

ANNUAL FINANCIAL REPORT  
OF THE  
CITY OF CELESTE, TEXAS  
FOR  
FISCAL YEAR ENDED  
DECEMBER 31, 2025



**CITY OF CELESTE, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2025**

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## FINANCIAL SECTION

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### INDEPENDENT AUDITOR'S REPORT

Mayor and City Council  
City of Celeste, Texas  
201 N. Hwy 69  
Celeste, Texas 75423

Members of the City Council:

#### Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Celeste, Texas as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City of Celeste, Texas' basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Celeste, Texas as of December 31, 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 of Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the City of Celeste, Texas, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements related to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

#### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Celeste, Texas'

ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards, I:

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

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other

knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Respectfully Submitted,

*Mike Ward Accounting & Financial Consulting, PLLC*

**Mike Ward Accounting & Financial Consulting, PLLC**

Point, Texas  
July 29, 2026



## MANAGEMENT DISCUSSION AND ANALYSIS

## **CITY OF CELESTE, TEXAS**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**DECEMBER 31, 2025**

As management of the City of Celeste ("City"), we offer the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2025. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative:

#### **Financial Highlights**

- The assets exceeded liabilities of the City at the close of the fiscal year by \$2,981,013 (net position). This is an increase of \$164,495, or 1.59%, from the prior fiscal year's net position.

The amount of \$1,918,034, or 64.3%, of total net position is invested in capital assets, and the amount of \$1,062,979, or 36%, is unrestricted.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$710,004, an increase of \$31,506. Approximately 100.% of this total amount, or \$710,004 is available for spending at the City's discretion, (unassigned).
- At the end of the current fiscal year, unassigned fund balance for the General Fund is \$710,004, or 104%, of total general fund expenditures.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Celeste.

**CITY OF CELESTE, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
DECEMBER 31, 2025**

**Basic Financial Statements**

The first two statements (pages 13-16) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (pages 17-23) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the proprietary fund statements; and 3) the fiduciary financial statements.

The next section of the basic financial statements are the **notes** on pages 24-37. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **required supplemental information** is provided to show details about the City's pension plan on pages 38-42.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The statement of net position presents information on all of the City's assets, deferred outflows, liabilities, and deferred inflows with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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 related cash flows.

Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component unit. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property and sales taxes finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the utility services offered by the City.

The government-wide financial statements are on pages 13-16 of this report.

**Fund Financial Statements**

The fund financial statements provide a more detailed look at the City's most significant activities. 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 all other governmental entities in Texas, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**CITY OF CELESTE, TEXAS**  
**MANAGEMENT DISCUSSION AND ANALYSIS (continued)**  
**DECEMBER 31, 2025**

*Governmental Funds* – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what funds are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, and Other Governmental Funds. The Governmental Fund financial statements can be found on pages 17-23 of this report.

The City adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison schedule uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The schedule shows four columns: 1) the original budget; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

*Proprietary Funds* – The City has one type of proprietary fund which is the Water and Sewer Fund. The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary Funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities.

Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 21-20 of this report.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 30-45 of this report.

**Required Supplementary Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

**CITY OF CELESTE, TEXAS**  
**MANAGEMENT DISCUSSION AND ANALYSIS (continued)**  
**DECEMBER 31, 2025**

**Financial Analysis of the City's Funds**

As noted earlier, the City of Celeste uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** - The focus of the City's governmental funds are to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

At December 31, 2025, the governmental funds of the City reported a combined fund balance of \$710,004, a 4.6% increase when compared to the prior year. The components of total fund balance are as follows:

- \* Unassigned fund balance of \$710,004, or 100%, of total fund balance represents residual fund balance that has not been restricted, committed, or assigned.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance was \$710,004, compared to \$678,498 at the end of the prior fiscal year. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 96% of total expenditures.

**General Fund Budgetary Highlights:** During the fiscal year, the City did not revise the original budget. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and (3) increases in appropriations that become necessary to maintain services.

Total revenues were more than the budgeted amounts mainly. Actual expenditures exceeded budgeted amounts.

**Proprietary Funds** - The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. The unrestricted net position of the Proprietary Fund at the end of the fiscal year amounted to \$247,769.

**CITY OF CELESTE, TEXAS**  
**MANAGEMENT DISCUSSION AND ANALYSIS (continued)**  
**DECEMBER 31, 2025**

**Requests for Information**

This report is designed to provide an overview of the City's finances for those with an interest in the City's finances. Questions concerning the information found in this report or requests for additional financial information should be directed to the City of Celeste, 201 N. US Highway 69, Celeste Texas 75423.

## BASIC FINANCIAL STATEMENTS

**CITY OF CELESTE, TEXAS**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2025**

|                                                   | <b>Primary Government</b> |                      |                     |
|---------------------------------------------------|---------------------------|----------------------|---------------------|
|                                                   | <b>Governmental</b>       | <b>Business-type</b> | <b>Total</b>        |
|                                                   | <b>Activities</b>         | <b>Activities</b>    |                     |
| <b>ASSETS</b>                                     |                           |                      |                     |
| Cash and cash equivalents                         | \$ 841,680                | \$ 215,103           | \$ 1,056,783        |
| Receivables (net of allowances for uncollectible) | 183,480                   | 36,002               | 219,482             |
| Net pension asset                                 | 3,601                     | 1,695                | 5,296               |
| Restricted assets:                                |                           |                      |                     |
| Cash and cash equivalents                         | -                         | 63,198               | 63,198              |
| Capital assets not being depreciated:             |                           |                      |                     |
| Land                                              | 7,600                     | -                    | 7,600               |
| Capital assets net of accumulated depreciation:   |                           |                      |                     |
| Machinery and equipment                           | 3,800                     | -                    | 3,800               |
| Buildings and improvements                        | 13,985                    | 3,123                | 17,108              |
| Infrastructure                                    | 139,802                   | 1,749,724            | 1,889,526           |
| <b>Total assets</b>                               | <b>1,193,948</b>          | <b>2,068,845</b>     | <b>3,262,793</b>    |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>              |                           |                      |                     |
| Deferred outflow - pension                        | 10,943                    | 5,150                | 16,093              |
| Deferred outflow - other pension benefits         | 1,615                     | 760                  | 2,375               |
| <b>LIABILITIES</b>                                |                           |                      |                     |
| Accounts payable                                  | -                         | -                    | -                   |
| Accrued expenses                                  | -                         | 206                  | 206                 |
| Deferred grant income                             | -                         | 20,951               | 20,951              |
| Customer deposits                                 | -                         | 42,247               | 42,247              |
| Noncurrent liabilities:                           |                           |                      |                     |
| Due in more than one year:                        |                           |                      |                     |
| Net other pension benefit liability               | 15,422                    | 7,257                | 22,679              |
| <b>Total liabilities</b>                          | <b>15,422</b>             | <b>70,661</b>        | <b>86,083</b>       |
| <b>DEFERRED INFLOW OF RESOURCES</b>               |                           |                      |                     |
| Deferred inflow - pension                         | 6,862                     | 3,229                | 10,091              |
| Deferred inflow - other pension benefits          | 529                       | 249                  | 778                 |
| Advance property tax levy                         | 203,296                   | -                    | 203,296             |
| <b>NET POSITION</b>                               |                           |                      |                     |
| Net investment in capital assets                  | 165,187                   | 1,752,847            | 1,918,034           |
| Unrestricted                                      | 815,210                   | 247,769              | 1,062,979           |
| <b>Total net position</b>                         | <b>\$ 980,397</b>         | <b>\$ 2,000,616</b>  | <b>\$ 2,981,013</b> |

