is an increase to net position.	72,844
The 2025 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to (decrease) net position.	(21,331)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of debt as an increase in debts payable and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to (decrease) net position.	(16,119)
Net Position of Governmental Activities	$ 1,069,037

The accompanying notes are an integral part of this statement.

Exhibit C-3

City of Wolfe City, Texas
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended September 30, 2025

	General Fund	Debt Service Fund	Total Governmental Funds
Revenues:			
Ad valorem taxes	$ 404,464	$ 148,098	$ 552,562
Garbage revenues	194,055	-	194,055
Franchise taxes	67,401	-	67,401
Sales taxes	167,009	-	167,009
Permits	9,797	-	9,797
Fines	11,336	-	11,336
Other	21,025	-	21,025
Interest	1,378	-	1,378
Total Revenues	**876,465**	**148,098**	**1,024,563**
Expenditures:			
Current:			
Administration	337,892	-	337,892
Public safety and judicial services	314,832	-	314,832
Waste management	174,619	-	174,619
Public works	38,818	-	38,818
Capital outlay	72,844	-	72,844
Total Expenditures	**939,005**	**-**	**939,005**
Excess (deficiency) of Revenues Over (under) Expenditures	**(62,540)**	**148,098**	**85,558**
Other Financing Sources (Uses):			
Proceeds from notes payable	72,844	-	72,844
Transfer in from water sewer	19,500	-	19,500
Transfer out for debt service	-	(170,413)	(170,413)
Other Financing Sources (Uses)	**92,344**	**(170,413)**	**(78,069)**
Change in fund balance	**29,804**	**(22,315)**	**7,489**
Fund balance, beginning of year	**491,298**	**87,074**	**578,372**
Fund balance, end of year	**$ 521,102**	**$ 64,759**	**$ 585,861**

The accompanying notes are an integral part of this statement.

Exhibit C-4

City of Wolfe City, Texas
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
September 30, 2025

Total Net Change in Fund Balances - Governmental Funds	$ 7,489
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing capital outlays of $72,844 and debt principal payments of $0 is an increase to net position.	72,844
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to (decrease) net position.	(21,331)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include eliminating interfund transactions, reclassifying the proceeds of new debt, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase/ (decrease) net position.	(67,560)
Change in Net Position of Governmental Activities	$ (8,558)

The accompanying notes are an integral part of this statement.

Exhibit D-1

City of Wolfe City, Texas
Statement of Net Position
Proprietary Fund
September 30, 2025

	Enterprise Fund Water and Sewer Fund
Assets	
Cash and cash equivalents	$ 900,408
Cash and cash equivalents - restricted for debt service	2,956
Cash and cash equivalents - restricted for capital projects	1,076,533
Certificate of deposit - restricted for debt service	12,863
Accounts receivable, net of allowance	108,299
Due from other funds	80,332
Total Current Assets	**2,181,391**
Capital Assets:	
Nondepreciable	9,101,925
Depreciable capital assets, net	2,709,978
Capital assets, net	**11,811,903**
Total Assets	**13,993,294**
Liabilities	
Accounts payable	5,850
Accounts payable-capital projects	216,586
Accrued liabilities	9,072
Bonds payable-current	322,000
Meter deposits	125,649
Accrued interest payable	3,454
Deferred revenue - TWDB	123,360
Total Current Liabilities	**805,971**
Bonds payable-long-term	7,459,974
Total Noncurrent Liabilities	**7,459,974**
Total Liabilities	**8,265,945**
Net Position	
Net investment in capital assets	4,029,929
Restricted for capital projects	859,947
Restricted for debt service	12,365
Unrestricted	825,108
Total Net Position	**$ 5,727,349**

The accompanying notes are an integral part of this statement.

Exhibit D-2

City of Wolfe City, Texas
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
Year Ended September 30, 2025

	Enterprise Fund Water and Sewer Fund
Operating Revenues:	
Water services	$ 519,630
Sewer services	323,342
Late payment fees and reconnect charges	34,243
Total Operating Revenues	**877,215**
Operating Expenses:	
Contracted sewer management services	32,881
Salaries and benefits	199,745
Depreciation	174,052
System repair and maintenance	231,561
Chemicals and water samples	18,411
State fees and permits	16,173
Insurance	22,653
Utilities	52,533
Vehicle expense	10,542
Legal and professional fees	6,427
Office expense	11,367
Other	35,015
Total Operating Expenses	**811,360**
Operating Income (loss)	**65,855**
Non-Operating Revenues (Expenses):	
Interest income	47,396
Interest and fiscal charges	(41,221)
Total Non-Operating Revenues (Expenses)	**6,175**
Income (Loss) Before Contributions and Transfers	**72,030**
Total Contributions and Transfers:	
Transfers in for debt service	170,413
Transfers out to general fund	(19,500)
Capital grants, COVID-19	183,596
Total Contributions and Transfers	**334,509**
Change in Net Position	**406,539**
Net Position, October 1	**5,320,810**
Net Position, September 30	**$ 5,727,349**

The accompanying notes are an integral part of this statement.

