

ANNUAL FINANCIAL REPORT

of the

City of Gatesville, Texas

For the Year Ended September 30, 2024



City of Gatesville, Texas
ANNUAL FINANCIAL REPORT
 For the Year Ended September 30, 2024

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION:	
Independent Auditor's Report.....	1-3
Management's Discussion and Analysis.....	5-11
 Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	15-16
Statement of Activities.....	17-18
 Governmental Funds Financial Statements:	
Balance Sheet - Governmental Funds.....	19-20
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position.....	21
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	23
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund.....	24
 Proprietary Fund Financial Statements:	
Statement of Net Position - Proprietary Funds.....	25-26
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds.....	28
Statement of Cash Flows - Proprietary Funds.....	29-30
 Notes to the Financial Statements	 32-71
 Required Supplementary Information:	
Schedule of Changes in the City's Net Pension Liability and Related Ratios - Texas Municipal Retirement System (TMRS) Last Ten Measured Years.....	73-74
Schedule of Contributions to Pension Plan - Texas Municipal Retirement System (TMRS) Last Ten Fiscal Years.....	75-76
Schedule of Changes in Total OPEB Liability and Related Ratios - Texas Municipal Retirement System (TMRS) Last Ten Measured Years.....	77-78

City of Gatesville, Texas
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2024

TABLE OF CONTENTS

Required Supplementary Information (Continued):

Schedule of Changes in Total OPEB Liability and Related Ratios - Health Benefit Plan	
Last Ten Measured Years.....	79-80
Schedule of OPEB Contributions - Health Benefit Plan	
Last Ten Fiscal Years.....	81-82

Combining Fund Statements:

Other Nonmajor Governmental Funds:

Combining Balance Sheet - Other Nonmajor Governmental Funds.....	85-86
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Other Nonmajor Governmental Funds.....	87-88

COMPLIANCE SECTION:

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	91-92
---	-------



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Gatesville, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gatesville, Texas (the City), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Correction of an Error

As described in Note F to the financial statements, during the year ended September 30, 2024, the City determined that the costs for a drainage study conducted in the prior fiscal year had been improperly capitalized and has corrected the error. Our opinion is not modified with respect to this matter.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5–11 and required supplementary information as listed in the table of contents on pages 76-84 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining other nonmajor fund financial statements on pages 86-89 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining other nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Vail & Park, P.C.
Tom Bean, Texas
March 25, 2025



City of Gatesville, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2024

As management of the City of Gatesville, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2024.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources as of September 30, 2024, by \$29,596,457 (net position). Of this amount \$21,506,093 is the net investment in capital assets, \$2,045,524 is restricted for debt service, \$2,066,813 is restricted for capital projects, \$747,850 is restricted for special purposes and \$131,010 is restricted for public safety, and \$3,099,167 is unrestricted.
- As of the close of the current fiscal year, the City's governmental activities reported combined ending net position of \$8,905,255. This is an increase of \$1,278,291 (or 17%) from the prior year's net position of \$7,626,964.
- As of September 30, 2024, unassigned fund balance for the General Fund was \$2,411,327. This is an increase of \$479 (less than 1%) from the prior year's unassigned fund balance of \$2,410,848.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business.

The Statement of Net Position presents information on all of the City's assets, deferred outflows and inflows of resources, and liabilities, with the difference between the amounts 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 City'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 this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, and culture and recreation. The business-type activities of the City include water and sewer and airport operations.

City of Gatesville, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2024

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

The fund financial statements provide detailed information about the most significant fund - not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds - governmental and proprietary - utilize different accounting approaches.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus on governmental fund 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 government activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheets and the governmental fund Statements of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

A Budgetary Comparison Schedule has been provided for the General Fund to demonstrate compliance with the annual appropriated budget. Data for the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these other nonmajor governmental funds is provided in the form of combining fund statements elsewhere in this report.

Proprietary Funds: The City maintains one type of proprietary fund. Proprietary Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the Proprietary Funds to account for water and sewer, and airport operations.

The City charges customers for the services it provides, whether to outside customers or to other units with 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. The City's enterprise funds (a component of proprietary funds) are identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

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.

City of Gatesville, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2024

Other Information:

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees and to provide other postemployment benefits (OPEB) for its employees. The combining statements and schedules for other nonmajor funds are presented immediately following the required supplementary information on pensions and other postemployment benefits.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$29,596,457 as of September 30, 2024.