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





**CITY OF CELESTE, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2025**

| Function/Program Activities           | Expenses         | Program Revenues     |                                    |                                  |
|---------------------------------------|------------------|----------------------|------------------------------------|----------------------------------|
|                                       |                  | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Primary Government</b>             |                  |                      |                                    |                                  |
| Governmental activities:              |                  |                      |                                    |                                  |
| Administration                        | \$ 239,839       | \$ 31,148            | \$ -                               | \$ -                             |
| Judicial                              | 38,516           | 58,913               | -                                  | -                                |
| Public safety                         | 145,653          | -                    | -                                  | -                                |
| Sanitation                            | 123,131          | 141,806              | -                                  | -                                |
| Public works                          | 160,226          | -                    | -                                  | -                                |
| <b>Total governmental activities</b>  | <b>707,365</b>   | <b>231,867</b>       | <b>-</b>                           | <b>-</b>                         |
| Business-type activities:             |                  |                      |                                    |                                  |
| Water and sewer services              | 549,805          | 451,173              | 1,524                              | 199,022                          |
| <b>Total business-type activities</b> | <b>549,805</b>   | <b>451,173</b>       | <b>1,524</b>                       | <b>199,022</b>                   |
| <b>Total Primary Government</b>       | <b>1,257,170</b> | <b>683,040</b>       | <b>1,524</b>                       | <b>199,022</b>                   |

General revenues:  
Property taxes  
Sales taxes  
Franchise taxes  
Investment income  
Intergovernmental  
Rent  
Insurance proceeds  
Miscellaneous  
Transfers  
Total general revenues  
Change in net position  
Net position - beginning  
Net position - ending

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

| <b>Net (Expense) Revenues and Changes in Net Position</b> |                                |              |
|-----------------------------------------------------------|--------------------------------|--------------|
| <b>Primary Government</b>                                 |                                |              |
| <b>Governmental<br/>Activities</b>                        | <b>Business<br/>Activities</b> | <b>Total</b> |
| \$ (208,691)                                              | \$ -                           | \$ (208,691) |
| 20,397                                                    | -                              | 20,397       |
| (145,653)                                                 | -                              | (145,653)    |
| 18,675                                                    | -                              | 18,675       |
| (160,226)                                                 | -                              | (160,226)    |
| (475,498)                                                 | -                              | (475,498)    |
| -                                                         | 101,914                        | 101,914      |
| -                                                         | 101,914                        | 101,914      |
| (475,498)                                                 | 101,914                        | (373,584)    |
| \$ 191,518                                                | \$ -                           | \$ 191,518   |
| 165,355                                                   | -                              | 165,355      |
| 60,163                                                    | -                              | 60,163       |
| -                                                         | 148                            | 148          |
| 49,155                                                    | -                              | 49,155       |
| 6,000                                                     | -                              | 6,000        |
| -                                                         | 56,013                         | 56,013       |
| 8,397                                                     | 1,330                          | 9,727        |
| -                                                         | -                              | -            |
| 480,588                                                   | 57,491                         | 538,079      |
| 5,090                                                     | 159,405                        | 164,495      |
| 975,307                                                   | 1,841,211                      | 2,816,518    |
| \$ 980,397                                                | \$ 2,000,616                   | \$ 2,981,013 |

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

**CITY OF CELESTE, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2025**

|                                                                              | <b>General<br/>Fund</b> | <b>Total</b>        |
|------------------------------------------------------------------------------|-------------------------|---------------------|
| <b>ASSETS</b>                                                                |                         |                     |
| Cash and cash equivalents                                                    | \$ 841,680              | \$ 841,680          |
| Receivables (net of allowance for uncollectibles)                            | 183,480                 | 183,480             |
| <b>Total assets</b>                                                          | <u>1,025,160</u>        | <u>1,025,160</u>    |
| <b>LIABILITIES</b>                                                           |                         |                     |
| Accounts payable                                                             | -                       | -                   |
| Accrued expenses                                                             | -                       | -                   |
| <b>Total liabilities</b>                                                     | <u>-</u>                | <u>-</u>            |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                         |                         |                     |
| Advance property tax levy                                                    | 203,296                 | 203,296             |
| Unavailable revenue-property taxes                                           | 111,860                 | 111,860             |
| <b>Total deferred inflows of resources</b>                                   | <u>315,156</u>          | <u>315,156</u>      |
| <b>FUND BALANCE</b>                                                          |                         |                     |
| Unassigned                                                                   | 710,004                 | 710,004             |
| <b>Total fund balance</b>                                                    | <u>710,004</u>          | <u>710,004</u>      |
| <b>Total liabilities, deferred inflows of resources<br/>and fund balance</b> | <u>\$ 1,025,160</u>     | <u>\$ 1,025,160</u> |

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

**CITY OF CELESTE, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2025**

|                                                       |            |
|-------------------------------------------------------|------------|
| Total fund balance - governmental funds balance sheet | \$ 710,004 |
|-------------------------------------------------------|------------|

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

|                                                                                                                                              |           |
|----------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. | 1,133,896 |
|----------------------------------------------------------------------------------------------------------------------------------------------|-----------|

|                                                                                           |           |
|-------------------------------------------------------------------------------------------|-----------|
| Accumulated depreciation has not been included in governmental fund financial statements. | (968,709) |
|-------------------------------------------------------------------------------------------|-----------|

|                                                                                                             |       |
|-------------------------------------------------------------------------------------------------------------|-------|
| Deferred inflow/outflow of resources related to pensions are not reported in the fund financial statements. | 5,167 |
|-------------------------------------------------------------------------------------------------------------|-------|

|                                                                                                                                               |          |
|-----------------------------------------------------------------------------------------------------------------------------------------------|----------|
| Net pension asset and OPEB liability is not available in the current period and, therefore, is not reported in the fund financial statements. | (11,820) |
|-----------------------------------------------------------------------------------------------------------------------------------------------|----------|

|                                                                                                                                     |         |
|-------------------------------------------------------------------------------------------------------------------------------------|---------|
| Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements. | 111,859 |
|-------------------------------------------------------------------------------------------------------------------------------------|---------|

|                                                                     |                   |
|---------------------------------------------------------------------|-------------------|
| Net position of governmental activities - statement of net position | <u>\$ 980,397</u> |
|---------------------------------------------------------------------|-------------------|

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

**CITY OF CELESTE, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

|                                                                      | <b>General<br/>Fund</b> | <b>Total</b>      |
|----------------------------------------------------------------------|-------------------------|-------------------|
| <b>REVENUES</b>                                                      |                         |                   |
| Property taxes                                                       | \$ 191,518              | \$ 191,518        |
| Franchise taxes                                                      | 60,163                  | 60,163            |
| Sales tax                                                            | 165,355                 | 165,355           |
| Sanitation services                                                  | 141,806                 | 141,806           |
| Fines                                                                | 58,913                  | 58,913            |
| Licenses and permits                                                 | 31,148                  | 31,148            |
| Intergovernmental                                                    | 49,155                  | 49,155            |
| Rent                                                                 | 6,000                   | 6,000             |
| Miscellaneous                                                        | 8,397                   | 8,397             |
| <b>Total revenues</b>                                                | <u>712,455</u>          | <u>712,455</u>    |
| <b>EXPENDITURES</b>                                                  |                         |                   |
| Current:                                                             |                         |                   |
| Administration                                                       | 236,554                 | 236,554           |
| Judicial                                                             | 38,516                  | 38,516            |
| Public safety                                                        | 142,488                 | 142,488           |
| Sanitation                                                           | 123,131                 | 123,131           |
| Public works                                                         | 140,260                 | 140,260           |
| <b>Total expenditures</b>                                            | <u>680,949</u>          | <u>680,949</u>    |
| <b>Excess (deficiency) of revenues over<br/>(under) expenditures</b> | 31,506                  | 31,506            |
| <b>Other financing sources (uses)</b>                                |                         |                   |
| Transfers                                                            | -                       | -                 |
| <b>Total other financing sources (uses)</b>                          | <u>-</u>                | <u>-</u>          |
| <b>Net change in fund balance</b>                                    | 31,506                  | 31,506            |
| <b>Fund balance, beginning of year</b>                               | 678,498                 | 678,498           |
| <b>Fund balance, end of year</b>                                     | <u>\$ 710,004</u>       | <u>\$ 710,004</u> |