Exhibit D-3

City of Wolfe City, Texas
Statement of Cash Flows
Proprietary Fund
Year Ended September 30, 2025

	Proprietary Fund Water and Sewer Fund
Cash flows from operating activities:	
Cash received from customers	$ 869,208
Cash payments to suppliers for goods and services	(475,662)
Cash payments to employees for services and benefits	(208,106)
Net Cash Provided (Used) by Operating Activities	**185,440**
Cash flows from noncapital financing activities:	
Net change in interfund receivables/payables	146,185
Net Cash Provided (Used) by Noncapital Financing Activities	**146,185**
Cash flows from capital and related financing activities:	
Acquisition or construction of capital assets	(37,583)
Bond principal retirement	(321,000)
Interest paid during current year	(34,413)
Net Cash Provided (Used) by Capital and Related Financing Activities	**(392,996)**
Cash flows from investing activities:	
Interest income	47,396
Net Cash Provided (Used) by Investing Activities	**47,396**
Net increase (decrease) in cash and cash equivalents	**(13,975)**
Cash and cash equivalents, October 1	**1,993,872**
Cash and cash equivalents, September 30	**$ 1,979,897**
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Net operating income (loss)	$ 65,855
Reconciliation of Operating Income to net cash provided by operating activities:	
Depreciation	174,052
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(8,007)
Increase (decrease) in accounts payable	(38,720)
Increase (decrease) in customer deposits	621
Increase (decrease) in accrued liabilities	(8,361)
Total Adjustments	119,585
Net Cash Provided (Used) by Operating Activities	**$ 185,440**

The accompanying notes are an integral part of this statement.

City of Wolfe City, Texas
Notes to Financial Statements
September 30, 2025

1. Introduction and Summary of Significant Accounting Policies

The financial statements of the City of Wolfe City, Texas and its component unit, Wolfe City Economic Development Corporation, collectively identified as the "City" have been prepared in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board and Other authoritative sourced identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants.

The accounting and reporting framework and the more significant accounting principles and practices of the City are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ending September 30, 2025.

During the year ended September 30, 2025, the City implemented **GASB Statement No 101, *Compensated Absences.*** The Statement establishes recognition and measurement guidance for employee leave benefits. As a result, the City now recognizes a liability for leave that is attributable to services already rendered and is probable of resulting in payment, either through cash settlement or time off that reduces future service requirement.

A. Reporting Entity and Related Organizations

The City was incorporated in 1887. The City is a municipal corporation governed by an elected mayor and a five-member City Council. The City provides general administration, public works, police and judicial, fire, waste management, and water and sewer services to its residents. The Council hires a City Secretary for day-to-day operations.

The City Council has the authority to make decisions, appoint administrators and managers, and significantly influence operations, in addition to having the primary accountability for fiscal matters. The City is not included in any other governmental reporting entity as defined by Governmental Accounting and Financial Reporting Standards.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GASB Statements No. 14 and 39 as amended by GASB Statement 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*. These statements define the reporting entity as the primary government and those component units for which the primary government is financially accountable. In addition, component units may be included in the reporting entity based on the nature and significance of the relationship with the primary government, or based on being closely related or financially integrated with the primary government. Based on these criteria, the City has the following component unit at September 30, 2025.

Discretely Presented Component Unit

Wolfe City Economic Development Corporation (EDC) - EDC serves all citizens of the government and is governed by a board appointed by the City Council. The City Council may remove the EDC board for cause. EDC is a nonprofit corporation governed by Section 4A of the Texas Development Corporation Act of 1979 and organized for the public purpose of aiding, promoting and furthering economic development within the City of Wolfe City, Texas. EDC does not prepare separate financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These statements report financial information for the City as a whole excluding fiduciary activities. The primary government and component unit are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Propriety Fund Statement of Revenues, Expenses and Changes in Net Position. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as interfund transfers.

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental funds and proprietary funds are reported in separate columns with composite columns for non-major funds.

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

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

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

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

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, that is, when they are both measurable and available. The City considers them "available" if they will be collected within 60 days of the end of the fiscal year. 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.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the City to refund all or part of the unused amount.