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

**CITY OF CELESTE, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

|                                                       |    |        |
|-------------------------------------------------------|----|--------|
| Net change in fund balance - total governmental funds | \$ | 31,506 |
|-------------------------------------------------------|----|--------|

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

|                                                                                                                                                                                                                                                                                                   |          |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| Depreciation expense on capital assets is reported in the government-wide<br>statement of activities and changes in net position but they do not require<br>the use of current financial resources. Therefore, depreciation expense is<br>not reported as expenditures in the governmental funds. | (26,295) |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|

|                                                                                                                                                               |       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| Current year changes in pension expense do not require the use of current<br>resources; therefore, are not reported as expenditures in governmental<br>funds. | (121) |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|

|                                                                             |    |              |
|-----------------------------------------------------------------------------|----|--------------|
| Change in net position of governmental activities - statement of activities | \$ | <u>5,090</u> |
|-----------------------------------------------------------------------------|----|--------------|

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

**CITY OF CELESTE, TEXAS**  
**STATEMENT OF FUND NET POSITION**  
**PROPRIETARY FUND**  
**DECEMBER 31, 2025**

|                                                       | <b>Utility<br/>Fund</b>    |
|-------------------------------------------------------|----------------------------|
| <b>ASSETS</b>                                         |                            |
| Current assets:                                       |                            |
| Cash and cash equivalents                             | \$ 215,103                 |
| Receivables (net of allowance for uncollectible)      | 36,002                     |
| Restricted cash and cash equivalents                  | 63,198                     |
| Total current assets                                  | <u>314,303</u>             |
| Noncurrent assets:                                    |                            |
| Net pension asset                                     | 1,695                      |
| Capital assets:                                       |                            |
| Land                                                  | -                          |
| Building                                              | 23,858                     |
| Machinery & Equipment                                 | 135,603                    |
| Infrastructure                                        | 3,609,664                  |
| Less: accumulated depreciation                        | <u>(2,016,278)</u>         |
| Total capital assets, net of accumulated depreciation | <u>1,752,847</u>           |
| <b>Total assets</b>                                   | <u><u>2,068,845</u></u>    |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>                  |                            |
| Deferred outflow - pension                            | 5,150                      |
| Deferred outflow - other pension benefit              | <u>760</u>                 |
| <b>LIABILITIES</b>                                    |                            |
| Current liabilities:                                  |                            |
| Accounts payable                                      | -                          |
| Accrued expenses                                      | 206                        |
| Payable from restricted assets:                       |                            |
| Customer deposits                                     | 42,247                     |
| Deferred grant income                                 | <u>20,951</u>              |
| Total current liabilities                             | <u>63,404</u>              |
| Noncurrent Liabilities:                               |                            |
| Net other pension benefit liability                   | <u>7,257</u>               |
| Total noncurrent liabilities                          | <u>7,257</u>               |
| <b>Total liabilities</b>                              | <u><u>70,661</u></u>       |
| <b>DEFERRED INFLOW OF RESOURCES</b>                   |                            |
| Deferred inflow - pension                             | 3,229                      |
| Deferred inflow - other pension benefits              | 249                        |
| <b>NET POSITION</b>                                   |                            |
| Net investment in capital assets                      | 1,752,847                  |
| Unrestricted                                          | <u>247,769</u>             |
| <b>Total net position</b>                             | <u><u>\$ 2,000,616</u></u> |

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



**CITY OF CELESTE, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN FUND NET POSITION - PROPRIETARY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

|                                                                 | <b>Utility<br/>Fund</b> |
|-----------------------------------------------------------------|-------------------------|
| <b>OPERATING REVENUES:</b>                                      |                         |
| Charges for services:                                           |                         |
| Water fees                                                      | \$ 274,312              |
| Sewer fees                                                      | 126,676                 |
| Service fees                                                    | 50,184                  |
| Grant income                                                    | 199,022                 |
| Miscellaneous                                                   | 11,975                  |
| <b>Total operating revenues</b>                                 | <b>662,169</b>          |
| <b>OPERATING EXPENSES:</b>                                      |                         |
| Personnel costs                                                 | 79,726                  |
| Contract labor                                                  | 111,710                 |
| Repairs and maintenance                                         | 171,140                 |
| Insurance                                                       | 10,358                  |
| Vehicle                                                         | 42,688                  |
| Utilities                                                       | 44,663                  |
| Office                                                          | 4,756                   |
| Legal and professional                                          | 193                     |
| Lab fees                                                        | 12,107                  |
| Depreciation                                                    | 81,584                  |
| <b>Total operating expenses</b>                                 | <b>558,925</b>          |
| <b>Operating income (loss)</b>                                  | <b>103,244</b>          |
| <b>NON-OPERATING REVENUES (EXPENSES):</b>                       |                         |
| Investment income                                               | 148                     |
| Insurance proceeds                                              | 56,013                  |
| <b>Total non-operating revenues (expenses)</b>                  | <b>56,161</b>           |
| <b>Income (loss) before capital contributions and transfers</b> | <b>159,405</b>          |
| Transfers                                                       | -                       |
| <b>Change in net position</b>                                   | <b>159,405</b>          |
| <b>Net position - beginning</b>                                 | <b>1,841,211</b>        |
| <b>Net position - ending</b>                                    | <b>\$ 2,000,616</b>     |

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

**CITY OF CELESTE, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2025**

|                                                                                                              | <b>Utility<br/>Fund</b> |
|--------------------------------------------------------------------------------------------------------------|-------------------------|
| <b>Cash Flows from Operating Activities:</b>                                                                 |                         |
| Cash received from customers                                                                                 | \$ 451,172              |
| Other operating revenues                                                                                     | 210,997                 |
| Cash payments to employees for services                                                                      | (78,514)                |
| Cash payments to suppliers for goods and services                                                            | (397,615)               |
| <b>Net cash provided by (used in) operating activities</b>                                                   | <u>186,040</u>          |
| <b>Cash Flows from Noncapital Financing Activities</b>                                                       |                         |
| Operating transfers                                                                                          | -                       |
| <b>Cash used in noncapital financing activities</b>                                                          | <u>-</u>                |
| <b>Cash Flows from Capital and Related Financing Activities</b>                                              |                         |
| Interest and fiscal charges on debt                                                                          | -                       |
| Insurance proceeds                                                                                           | 56,013                  |
| Acquisition of capital assets                                                                                | (404,611)               |
| <b>Cash used in capital and related financing activities</b>                                                 | <u>(348,598)</u>        |
| <b>Cash Flows from Investing Activities</b>                                                                  |                         |
| Investment earnings                                                                                          | 148                     |
| <b>Cash provided by (used in) investing activities</b>                                                       | <u>148</u>              |
| Net increase (decrease) in cash and cash equivalents                                                         | (162,410)               |
| Cash and cash equivalents at beginning of year                                                               | 440,711                 |
| Cash and cash equivalents at end of year                                                                     | <u>\$ 278,301</u>       |
| <b>Reconciliation of Operating Income (Loss) to Net Cash<br/>Provided by (Used in) Operating Activities:</b> |                         |
| Operating income (Loss)                                                                                      | \$ 103,244              |
| Adjustments to reconcile operating income (loss) to net cash<br>provided by (used in) operating activities:  |                         |
| Depreciation                                                                                                 | 81,585                  |
| Change in assets and liabilities:                                                                            |                         |
| Increase (decrease) in accrued expenses                                                                      | 1,211                   |
| Total adjustments                                                                                            | 82,796                  |
| <b>Net cash provided by (used in) operating activities</b>                                                   | <u>\$ 186,040</u>       |

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

**CITY OF CELESTE, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities), report information on all the activities of the primary government. Governmental activities, which are normally supported by taxes and intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

**Reporting Entity**

The City of Celeste, Texas (the City) is a municipal corporation governed by an elected mayor and five member council. The accompanying financial statements present the funds and account groups of the City.

The City complies with accounting principles generally accepted in the United States of America as applicable to governments. Accounting principles accepted in the United States of America include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting reporting framework and the more significant accounting policies are discussed in subsequent sections of this Note.

**Basis of Presentation**

In addition to the government-wide financial statements, the City has prepared fund financial statements, which use the modified accrual basis of accounting and the current financial resources measurement focus for the governmental funds. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Management's Discussion and Analysis includes an analytical overview of the City's financial activities. In addition, a budgetary comparison statement is presented in the required supplementary section that compares the budget with actual results.

The basic financial statements include both government-wide, (based on the City as a whole), and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (General Government, Public Works, etc.) or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, b) grants and contributions that are restricted to meeting the capital requirements of a particular function or program, and c) grants and contributions that are restricted to meeting the operational requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenue. Internally dedicated resources are also reported as general revenues rather than as program revenues.

The net cost (by function) is normally covered by general revenue (property and sales taxes, franchise fees, and interest income).

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are franchise fees and other charges between the City's wastewater function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utility fund are charges to customers for sales and services. The wastewater utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for business-type funds include the cost of sales, service and administrative expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and proprietary categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

**CITY OF CELESTE, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

**Measurement Focus, Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. The economic resources measurement focus means all assets and liabilities (whether current or noncurrent) are included on the statement of net position, and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled utility services which are accrued. Expenses are recognized as the liability is incurred.

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period, or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available when they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due and payable shortly after year end as required by GASB Interpretation No. 6.

Ad valorem, franchise and sales tax revenues recorded in the General Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is not measurable. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to inter-governmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. Intergovernmental grant revenues are recognized when all eligibility requirements have been met.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**Governmental funds** are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination.

The **General Fund** is the operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contracted agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

**Proprietary funds** are accounted for on a flow of economic resources measurement focus. The accounting objectives are a determination of net income, financial position, and changes in cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net position.

Proprietary funds are financed and operated in a manner similar to private business enterprise. The costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The following is a description of the proprietary fund of the City.

The **Utility Fund** accounts for the operation of the City's water, wastewater, and solid waste collection utility system, a self-supporting activity, which renders services on a user charge basis to residents and businesses located in Celeste, Texas.

**CITY OF CELESTE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

**Financial Statement Amounts**

**Cash and Cash Equivalents**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**Prepaid Items**

Prepaid balances are for payments made by the City for which benefits extend beyond the fiscal year, and the reserve for prepaid items has been recognized to signify that a portion of the fund balance is not available for other subsequent expenditures. Prepaid items are recorded using the consumption method.

**Receivable and Payable**

Trade and property tax receivables are shown net of an allowance for uncollectibility.

The City believes that sufficient detail of receivable and payable balances are provided in the financial statements to avoid the obscuring of significant components by aggregation.

**Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

**Capital Assets**

Capital assets, which include land, buildings, equipment, vehicles and infrastructure, purchased or acquired, are reported in the applicable governmental or business-like activities columns in the government-wide financial statements and proprietary fund type financial statements. The City defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical, if historical cost is not available. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-like activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current year.

Management elected not to retroactively report infrastructure assets within the scope of GASB 34.

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

| <u>Asset Class</u>                     | <u>Years</u> |
|----------------------------------------|--------------|
| Buildings, structures and improvements | 30           |
| Infrastructure                         | 15-20        |
| Equipment                              | 5-10         |

**CITY OF CELESTE, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify in this category. The City's pension plan contributions made from the measurement date of the pension plan to the current fiscal year-end are deferred and will be recognized in the subsequent fiscal year-end. The other deferred outflow is the difference between projected and actual investment earnings that will be amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three types of deferred inflows. Unavailable revenue, which only arises on a modified accrual basis of accounting, is comprised of property taxes and other revenue and is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Advance property tax levy, in the government-wide Statement of Net Position and the governmental funds balance sheet, represents property taxes levied before the period for which they are available for spending. Advances from grants represents funds on hand in which the eligibility requirements have been met; however, the funds have not yet been expended. Finally, deferred inflows related to pensions, which arise only under the accrual basis of accounting. It is reported only in the government-wide Statement of Net Position. This amount is deferred and amortized over the actuarial determined recognition period.

**Net Position Flow Assumption**

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**CITY OF CELESTE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

**Fund Balance Policies**

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent.

- *Nonspendable fund balance* - amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- *Restricted fund balance* - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by laws through constitutional provisions or enabling legislation that stipulates that amounts can only be spent for specific purposes.
- *Committed fund balance* - amounts that can only be used for specific purposes determined by a resolution of the City Council and remains binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- *Assigned fund balance* - amounts that are constrained by the City's intent to be used for specific purposes. Assignment of fund balance is much less formal than commitments and do not require formal action for their imposition or removal. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed which indicates that resources are, at a minimum, intended to be used.
- *Unassigned fund balance* - the residual classification for the City's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes. Unassigned amounts are technically available for any purpose. Negative residual amounts for all other governmental funds are reported in this classification.

The City Council establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unassigned resources are available for use, it is the City's policy to use restricted resources first, followed by the committed, assigned and unassigned resources as they are needed.

**Fund Balance Flow Assumption**

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider a restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Property Taxes**

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraisal value less applicable exemptions authorized by the City Council. The Appraisal Board of Review establishes appraised values at 100% for estimated market value. A tax lien attaches to the property on January 1 of each year, to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on that property, whether or not the taxes are imposed in the year the lien attaches.

Taxes are due October 1, immediately following the levy date and are delinquent after the following January 31st. Revenues are recognized as the related ad valorem taxes are collected. Additional delinquent property taxes estimated to be collectible within 60 days following the close of the fiscal year have been recognized as a revenue at the fund level.

The City's property tax rate for the current fiscal year is \$0.321633 per \$100 assessed value.

**CITY OF CELESTE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

**Comparative Data/Reclassification**

Comparative total data for the current year to budget for the General Fund have been presented in the basic financial statements in order to provide an understanding of budget to actual. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**Interfund Activity**

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

**Use of Estimates**

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

**Program Revenues**

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

**Program Expenses**

Certain indirect costs such as administrative costs are included in the program expense reported for individual functional activities.

**COMPLIANCE AND ACCOUNTABILITY**

**Finance-Related Legal and Contractual Provisions**

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

| Violation | Action Taken |
|-----------|--------------|
| None      | N/A          |

**Deficit Fund Balance or Fund Net Assets of Individual Funds**

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

| Fund Name | Deficit Amount |
|-----------|----------------|
| None      | N/A            |

**Budgets and Budgetary Accounting**

The City adopts an "appropriated budget" of governmental fund types on the modified accrual basis of accounting by department. The City is required to present the adopted and final amended budgeted revenues and expenditures. The City compares the final amended budget to actual revenues and expenditures.

The following procedures are followed in establishing the budgetary data:

- No later than the fifteenth day of each August, the City Secretary submits to the City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- The budget for the General Fund is legally adopted on a basis consistent with modified accrual basis. The majority of the City's capital projects are budgeted on an annual basis.
- The level of control (the level at which expenditures may not exceed budget) is the fund level. The City Council is the only body that can change the budgeted amounts from one line item to another.