The Proprietary Fund Types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

D. Fund Types and Major Funds

Governmental Funds

The City reports the following major governmental funds:

General Fund – The general fund is the City's primary operating fund. This fund is used to account for all financial resources not reported in other funds.

Debt Service Fund – The City accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in the debt service fund.

Proprietary Funds

The City reports the following major proprietary fund:

Water and Sewer Fund – The water and sewer fund accounts for the operating activities of the City's water and sewer services.

E. Assets, Liabilities and Net Assets or Equity

Cash and Investments

Outstanding cash and cash equivalents at September 30, 2025, consist principally of interest-bearing bank accounts. Unrestricted and restricted cash and investments purchased by the City within three months of maturity are considered to be cash equivalents.

Investments are stated at fair value within the fair value hierarchy established by generally accepted accounting principles. Certificates of deposits are recorded at amortized cost.

Inventories and Prepaid Items

Inventories consisting of expendable supplies held for consumption in governmental funds are reported using the expenditure method. Under this method, amounts paid for these items are reported as expenditures when purchased. Inventories, when material, are recorded at cost stated on a first-in, first-out basis in the government-wide financial statements.

Prepaid items record payments to vendors that benefit future reporting periods and are reported on the consumption basis at cost. Prepaid items are similarly reported in government-wide and fund financial statements.

Capital Assets, Depreciation, and Amortization

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost, or if donated, at acquisition value. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, or the amount at which a liability could be liquidated with the counterparty on the acquisition date. These assets are comprehensively reported in the government-wide financial statements. The City generally capitalizes assets with a cost of $2,500 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Depreciation allocation is based on the proration of cost by department.

Estimated useful lives of assets are:

Buildings	20 - 40
Road infrastructure	20 - 25
Water & sewer infrastructure & rights	20 - 40
Vehicles	5 - 7
Furniture, machinery, and equipment	5 -10

Management evaluates capital assets for impairment when impairment indicators are present, or at least annually. If impairment exists, an impairment loss is charged against earnings equal to the amount by which the carrying value of the property exceeds fair value. The carrying value of the value is reduced to fair value and depreciated over the property's remaining useful life. No capital assets were identified as impaired during the year.

Compensated Absences

Employees of the City are entitled to paid time off depending on length of service. Paid time off is accrued at the rate of 80 hours per year for the first five year of continuous employment. Paid time off accrues at the rate of 120 hours per year for employees exceeding five continuous years of service. Employees may retain a maximum of 240 hours; excess is to be forfeited on January 31 each year. Upon voluntary separation from the city, the employee may be paid in full for their accrued paid time off not exceeding the maximum. Employees of the City, with the exception of exempt employees, are also entitled to paid compensatory time depending on the hours of overtime worked.

Compensated absences are reported as accrued in the government-wide and proprietary financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees. These are included in accrued liabilities.

Long-term Debt, Deferred Debt Expense, and Bond Discounts/Premiums

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as liabilities. Bond discounts or premiums are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method. Bond issuance costs are charged to expense or expenditure when incurred. The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period.

Revenue Recognition – Grant Funds

The City recognizes grant revenues in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Revenue recognition depends on the satisfaction of eligibility requirements and, for governmental funds, the availability of resources.

For Governmental Funds (modified accrual basis), grant revenues, including ARPA funds are recognized when measurable and available, and eligibility requirements have been met.

For Proprietary Funds (full accrual basis), grant revenues, including TWDB principal forgiveness grants, are recognized when eligibility requirements are met, regardless of cash receipt.

Deferred Inflows and Outflows of Resources

Deferred Outflows/Inflows of Resources – The City implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities for the year ended September 30, 2014. In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualifies for reporting in this category on the fund financial statements, property taxes and outstanding warrants. These amounts will be recognized as an inflow of resources in the subsequent years as collected.

Fund Equity

The City implemented GASB Statement 54 standards for the classification of fund balances in the governmental funds. The fund balances of governmental funds are defined as follows:

Non-spendable - amounts that cannot be spent either because they are in non-spendable form, such as inventory or prepaid items or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through a formal resolution of the City Council.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes that have been established by the City Council. The City Council delegates the responsibility to assign funds to the City Secretary, or other designee as determined by the Council.

Unassigned - all other spendable amounts in the general fund.

When expenditures are incurred for which both restricted and unrestricted fund balance is available the City considers restricted funds to have been spent first. Similarly, committed funds are considered to have been spent first when there is a choice for the use of less restricted funds, then assigned and then unassigned funds.

F. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a participant in the Texas Municipal League (TML) Employees Health Insurance Fund, Texas Municipal League Workers' Compensation Joint Insurance Fund (WC Fund), and the Texas Municipal League Joint Self-Insurance Fund (Property-Liability Fund). TML is a public entity risk pool operated by the Texas Municipal League Board for the benefit of individual governmental units located within Texas. The agreement provides that the trust established by TML will be self-sustaining through member premiums. The City pays annual premiums to TML for worker's compensation, general and auto liability, property damage, employee dishonesty, public officials liability, and law enforcement professional liability coverage. The City does not anticipate any material additional insurance cost assessments as a result of participation in this risk management pool. There were no reductions in insurance coverage from the prior year. Settlements have not exceeded insurance coverage during any of the past three fiscal years.

G. Estimates

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

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.

GASB Statement 68, Accounting and Financial Reporting for Pensions, issued June 2012 was adopted for the year ended September 30, 2025. The City began participating in the Texas Municipal Retirement System (TMRS) during fiscal year 2024 to provide pension benefits to its employees. This Statement establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements.

GASB Statement 68 requires the employer to report the net pension asset or liability, pension expense, and related deferred inflows and outflows of resources associated with providing retirement benefits to their employees and former employees in their basic financial statements. This statement required governmental entities to record the net pension asset or liability and the related outflows and inflows retroactively. Because the pension amounts calculated are immaterial for the City of Wolfe City, these amounts are not recorded in the financial statements.

I. Other Post-Employment Benefits – OPEB

GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, issued June 2015 was adopted for the year ending September 30, 2025. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and OPEB expense. Because the OPEB amounts calculated are immaterial for the City of Wolfe City, these amounts are not recorded in the financial statements.

2. Stewardship, Compliance, and Accountability

Budgetary Information

The City Secretary submits an annual budget to the City Council in accordance with the laws of the State of Texas and the city charter. The budget is presented to the City Council for review, budget workshops are held with the various City department officials, and public hearings are held to address priorities and the allocation of resources. Generally, in August, the City Council adopts the annual fiscal year budgets for all City operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Each fund's approved budget is prepared on a detailed line-item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personnel services and related fringe benefits, supplies, other services and charges, capital outlay, transfers, and debt service. Expenditures may not exceed appropriations at the individual fund level. Within this control level, management may transfer appropriations between line items. Budget revisions and line-item transfers are subject to final review by the City Council.

The budgets for the operating funds are prepared on a basis consistent with GAAP. Revenues are budgeted in the year receipt is expected; and expenditures, which do not include encumbrances, are budgeted in the year that the liability is to be incurred. The budget and actual required supplementary information is presented on these bases. Unexpended appropriations for annually budgeted funds lapse at fiscal year-end.

3. Deposits and Investments

Legal and Contractual Provisions Governing Deposits and Investments

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

In compliance with the Public Funds Investment Act, the City has adopted a deposit and investment policy. That policy does address the following risks:

Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's policy regarding types of deposits allowed and collateral requirements is that the funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping in an amount sufficient to protect the City's funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

The City'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.

Custodial Credit Risk – Investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Positions in external investment polls are not subject to custodial credit risk. The City has no investments exposed to custodial credit risk at the end of the period.

Interest-Rate Risk - Interest-rate risk occurs when potential purchases of debt securities do not agree to pay face value for these securities if interest rates rise. The City does not purchase investment where the face value is not guaranteed.

Concentration Risk - Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investments in external investment pools are not subject to concentration risk. The City is not exposed to any amounts of concentration risk.

As of September 30, 2025, the City of Wolfe City, Texas had the following investments:

Investment Type	Amortized Cost
Certificates of Deposit	$ 48,602

4. Disaggregation of Receivables

Receivables at September 30, 2025, were as follows:

	Property Taxes	Sales Taxes	Charges for Services	Court Fines	Total Receivables
Governmental Activities:					
General Fund	44,416	28,886	23,217	250,520	347,039
Debt Service Fund	35,746	-	-	-	35,746
Total Governmental Activities	80,162	28,886	23,217	250,520	382,785
Amount not scheduled for collection during the subsequent year	(8,924)	-	(1,936)	(246,011)	(256,871)
Business-Type Activities:					
Major Enterprise Fund	-	-	115,147	-	115,147
Amounts not scheduled for collection during the subsequent year	-	-	(6,848)	-	(6,848)
Component Unit Activities:					
EDC	-	14,443	-	-	14,443
Amounts not scheduled for collection during the subsequent year	-	-	-	-	-

5. Property Taxes

Property Taxes Receivable, Deferred Inflows of Resources, and Property Tax Calendar

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real property located within the City. Appraised values are established by the Hunt County Tax Appraisal District at 100% of market value.