**CITY OF CELESTE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

**CASH AND INVESTMENTS**

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

*Cash Deposits*

At December 31, 2025, the carrying amount of the City's deposits was \$1,119,981 and the bank balance was \$1,065,391. The City's cash deposits at December 31, 2025 and during the year ended December 31, 2025 were entirely covered by FDIC or by pledged collateral held in the City's name. Cash and cash equivalents as of December 31, 2025 consist of and are classified in the accompanying financial statements as follows:

**Credit Risk**

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

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Consistent with the requirements of the Public Funds Collateral Act, it is the policy of the City to require full collateralization of all City investments and funds on deposit with a depository bank, other than investments which are obligations of the U.S. government and its agencies.

**Concentration of Credit Risk**

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

**Interest Rate Risk**

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

**Foreign Currency Risk**

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

**RECEIVABLES**

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

|                                   | <u>Governmental</u>      | <u>Proprietary</u>      | <u>Total</u>             |
|-----------------------------------|--------------------------|-------------------------|--------------------------|
| Receivables:                      |                          |                         |                          |
| Taxes                             | \$ 179,128               | \$ -                    | \$ 179,128               |
| Fees and Charges                  | 251,009                  | 47,816                  | 298,825                  |
| Gross Receivables                 | 430,137                  | 47,816                  | 477,953                  |
| Less: allowance for uncollectible | (246,657)                | (11,814)                | (258,471)                |
| <b>Net Total Receivables</b>      | <b><u>\$ 183,480</u></b> | <b><u>\$ 36,002</u></b> | <b><u>\$ 219,482</u></b> |

**CITY OF CELESTE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

**CAPITAL ASSETS**

Capital asset activity for the period ended December 31, 2025 was as follows:

|                                                                                                     | <b>Beginning<br/>Balances</b> | <b>Adjustments/<br/>Transfers</b> | <b>Additions</b>   | <b>Decreases</b> | <b>Ending<br/>Balances</b> |
|-----------------------------------------------------------------------------------------------------|-------------------------------|-----------------------------------|--------------------|------------------|----------------------------|
| <b>Governmental Activities</b>                                                                      |                               |                                   |                    |                  |                            |
| Capital assets, not being depreciated                                                               |                               |                                   |                    |                  |                            |
| Land                                                                                                | \$ 7,600                      | \$ -                              | \$ -               | \$ -             | \$ 7,600                   |
| Construction in Progress                                                                            | -                             | -                                 | -                  | -                | -                          |
| Total capital assets, not being depreciated                                                         | 7,600                         | -                                 | -                  | -                | 7,600                      |
| Capital assets, being depreciated:                                                                  |                               |                                   |                    |                  |                            |
| Buildings & Improvements                                                                            | 55,078                        | -                                 | -                  | -                | 55,078                     |
| Infrastructure                                                                                      | 865,354                       | -                                 | -                  | -                | 865,354                    |
| Machinery & Equipment                                                                               | 205,864                       | -                                 | -                  | -                | 205,864                    |
| Total capital assets being depreciated                                                              | 1,126,296                     | -                                 | -                  | -                | 1,126,296                  |
| Less accumulated depreciation for:                                                                  |                               |                                   |                    |                  |                            |
| Buildings & Improvements                                                                            | (38,291)                      | -                                 | (2,801)            | -                | (41,092)                   |
| Infrastructure                                                                                      | (704,455)                     | -                                 | (21,097)           | -                | (725,552)                  |
| Machinery & Equipment                                                                               | (199,669)                     | -                                 | (2,396)            | -                | (202,065)                  |
| Total accumulated depreciation                                                                      | (942,415)                     | -                                 | (26,294)           | -                | (968,709)                  |
| Total capital assets, being depreciated, net                                                        | 183,881                       | -                                 | (26,294)           | -                | 157,587                    |
| <b>Governmental activities capital assets, net</b>                                                  | <b>\$ 191,481</b>             | <b>\$ -</b>                       | <b>\$ (26,294)</b> | <b>\$ -</b>      | <b>\$ 165,187</b>          |
| <b>Business-type Activities</b>                                                                     |                               |                                   |                    |                  |                            |
| Capital assets, not being depreciated                                                               |                               |                                   |                    |                  |                            |
| Land                                                                                                | \$ -                          | -                                 | -                  | -                | \$ -                       |
| Construction in Progress                                                                            | -                             | -                                 | -                  | -                | -                          |
| Total capital assets, not being depreciated                                                         | -                             | -                                 | -                  | -                | -                          |
| Capital assets, being depreciated:                                                                  |                               |                                   |                    |                  |                            |
| Buildings and improvements                                                                          | 23,858                        | -                                 | -                  | -                | 23,858                     |
| Infrastructure                                                                                      | 3,205,053                     | -                                 | 404,611            | -                | 3,609,664                  |
| Machinery & Equipment                                                                               | 135,603                       | -                                 | -                  | -                | 135,603                    |
| Total capital assets being depreciated                                                              | 3,364,514                     | -                                 | 404,611            | -                | 3,769,125                  |
| Less accumulated depreciation for:                                                                  |                               |                                   |                    |                  |                            |
| Buildings and improvements                                                                          | (19,366)                      | -                                 | (1,369)            | -                | (20,735)                   |
| Infrastructure                                                                                      | (1,780,921)                   | -                                 | (79,019)           | -                | (1,859,940)                |
| Machinery & Equipment                                                                               | (134,407)                     | -                                 | (1,196)            | -                | (135,603)                  |
| Total accumulated depreciation                                                                      | (1,934,694)                   | -                                 | (81,584)           | -                | (2,016,278)                |
| Total capital assets, being depreciated, net                                                        | 1,429,820                     | -                                 | 323,027            | -                | 1,752,847                  |
| <b>Business-type activities capital assets, net</b>                                                 | <b>\$ 1,429,820</b>           | <b>\$ -</b>                       | <b>\$ 323,027</b>  | <b>\$ -</b>      | <b>\$ 1,752,847</b>        |
| <b>Depreciation expense was charged to functions/programs of the primary government as follows:</b> |                               |                                   |                    |                  |                            |
| Governmental activities:                                                                            |                               |                                   |                    |                  |                            |
| Administration                                                                                      | \$ 3,165                      |                                   |                    |                  |                            |
| Public safety                                                                                       | 3,165                         |                                   |                    |                  |                            |
| Public works                                                                                        | 19,964                        |                                   |                    |                  |                            |
| <b>Total depreciation expense - governmental activities</b>                                         | <b>\$ 26,294</b>              |                                   |                    |                  |                            |
| Business-type activities:                                                                           |                               |                                   |                    |                  |                            |
| Utility fund                                                                                        | \$ 81,584                     |                                   |                    |                  |                            |
| Wastewater services                                                                                 | <b>\$ 81,584</b>              |                                   |                    |                  |                            |

CITY OF CELESTE, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2025

PENSION PLAN

Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System ("TMRS"). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code ("TMRS Act") as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report ("ACFR") that can be obtained at [www.tmrs.org](http://www.tmrs.org).

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

Benefits Provided

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

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

Employees covered by benefit terms:

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

|                                                                  | Plan Year |
|------------------------------------------------------------------|-----------|
|                                                                  | 2024      |
| Number of:                                                       |           |
| Inactive employees or beneficiaries currently receiving benefits | 2         |
| Inactive employees entitled to but not yet receiving benefits    | 9         |
| Active employees                                                 | 6         |
| <b>Total</b>                                                     | <b>17</b> |

**CITY OF CELESTE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

**Contributions**

The contribution rates for the employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City's matching percentages are either 100%, 150%, or 200%, both as adopted by the City Council. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal ("EAN") actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rate for the City was 2.46% and 2.41% in the calendar years 2024 and 2025. The City's contributions to TMRS for the year ended December 31, \$8,474 and were equal to the required contributions.

**Net Pension Liability**

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

**Actuarial assumptions:**

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

|                           |                                     |
|---------------------------|-------------------------------------|
| Inflation                 | 2.50%                               |
| Salary increases          | 3.60% to 11.85% including inflation |
| Investment rate of return | 6.75%                               |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries are based on the PUB(10) mortality tables with Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for employees, healthy and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, same mortality tables for healthy retirees is used with a four-year set-forward for males and a three-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. Post-retirement mortality is based on 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with Scale UMP.

**Rate of Return**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, the actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real of return for each major asset class in fiscal year 2025 are summarized in the following table:

| <b>Asset Class</b>               | <b>Target Allocation</b> | <b>Long-Term Expected Real Rate of Return (Arithmetic)</b> |
|----------------------------------|--------------------------|------------------------------------------------------------|
| Global equity                    | 35%                      | 7.10%                                                      |
| Core fixed income                | 6%                       | 5.00%                                                      |
| Non-core fixed Income            | 6%                       | 6.80%                                                      |
| Other Public and Private Markets | 4%                       | 7.30%                                                      |
| Infrastructure                   | 6%                       | 6.00%                                                      |
| Private debt                     | 13%                      | 8.20%                                                      |
| Real estate                      | 12%                      | 6.70%                                                      |
| Hedge Funds                      | 5%                       | 6.40%                                                      |
| Private equity                   | 13%                      | 8.50%                                                      |
| <b>Total</b>                     | <b>100%</b>              |                                                            |

**Discount Rate**

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

**CITY OF CELESTE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

|                                                               | Increase (Decrease)     |                             |                       |
|---------------------------------------------------------------|-------------------------|-----------------------------|-----------------------|
|                                                               | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
|                                                               | (a)                     | (b)                         | (a) - (b)             |
| Balance at 12/31/2023                                         | \$ 160,489              | \$ 160,198                  | \$ 291                |
| Changes for the year:                                         |                         |                             |                       |
| Service cost                                                  | 20,841                  | -                           | 20,841                |
| Interest                                                      | 11,464                  | -                           | 11,464                |
| Change of benefit terms                                       | -                       | -                           | -                     |
| Difference between expected and actual experience             | (430)                   | -                           | (430)                 |
| Changes of assumptions                                        | -                       | -                           | -                     |
| Contributions - employer                                      | -                       | 6,919                       | (6,919)               |
| Contributions - employee                                      | -                       | 14,063                      | (14,063)              |
| Net investment income                                         | -                       | 16,591                      | (16,591)              |
| Benefit payments, including refunds of employee contributions | (2,142)                 | (2,142)                     | -                     |
| Administrative expense                                        | -                       | (107)                       | 107                   |
| Other changes                                                 | -                       | (4)                         | 4                     |
| Net changes                                                   | 29,733                  | 35,320                      | (5,587)               |
| Balance at 12/31/2024                                         | \$ 190,222              | \$ 195,518                  | \$ (5,296)            |

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

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

|  | 1% Decrease<br>5.75% | Current<br>Single Rate<br>Assumption<br>6.75 | 1% Increase<br>7.75% |
|--|----------------------|----------------------------------------------|----------------------|
|  | \$ 14,764            | \$ (5,296)                                   | \$ (22,400)          |

At December 31, 2025, the City reported deferred outflow of resources and deferred inflow of resources related to pension from the following sources:

|                                                             | Deferred Outflow of Resources | Deferred Inflow of Resources |
|-------------------------------------------------------------|-------------------------------|------------------------------|
| Difference between expected and actual economic experience  | \$ -                          | \$ 242                       |
| Changes in actuarial assumptions                            | -                             | -                            |
| Difference between projected and actual investment earnings | 7,593                         | 9,849                        |
| Contributions subsequent to the measurement date of         |                               |                              |
| December 31, 2024                                           | 8,500                         | -                            |
| <b>Total</b>                                                | <b>\$ 16,093</b>              | <b>\$ 10,091</b>             |

\$8,500 reported as deferred outflow of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the current fiscal year. Other amounts reported as deferred outflow and inflow of resources related to pension will be recognized in pension expense as follows:

**Net deferred outflows (inflows) of resources:**

December 31

|              |                   |
|--------------|-------------------|
| 2025         | \$ (156)          |
| 2026         | 1,275             |
| 2027         | (2,463)           |
| 2028         | (1,154)           |
| 2029         | -                 |
| <b>Total</b> | <b>\$ (2,498)</b> |

**CITY OF CELESTE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

**TMRS Supplemental Death Benefits Fund**

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit", or OPEB.

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

**Total OPEB Liability:**

The City of Celeste's total OPEB liability of \$22,679 was measured as of December 31, 2024, and was determined by an actuarial valuation as of that date.

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

|                  |                                     |
|------------------|-------------------------------------|
| Inflation        | 2.50%                               |
| Salary increases | 3.60% to 11.85% including inflation |
| Discount rate*   | 4.08%                               |

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

**Mortality rates - service retirees:**

For calculating the OPEB liability and the OPEB contribution rates, the Gender-distinct 2019 Municipal Retirees of Texas mortality tables are utilized. rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 100.0%.

**Mortality rates - disabled retirees:**

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

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

**Membership**

|                                                                |                  |
|----------------------------------------------------------------|------------------|
| Number of:                                                     |                  |
| -Inactive employees currently receiving benefits               | 3                |
| -Inactive employees entitled to but not yet receiving benefits | 2                |
| -Active employees                                              | 6                |
| <b>Total</b>                                                   | <b><u>11</u></b> |

**Changes in the Total OPEB Liability:**

|                                                    |                         |
|----------------------------------------------------|-------------------------|
| Total OPEB Liability - beginning of year           | \$ 22,199               |
| Changes for the year:                              |                         |
| Service costs                                      | 1,434                   |
| Interest on total OPEB liability                   | 852                     |
| Changes in benefit terms                           | -                       |
| Differences between expected and actual experience | (6)                     |
| Changes in assumptions or other inputs             | (1,153)                 |
| Benefit payments                                   | (647)                   |
| <b>Total OPEB Liability - end of year</b>          | <b><u>\$ 22,679</u></b> |

**CITY OF CELESTE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

The following presents the Total OPEB Liability of the City of Celeste, Texas, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08%) or 1-percentage-point higher (5.08%) than the current discount rate.

|                      | <b>1% Decrease<br/>(3.08%)</b> | <b>Current<br/>Discount<br/>(4.08%)</b> | <b>1% Increase<br/>(5.08%)</b> |
|----------------------|--------------------------------|-----------------------------------------|--------------------------------|
| Total OPEB Liability | \$ 26,717                      | \$ 22,679                               | \$ 19,464                      |

Deferred (Inflows)/Outflows of Resources:

|                                                    | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|----------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Differences between expected and actual experience | \$ 52                                         | \$ 4                                         |
| Changes in assumptions and other inputs            | 76                                            | 774                                          |
| Contributions made subsequent to measurement date  | 2,247                                         | -                                            |
| <b>Total</b>                                       | <b>\$ 2,375</b>                               | <b>\$ 778</b>                                |

Amounts reported as deferred outflows of resources and deferred inflow of resources related to OPEB will be recognized in OPEB expense as follows:

|              | <b>Net Deferred<br/>Outflows<br/>(Inflows) of<br/>Resources</b> |
|--------------|-----------------------------------------------------------------|
| 2025         | \$ (253)                                                        |
| 2026         | (381)                                                           |
| 2027         | (16)                                                            |
| 2028         | -                                                               |
| 2029         | -                                                               |
| Thereafter   | -                                                               |
| <b>Total</b> | <b>\$ (650)</b>                                                 |

**RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City had general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML-IRP"). TML-IRP is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML-IRP for its above insurance coverage. The agreement for the formation of TML-IRP provides that TML-IRP will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

**CITY OF CELESTE, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

**LITIGATION**

The City is subject to certain legal proceedings in the normal course of operations. It is the opinion of management, the aggregate liability, if any, with respect to potential legal actions will not materially adversely affect the City's financial position, results of operations, or cash flows.