The property tax rate for the year ended September 30, 2025 was $0.5580 per $100 of the assessed valuation on taxable property. Following is a summary of the overall tax rate as levied by fund type:

Maintenance and operations - General Fund	$ 0.40700
Interest and Sinking - Debt Service Fund	0.151000
Total tax rate	$ 0.55800

In the governmental fund financial statements, property taxes are recorded as receivables in each of the respective funds on the tax levy date with appropriate allowances for estimated uncollectible amounts. At fiscal year-end, property tax receivables represent delinquent taxes. If delinquent taxes are not paid within 60 days of year-end, they are recorded as deferred inflows of resources.

In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the City regardless of when cash is expected to be received. Over time substantially all property taxes are collected.

The City's full year property tax calendar is as follows:

October 1 - Full year tax levy assessed for the current fiscal year-taxes are due and payable.
January 1 - Tax lien is attached to property to secure the payment of taxes, and penalty and interest as applicable.
February 1 - Penalty and interest charges begin to accrue on unpaid past due taxes.
July 1 - Taxes become delinquent and are subject to attorney fees incurred for collection.

Allowance for Uncollectible Taxes

The City has established an allowance for uncollectible property taxes in the amount of 10% ($8,924) of total delinquent property taxes at year-end. No provisions are made for uncollectible sales tax receivables, or grants receivable as management estimates that these amounts will be fully collectible.

6. Delinquent Taxes Receivable

Delinquent taxes are prorated between maintenance and debt service based on rates adopted by the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on 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 Texas Legislature.

7. Capital Assets

The following tables provides a summary of the changes in capital assets:

	Beginning	Increases	Decreases	Ending
Governmental Activities:				
Non-depreciable capital assets:				
Land	$ 310,860	$ -	$ -	$ 310,860
Non-depreciable capital assets	310,860	-	-	310,860
Depreciable capital assets:				
Buildings & improvements	493,050	-	-	493,050
Infrastructure	309,643	-	-	309,643
Machinery & equipment	385,323	72,844	-	458,167
Depreciable capital assets	1,188,016	72,844	-	1,260,860
Less: accumulated depreciation	(1,051,094)	(21,331)	-	(1,072,425)
Governmental Activities Capital Assets, net	$ 447,782	$ 51,513	$ -	$ 499,295

During fiscal year 2025, the City purchased a vehicle for the police department for a total of $72,844.

Business-Type Activities:				
Non-depreciable capital assets:				
Land	$ 10,517	$ -	$ -	$ 10,517
Construction in progress	8,961,329	175,439	(45,360)	9,091,408
Non-depreciable capital assets	8,971,846	175,439	(45,360)	9,101,925
Depreciable capital assets:				
Buildings and Improvements	49,678	-	-	49,678
Machinery & equipment	505,607	-	-	505,607
Water & sewer system	6,869,492	14,935	-	6,884,427
Depreciable capital assets	7,424,777	14,935	-	7,439,712
Less: accumulated depreciation	(4,555,682)	(174,052)	-	(4,729,734)
Business-type Activities Capital Assets, net	$ 11,840,941	$ 16,322	$ (45,360)	$ 11,811,903

The City spent $14,935 on a new meter system in FY 2025.

During fiscal year 2025, the City initiated a project for the installation of water cooling towers with total costs incurred of $168,661, funded through ARPA funds. As of year-end and through the report date, no construction contract had been executed for this project. Accordingly, the costs incurred have been recorded in construction in progress.

As of September 30, 2024, the City reported construction in progress totaling $8,961,329. During the fiscal year, the City incurred $6,778 in expenditures related to water line improvements. In prior years, the City was awarded multiple loan and grant awards from the Texas Water Development Board through the Capitalization Grants for Clean Water and Drinking Water programs. At year-end, the City had outstanding payables to two contractors related to the Drinking Water projects $216,586. The City also reported retainage of $45,360 related to the Clean Water grant, which was determined not to represent a liability of the City and was therefore excluded from liabilities. These projects were classified as construction in progress at year-end and were completed subsequent to fiscal year-end.

Component Unit:

	Beginning	Increases	Decreases	Ending
Depreciable capital assets:				
Buildings and Improvements	$ 20,327	$ -	$ -	$ 20,327
Machinery & equipment	45,174	-	-	45,174
Depreciable capital assets	65,501	-	-	65,501
Less: accumulated depreciation	(15,155)	(9,713)	-	(24,868)
Component Unit Capital Assets, net	$ 50,346	$ (9,713)	$ -	$ 40,633

Depreciation expense for governmental activities was charged to functions of the City as follows:

Administration	10,422
Police Department	9,711
Public Works	1,198
Total	21,331

Depreciation expense recorded in business-type activities and the Proprietary Fund was $174,052. Depreciation expense recorded in the component unit was $9,713.