**SUBSEQUENT EVENTS**

The City has evaluated all events or transactions that occurred after December 31, 2025 up through July 29, 2026, the date the financial statements were available to be issued. During this period, management was unaware of subsequent events requiring disclosures.



## REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CELESTE, TEXAS  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2025**

**SCHEDULE OF CONTRIBUTIONS  
LAST FISCAL YEAR (UNAUDITED)**

|                                                                      | 2025       | 2024       | 2023       | 2022       | 2021       | 2020       | 2019       | 2018      | 2017       | 2016       |
|----------------------------------------------------------------------|------------|------------|------------|------------|------------|------------|------------|-----------|------------|------------|
| Actuarially determined contribution                                  | \$ 5,997   | \$ 6,919   | \$ 6,058   | \$ 5,761   | \$ 8,340   | \$ 14,897  | \$ 7,892   | \$ 6,047  | \$ 7,607   | \$ 6,652   |
| Contributions in relation to the actuarially determined contribution | \$ 5,997   | \$ 6,919   | \$ 6,058   | \$ 5,761   | \$ 8,340   | \$ 14,897  | \$ 7,892   | \$ 6,047  | \$ 7,607   | \$ 6,652   |
| Contributions deficiency (excess)                                    | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -      | \$ -       | \$ -       |
| Covered employee payroll                                             | \$ 248,826 | \$ 281,251 | \$ 169,680 | \$ 155,849 | \$ 157,308 | \$ 166,823 | \$ 103,836 | \$ 88,407 | \$ 102,248 | \$ 108,065 |
| Contributions as a percentage of covered employee payroll            | 2.41%      | 2.46%      | 3.57%      | 3.70%      | 5.30%      | 8.93%      | 7.60%      | 6.84%     | 7.44%      | 6.16%      |

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method Entry Age Normal  
Amortization Method Level Percentage of Payroll, Closed  
Remaining Amortization Period N/A  
Asset Valuation Method 10-year smoothed market; 12% soft corridor  
Inflation 2.50%  
Salary Increases 3.60% to 11.85%, including inflation  
Investment Rate of Return 6.75%  
Retirement Age Experience-based table of rates that vary by age. Last updated for the 2023 2023 valuation pursuant to an experience study of the period ending 2022.

Mortality Post retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).  
Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent generational basis by the most recent Scale MP-2021 (with immediate convergence).

**Other Information:**

Notes There were no benefit changes during the year.

**CITY OF CELESTE, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
AND RELATED RATIOS-TMRS**

|                                                                               | 12/31/2024        | 12/31/2023        | 12/31/2022        | 12/31/2021        | 12/31/2020        | 12/31/2019        | 12/31/2018        | 12/31/2017        | 12/31/2016        | 12/31/2015        |
|-------------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Total Pension Liability</b>                                                |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Service cost                                                                  | \$ 20,841         | \$ 12,794         | \$ 11,720         | \$ 11,987         | \$ 13,096         | \$ 8,348          | \$ 6,498          | \$ 7,628          | \$ 8,703          | \$ 6,840          |
| Interest (on the total pension liability)                                     | 11,464            | 9,703             | 9,285             | 8,014             | 7,255             | 8,620             | 7,990             | 7,247             | 6,781             | 6,113             |
| Change in benefit terms                                                       | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Difference between expected and actual experience                             | (430)             | 5,515             | (10,661)          | 3,097             | (4,944)           | (36,204)          | (1,054)           | 1,092             | (1,615)           | 1,548             |
| Change of assumptions                                                         | -                 | (1,259)           | -                 | -                 | -                 | (302)             | -                 | -                 | -                 | 4,129             |
| Benefit payments, including refunds of employee contributions                 | (2,142)           | (7,228)           | (2,142)           | (6,130)           | (1,094)           | (5,007)           | (5,049)           | (3,740)           | (9,118)           | (3,740)           |
| <b>Net Change in Total Pension Liability</b>                                  | <b>29,733</b>     | <b>19,525</b>     | <b>8,202</b>      | <b>16,968</b>     | <b>14,313</b>     | <b>(24,545)</b>   | <b>8,385</b>      | <b>12,227</b>     | <b>4,751</b>      | <b>14,890</b>     |
| <b>Total Pension Liability - Beginning</b>                                    | <b>160,489</b>    | <b>140,964</b>    | <b>132,762</b>    | <b>115,794</b>    | <b>101,481</b>    | <b>126,026</b>    | <b>117,641</b>    | <b>105,414</b>    | <b>100,663</b>    | <b>85,773</b>     |
| <b>Total Pension Liability - Ending</b>                                       | <b>\$ 190,222</b> | <b>\$ 160,489</b> | <b>\$ 140,964</b> | <b>\$ 132,762</b> | <b>\$ 115,794</b> | <b>\$ 101,481</b> | <b>\$ 126,026</b> | <b>\$ 117,641</b> | <b>\$ 105,414</b> | <b>\$ 100,663</b> |
| <b>Plan Fiduciary Net Position</b>                                            |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Contributions - employer                                                      | \$ 6,919          | \$ 6,058          | \$ 5,761          | \$ 8,340          | \$ 14,895         | \$ 7,892          | \$ 6,047          | \$ 7,605          | \$ 10,664         | \$ 6,495          |
| Contributions - employee                                                      | 14,063            | 8,484             | 7,792             | 7,865             | 8,341             | 5,192             | 4,420             | 5,112             | 5,905             | 5,402             |
| Net investment income                                                         | 16,591            | 15,806            | (9,835)           | 14,030            | 6,335             | 10,091            | (1,846)           | 6,405             | 2,453             | 41                |
| Benefit payments, including refunds of employee contributions                 | (2,142)           | (7,228)           | (2,142)           | (6,130)           | (1,094)           | (5,007)           | (5,049)           | (3,740)           | (9,118)           | (3,740)           |
| Administrative expense                                                        | (107)             | (101)             | (86)              | (67)              | (41)              | (57)              | (36)              | (33)              | (28)              | (25)              |
| Other                                                                         | (4)               | (1)               | 103               | 1                 | (2)               | (2)               | (2)               | (2)               | (1)               | (1)               |
| <b>Net Change in Fiduciary Net Position</b>                                   | <b>35,320</b>     | <b>23,018</b>     | <b>1,593</b>      | <b>24,039</b>     | <b>28,434</b>     | <b>18,109</b>     | <b>3,534</b>      | <b>15,347</b>     | <b>9,875</b>      | <b>8,172</b>      |
| <b>Plan Fiduciary Net Position - Beginning</b>                                | <b>160,198</b>    | <b>137,180</b>    | <b>135,587</b>    | <b>111,548</b>    | <b>83,114</b>     | <b>65,005</b>     | <b>61,471</b>     | <b>46,124</b>     | <b>36,249</b>     | <b>28,077</b>     |
| <b>Plan Fiduciary Net Position - Ending</b>                                   | <b>\$ 195,518</b> | <b>\$ 160,198</b> | <b>\$ 137,180</b> | <b>\$ 135,587</b> | <b>\$ 111,548</b> | <b>\$ 83,114</b>  | <b>\$ 65,005</b>  | <b>\$ 61,471</b>  | <b>\$ 46,124</b>  | <b>\$ 36,249</b>  |
| <b>Net Pension Liability - Ending</b>                                         | <b>\$ (5,296)</b> | <b>\$ 291</b>     | <b>\$ 3,784</b>   | <b>\$ (2,825)</b> | <b>\$ 4,246</b>   | <b>\$ 18,367</b>  | <b>\$ 61,021</b>  | <b>\$ 56,170</b>  | <b>\$ 59,290</b>  | <b>\$ 64,414</b>  |
| <b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b> | <b>102.78%</b>    | <b>99.82%</b>     | <b>97.32%</b>     | <b>102.13%</b>    | <b>96.33%</b>     | <b>81.90%</b>     | <b>51.58%</b>     | <b>52.25%</b>     | <b>43.76%</b>     | <b>36.01%</b>     |
| <b>Covered Employee Payroll</b>                                               | <b>\$ 281,251</b> | <b>\$ 169,680</b> | <b>\$ 155,849</b> | <b>\$ 157,308</b> | <b>\$ 166,824</b> | <b>\$ 103,836</b> | <b>\$ 88,407</b>  | <b>\$ 102,248</b> | <b>\$ 118,094</b> | <b>\$ 108,050</b> |
| <b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>      | <b>-1.88%</b>     | <b>0.17%</b>      | <b>2.43%</b>      | <b>-1.80%</b>     | <b>2.55%</b>      | <b>17.69%</b>     | <b>69.02%</b>     | <b>54.94%</b>     | <b>50.21%</b>     | <b>59.61%</b>     |

**CITY OF CELESTE, TEXAS**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY**  
**AND RELATED RATIOS-TMRS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

|                                                                      | 12/31/2024       | 12/31/2023       | 12/31/2022       | 12/31/2021       | 12/31/2020       | 12/31/2019       | 12/31/2018       | 12/31/2017       |
|----------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Total OPEB liability</b>                                          |                  |                  |                  |                  |                  |                  |                  |                  |
| Service cost                                                         | \$ 1,434         | \$ 1,001         | \$ 1,901         | \$ 2,910         | \$ 3,103         | \$ 1,236         | \$ 928           | \$ 971           |
| Interest (on the Total OPEB Liability                                | 852              | 762              | 504              | 399              | 433              | 564              | 401              | 369              |
| Changes of benefit terms                                             | -                | -                | -                | -                | -                | -                | -                | -                |
| Difference between expected and actual experience                    | (6)              | 932              | (1,019)          | 3,874            | (1,716)          | (4,758)          | 2,791            | -                |
| Change of assumptions                                                | (1,153)          | 1,362            | (9,284)          | 819              | 2,595            | 2,665            | (1,163)          | 1,060            |
| Benefit payments, including refunds of employee contributions        | (647)            | (339)            | (78)             | (94)             | (133)            | (31)             | (27)             | (20)             |
| <b>Net Change in Total Pension Liability</b>                         | 480              | 3,718            | (7,976)          | 7,908            | 4,282            | (324)            | 2,930            | 2,380            |
| <b>Total OPEB Liability - Beginning</b>                              | 22,199           | 18,481           | 26,457           | 18,549           | 14,267           | 14,591           | 11,661           | 9,281            |
| <b>Total OPEB Liability - Ending</b>                                 | <u>\$ 22,679</u> | <u>\$ 22,199</u> | <u>\$ 18,481</u> | <u>\$ 26,457</u> | <u>\$ 18,549</u> | <u>\$ 14,267</u> | <u>\$ 14,591</u> | <u>\$ 11,661</u> |
| <br>Covered employee payroll                                         | <br>\$ 281,251   | <br>\$ 169,680   | <br>\$ 155,849   | <br>\$ 157,308   | <br>\$ 166,824   | <br>\$ 103,836   | <br>\$ 88,407    | <br>\$ 102,248   |
| <br>Total OPEB Liability as a percentage of covered employee payroll | <br>8.06%        | <br>13.08%       | <br>11.86%       | <br>16.82%       | <br>11.12%       | <br>13.74%       | <br>16.50%       | <br>11.40%       |

See accompanying notes to these financial statements for more detail.

**CITY OF CELESTE, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE-BUDGET TO ACTUAL-GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

|                                                       | <b>Budgeted Amounts</b> |                   | <b>Actual</b>     | <b>Variance with</b> |
|-------------------------------------------------------|-------------------------|-------------------|-------------------|----------------------|
|                                                       | <b>Original</b>         | <b>Final</b>      |                   | <b>Final Budget</b>  |
|                                                       |                         |                   |                   | <b>Positive</b>      |
|                                                       |                         |                   |                   | <b>(Negative)</b>    |
| <b>REVENUE</b>                                        |                         |                   |                   |                      |
| Property taxes                                        | \$ 181,000              | \$ 181,000        | \$ 191,518        | \$ 10,518            |
| Franchise taxes                                       | 50,000                  | 50,000            | 60,163            | 10,163               |
| Sales tax                                             | 100,000                 | 100,000           | 165,355           | 65,355               |
| Sanitation services                                   | 145,000                 | 145,000           | 141,806           | (3,194)              |
| Fines                                                 | 70,000                  | 70,000            | 58,913            | (11,087)             |
| Licenses and permits                                  | 30,000                  | 30,000            | 31,148            | 1,148                |
| Intergovernmental                                     | 30,000                  | 30,000            | 49,155            | 19,155               |
| Rent                                                  | 6,000                   | 6,000             | 6,000             | -                    |
| Miscellaneous                                         | 11,400                  | 11,400            | 8,397             | (3,003)              |
| <b>Total revenues</b>                                 | <b>623,400</b>          | <b>623,400</b>    | <b>712,455</b>    | <b>89,055</b>        |
| <b>EXPENDITURES</b>                                   |                         |                   |                   |                      |
| Administration                                        | 209,825                 | 209,825           | 236,554           | (26,729)             |
| Judicial                                              | 30,375                  | 30,375            | 38,516            | (8,141)              |
| Public safety                                         | 144,200                 | 144,200           | 142,488           | 1,712                |
| Sanitation                                            | 139,000                 | 139,000           | 123,131           | 15,869               |
| Public works                                          | 104,000                 | 104,000           | 140,260           | (36,260)             |
| <b>Total expenditures</b>                             | <b>627,400</b>          | <b>627,400</b>    | <b>680,949</b>    | <b>(53,549)</b>      |
|                                                       | -                       |                   |                   |                      |
| <b>Excess (deficiency) of revenues over</b>           |                         |                   |                   |                      |
| <b>(under) expenditures</b>                           | <b>(4,000)</b>          | <b>(4,000)</b>    | <b>31,506</b>     | <b>35,506</b>        |
| <b>OTHER FINANCING SOURCES (USES)</b>                 |                         |                   |                   |                      |
| Transfers in(out)                                     | -                       | -                 | -                 | -                    |
| Use of accumulated fund balance                       | 4,000                   | 4,000             | -                 | (4,000)              |
| <b>Total other financing sources (uses)</b>           | <b>4,000</b>            | <b>4,000</b>      | <b>-</b>          | <b>(4,000)</b>       |
|                                                       |                         |                   |                   |                      |
| <b>Excess of revenues and other financing sources</b> |                         |                   |                   |                      |
| <b>over (under) expenditures and financing uses</b>   | <b>-</b>                | <b>-</b>          | <b>31,506</b>     | <b>31,506</b>        |
| <b>Fund Balance/Equity, January 1</b>                 | <b>678,498</b>          | <b>678,498</b>    | <b>678,498</b>    |                      |
| <b>Fund Balance/Equity, December 31</b>               | <b>\$ 678,498</b>       | <b>\$ 678,498</b> | <b>\$ 710,004</b> |                      |

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