8. Long-Term Obligations

Governmental Activities

The City entered into a financing agreement for the purchase of a police vehicle for an original amount of $72,844. Proceeds from this borrowing were reported in the General Fund as Other Financing Sources – Proceeds from Notes Payable on the Statement of Revenues, Expenditures, and Changes in Fund Balance. The note bears an interest rate at 5.5% and matures in fiscal year 2030. Debt service payments are scheduled to begin in May 2026, with total payments of approximately $17,250 due within the next fiscal year.

Business-type Activities - Revenue Bonds

Certificates of obligation and revenue bonds consist of debt issued to support utility system upgrades in the Proprietary (water and sewer) Fund. In addition to being backed by the full faith and credit of the City, bonds are secured by a lien on and a pledge of the surplus revenues of the water and sewer system.

Interest expense and other fiscal charges for business-type activities was $41,221 for the year.

Certificates of obligation bonds represent general obligations of the City and are backed by the full faith and credit of the City and require the City to annual assess ad valorem taxes sufficient to provide for payment of the certificates as they mature. The certificates are additionally secured by and payable from a pledge of surplus revenues of the City's water and wastewater system that remain (1) after payment of all maintenance and operation expenses thereof and (2) after payment of all debt service, reserve and other requirements in connection with all of the City's revenue obligations.

Terms of the certificates of obligation bonds require the City to establish sinking funds in order to accumulate resources for the repayment of principal and interest on the bonds as they mature. At year-end, the City was in compliance with these sinking fund requirements. Amounts set aside to meet interest and sinking fund requirements are reflected as restricted cash or restricted investments at year-end.

The following schedule contains a summary of changes in long-term debt for the year:

	Beginning of Year	Issued	Retired	End of Year	Due Within One Year
Governmental Activities:					
Finance Agreement					
5.51%, 2026-2030	$ -	72,844	-	$ 72,844	$ 12,946
Compensated absences	7,369	2,267	-	9,636	-
Total Governmental Activities	$ 7,369	$ 75,111	$ -	$ 82,480	$ 12,946
Business-type Activities:					
Utility System Revenue Bonds					
Series 1989, 5.00%, 1989-2029	$ 56,000	$ -	$ 10,000	$ 46,000	$ 11,000
Certificates of Obligation					
Series 1997, 4.875%, 1997-2037	101,000	-	6,000	95,000	6,000
Certificates of Obligation					
Series 2009, 0%, 2009-2040	565,000	-	35,000	530,000	35,000
Certificates of Obligation					
Series 2019A, 0% to 1.12%, 2019-2051	2,115,000	-	70,000	2,045,000	70,000
Certificates of Obligation					
Series 2019B, 0%, 2019-2051	1,825,000	-	70,000	1,755,000	70,000
Certificates of Obligation					
Series 2019C, 0% to 1.42%, 2019-2051	795,000	-	25,000	770,000	25,000
Certificates of Obligation					
Series 2019D, 0%, 2019-2051	2,750,000	-	105,000	2,645,000	105,000
Bond Discount	(112,268)	-	(8,242)	(104,026)	-
Total Business-type Activities	$ 8,094,732	$ -	$ 312,758	$ 7,781,974	$ 322,000
Total Primary Government	$ 8,102,101	$ 75,111	$ 312,758	$ 7,864,454	$ 334,946

Debt Service Requirements to Maturity

The annual debt service requirements to maturity for bonded debt for business-type activities are as follows at year-end:

	Governmental Activities		*Business-type Activities*	
Fiscal Year Ending	Finance Agreement		Bonds Payable	
September 30,	Principal	Interest	Principal	Interest
2026	12,946	4,304	322,000	33,107
2027	13,711	3,539	323,000	32,015
2028	14,520	2,729	324,000	30,794
2029	15,379	1,871	329,000	29,431
2030	16,288	962	318,000	27,390
2031-2035	-	-	1,603,000	120,534
2036-2040	-	-	1,557,000	88,529
2041-2045	-	-	1,385,000	59,315
2046-2050	-	-	1,425,000	25,770
2051	-	-	300,000	752
Totals	$ 72,844	$ 13,405	$ 7,886,000	$ 447,637

9. Business Concentrations

The City has entered into a contract for garbage collection services with Sanitation Solutions. During fiscal year 2025, the City spent $174,619 on garbage collection services.

10. Commitments and Contingencies

The City is involved in litigation during the ordinary course of business. Management estimates that any potential litigation will not have a material impact on the City's financial statements.

The City participates in various state and federal grant programs and contracts which are subject to financial and compliance audits by the grantors or their representatives. Audits of these programs by the granting organizations for the year ended September 30, 2025 have not been conducted. Accordingly, the City's final compliance with applicable grant and contract requirements will be established at some future date. The City expects that costs disallowed by these various awarding agencies, if any, would be minimal.

11. Balances and Transfers/Payments Within the Reporting Entity

Transfers and Payments

Transfers and payments within the reporting entity are substantially for the purposes of funding capital projects and asset acquisitions or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

The government-wide statement of activities eliminates transfers reported within governmental activities. The following schedule reports transfers and payments within the reporting entity:

Fund	Transfers In	Transfers Out
General Fund	$ 19,500	$ -
Debt Service	-	170,413
Proprietary	170,413	19,500
Totals	$ 189,913	$ 189,913

Transfers between fund during the year consisted of the following: the General Fund received $19,500 from the Proprietary Fund to reimburse audit fees attributable to the prior fiscal year, and the Debt Service Fund transferred $170,413 to the Proprietary Fund to fund debt service payments related to enterprise activities.

Receivables and Payables

Generally, outstanding balances between funds reported as due to/from other funds in the governmental fund financial statements include outstanding charges by one fund to another for services or goods, and other miscellaneous receivables/payables between funds. Activity between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are described as Adue to/from other funds (i.e., the current portion of inter fund loans) or advances to/from other funds (i.e., the non-current portion of inter fund loans). The following schedule reports receivables and payables within the reporting entity at year-end:

Fund	Receivable	Payable
General	$ 28,854	$ -
Debt Service	-	109,186
Proprietary	80,332	-
Totals	$ 109,186	$ 109,186

Amounts due between funds represent transfers related to debt service and operating expenses to facilitate cash flow in the individual funds.

12. Economic Dependence

City operations are funded by taxes and revenues provided by the residents of the City of Wolfe City, Texas. Accordingly, the City is economically dependent on the property values and local economy of City of Wolfe City, Texas and the surrounding area.

13. Restricted Cash and Cash Equivalents and Related Commitments

Restrictions on cash and cash equivalents are as follows at year-end:

Cash and cash equivalents restricted for debt service	$188,389

Amounts restricted for debt service represent cash collections of the debt service tax levy established to meet bond interest and sinking fund requirements.

Cash and cash equivalents restricted for capital projects	$1,076,533

The City has restricted cash held in bond escrow and principal forgiveness accounts related to financial assistance agreements with Texas Water Development Board (TWDB). These accounts were established in connection with TWDB loan and grant programs to finance water system improvements. Funds held in these accounts are restricted under the terms of the related financing and grant agreements and may be used only for authorized project expenditures or other purposes specified by those agreements. Accordingly, these amounts are reported as restricted cash. Remaining balances are being held pending final project costs, reimbursement approvals, and satisfaction of close-out requirements, after which funds will be disbursed for eligible project costs or applied in accordance with financing terms.

13. Health Care Coverage

During the year ended September 30, 2025, employees of the City of Wolfe City were covered by health insurance plans with TML Intergovernmental Risk Pool.

14. Unearned Grant Revenue

As of September 30, 2025, the City reported unearned grant revenue to the following programs:

In the Governmental Fund, the City reported deferred revenue of $183,852 related to the American Rescue Plan Act (ARPA). These funds represent the City's original ARPA allotment, which had not been spent as of year-end. Under the modified accrual basis of accounting, the funds are reported as unearned revenue under the modified accrual basis of accounting until eligibility requirements are met.

In the Proprietary Fund, the City reported unearned revenues of $123,360 related to a principal forgiveness grant awarded by the Texas Water Development Board (TWDB). Under the full accrual basis of accounting, these funds are recorded as unearned revenue until the City incurs eligible water infrastructure improvement expenditures in accordance with the grant agreement.

These amounts will be recognized as revenue in future periods when the City satisfies the eligibility requirements and incurs expenditures on eligible projects in accordance with the terms and respective grant agreements.

15. Subsequent Events

City Administration has evaluated subsequent events through February 26, 2026 the date which the financial statements were available to be issued.

CITY OF WOLFE CITY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION

Exhibit G-1

CITY OF WOLFE CITY, TEXAS
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual Amounts (Budgetary	Variance with Final Budget Positive
	Original	Final	Basis)	(Negative)
Revenues				
Ad valorem taxes	415,348	$ 415,348	$ 404,464	$ (10,884)
Garbage revenues	190,000	190,000	194,055	4,055
Franchise taxes	60,000	60,000	67,401	7,401
Sales tax	86,751	86,751	167,009	80,258
Permits	3,000	3,000	9,797	6,797
Fines	15,300	15,300	11,336	(3,964)
Other income	4,000	4,000	21,025	17,025
Interest	1,200	1,200	1,378	178
Total Revenues	775,599	775,599	876,465	100,866
Expenditures				
Current:				
Administration	488,645	488,645	337,892	150,753
Public safety and judicial services	263,547	263,547	314,832	(51,285)
Waste management	158,554	158,554	174,619 *	(16,065)
Fire department	10,000	10,000	-	10,000
Public works	60,225	60,225	38,818	21,407
Capital outlay	72,844	72,844	72,844	-
Total Expenditures	1,053,815	1,053,815	939,005	114,810
Excess (Deficiency) of Revenues Over (under) Expenditures	(278,216)	(278,216)	(62,540)	(13,944)
Other Financing Sources (Uses):				
Proceeds from loan	72,844	72,844	72,844	-
Total Other Financing Sources (Uses)	72,844	72,844	72,844	-
Net Change in Fund Balance	(205,372)	(205,372)	10,304	(13,944)
Fund Balance, October 1	491,298	491,298	491,298	-
Fund Balance, September 30	$ 285,926	$ 285,926	$ 501,602	$ (13,944)

*The City budgeted only the waste management fees and did not budget the expense related to sales tax of $14,741. These funds are collected through billing and remitted to the State.

CITY OF WOLFE CITY, TEXAS
OTHER INFORMATION

Exhibit H-1

CITY OF WOLFE CITY, TEXAS
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
YEAR ENDED SEPTEMBER 30, 2025 (Unaudited)

Tax Roll Year	Fiscal Year Ended September 30	Outstanding Balance End of Year
2024	2025	$ 31,528
2023	2024	12,927
2022	2023	8,741
2021	2022	5,256
2020	2021	3,553
2019	2020	3,180
2018	2019	2,557
2017	2018	2,835
2016	2017	1,802
2015	2016	1,710
2014	2015 and prior	6,073
	Less allowance for uncollectible amounts	(8,924)
	Delinquent taxes receivable, net	**$ 71,238**

Exhibit H-2

CITY OF WOLFE CITY, TEXAS
HISTORICAL SCHEDULE OF ASSESSED PROPERTY VALUATION
YEAR ENDED SEPTEMBER 30, 2025 (Unaudited)

Tax Roll Year	Fiscal Year Ended September 30	Net Taxable Valuation
2024	2025	98,501,800
2023	2024	82,053,284
2022	2023	67,542,108
2021	2022	56,285,908
2020	2021	50,194,208
2019	2020	45,904,203
2018	2019	42,634,150
2017	2018	43,222,270
2016	2017	42,063,990
2015	2016	40,426,629
2014	2015	39,493,747
2013	2014	38,462,171

Exhibit H-3

CITY OF WOLFE CITY, TEXAS
HISTORICAL SCHEDULE OF PROPERTY TAX RATES
YEAR ENDED SEPTEMBER 30, 2025 (Unaudited)

Tax Roll Year	Fiscal Year Ended September 30	Tax Rates
2024	2025	0.558000
2023	2024	0.516295
2022	2023	0.653141
2021	2022	0.710000
2020	2021	0.638575
2019	2020	0.670000
2018	2019	0.630000
2017	2018	0.594511
2016	2017	0.569183
2015	2016	0.566605
2014	2015	0.566605
2013	2014	0.550000

WILF & HENDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
Member of American Institute of Certified Public Accountants
Member of Private Company Practice Section
Member of AICPA Governmental Audit Quality Center

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

Independent Auditor's Report

Honorable Mayor and
Members of the City Council
City of Wolfe City, Texas

Members of the Council:

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 Wolfe City, Texas, (the City) as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 26, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Wolfe City, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

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

Wilf & Henderson, P.C.

WILF & HENDERSON, P.C.
Certified Public Accountants
Texarkana, Texas

February 26, 2026

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

I. Summary of the Auditor's Results:

a. The auditor's report expresses an unmodified opinion on whether the financial statements of the City of Wolfe City, Texas were prepared in accordance with GAAP.

b. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters required by the GAO's *Government Auditing Standards*.

c. No instances of noncompliance material to the financial statements of the City of Wolfe City, Texas were disclosed during the audit.

II. Findings – Financial Statement Audit

No findings were required to be reported.

CITY OF WOLFE CITY, TEXAS
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

No findings in the prior year.