A large portion of the City's net position reflects its investments in capital assets (e.g., land, buildings, equipment, and infrastructure), less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities		Business-Type Activities		Totals	
	2024	2023	2024	2023 (as restated)	2024	2023 (as restated)
Assets						
Current and other assets	\$ 5,925,511	\$ 5,134,693	\$ 12,789,294	\$ 16,250,425	\$ 18,714,805	\$ 21,385,118
Capital assets	7,562,577	6,826,108	30,146,371	26,574,697	37,708,948	33,400,805
Total Assets	13,488,088	11,960,801	42,935,665	42,825,122	56,423,753	54,785,923
Deferred Outflows of Resource	944,025	1,538,250	815,872	1,113,370	1,759,897	2,651,620
Liabilities						
Other liabilities	1,153,178	1,253,622	3,502,601	5,184,031	4,655,779	6,437,653
Long-term liabilities	4,121,385	4,498,043	19,465,056	21,180,904	23,586,441	25,678,947
Total Liabilities	5,274,563	5,751,665	22,967,657	26,364,935	28,242,220	32,116,600
Deferred Inflows of Resources	252,295	120,422	92,678	42,189	344,973	162,611
Net Position						
Net investment in capital assets	5,488,153	4,704,073	16,017,940	13,876,483	21,506,093	18,580,556
Restricted	2,988,562	2,219,946	2,002,635	2,126,084	4,991,197	4,346,030
Unrestricted	428,540	452,943	2,670,627	1,528,801	3,099,167	1,981,744
Total Net Position	\$ 8,905,255	\$ 7,376,962	\$ 20,691,202	\$ 17,531,368	\$ 29,596,457	\$ 24,908,330

As of September 30, 2024, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and businesstype activities.

City of Gatesville, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2024

	Governmental Activities		Business Type Activities		Totals	
	2024	2023	2024	2023 (as restated)	2024	2023 (as restated)
Revenue						
Program revenue						
Charges for services	\$ 926,553	\$ 760,704	\$ 9,872,004	\$ 9,546,730	\$ 10,798,557	\$ 10,307,434
Operating grants and contributions	225,197	67,218	1,981,183	-	2,206,380	67,218
Capital grants and contributions	-	11,982	-	977,873	-	989,855
General Revenue						
Property taxes	3,378,243	3,030,239	-	-	3,378,243	3,030,239
Sales taxes	3,031,824	2,946,402	-	-	3,031,824	2,946,402
Franchise taxes	829,853	853,812	-	-	829,853	853,812
Hotel/motel taxes	281,400	319,368	-	-	281,400	319,368
Other taxes	15,503	13,451	-	-	15,503	13,451
Investment income	177,400	101,367	601,213	444,100	778,613	545,467
Other revenues	33,072	75,038	-	-	33,072	75,038
Total revenue	<u>8,899,045</u>	<u>8,179,581</u>	<u>12,454,400</u>	<u>10,968,703</u>	<u>21,353,445</u>	<u>19,148,284</u>
Expenses						
General government	1,667,032	1,169,360	-	-	1,667,032	1,169,360
Public safety	3,238,391	3,232,335	-	-	3,238,391	3,232,335
Public works	1,618,358	1,675,564	-	-	1,618,358	1,675,564
Culture and recreation	1,785,158	1,820,161	-	-	1,785,158	1,820,161
Water and Sewer	-	-	8,561,895	8,669,667	8,561,895	8,669,667
Airport	-	-	86,334	70,750	86,334	70,750
Interest and fiscal charges	72,473	104,193	-	-	72,473	104,193
Total expenses	<u>8,381,412</u>	<u>8,001,613</u>	<u>8,648,229</u>	<u>8,740,417</u>	<u>17,029,641</u>	<u>16,742,030</u>
Change in Net Position Before Tran	517,633	177,968	3,806,171	2,228,286	4,323,804	2,406,254
Transfers	646,337	92,630	(646,337)	(92,630)	-	-
Gain (loss) on disposal of asset	114,321	111,647	-	-	114,321	111,647
Total	<u>760,658</u>	<u>204,277</u>	<u>(646,337)</u>	<u>(92,630)</u>	<u>114,321</u>	<u>-</u>
Change in Net Position	<u>1,278,291</u>	<u>382,245</u>	<u>3,159,834</u>	<u>2,135,656</u>	<u>4,438,125</u>	<u>2,406,254</u>
Net position - Beginning	7,626,964	7,244,719	17,531,368	15,395,712	25,158,332	22,640,431
Net position September 30	<u>\$ 8,905,255</u>	<u>\$ 7,626,964</u>	<u>\$ 20,691,202</u>	<u>\$ 17,531,368</u>	<u>\$ 29,596,457</u>	<u>\$ 25,046,685</u>

Governmental Activities:

Revenues from governmental activities when compared to the prior year had an increase of \$719,464 (9%). This increase is a result of an increase of \$348,004 in property tax revenue which is primarily attributed to the increase in appraised property values and levy, as well as a \$165,849 increase in charges for services attributable to increase in permit fees from new development. Expenses in governmental activities increased by \$379,799 (5%) from the prior year with the largest increase of \$497,672 in general government due to pay increases for employees allocated to this function. The largest expense category for fiscal year 2024 is public safety, with total expenses amounting to \$3,238,391.

Business-type Activities:

Revenues from business-type activities increased by \$1,485,697 (14%) from the prior year. This increase is due to a \$1,003,310 (103%) increase in grants and contributions related to the recognition of revenue related to the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) and a \$325,274 (3%) increase in charges for services due to an increase in water revenue. Expenses increased by \$157,814 from the prior year.

City of Gatesville, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2024

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,443,564. Of this total, approximately 45%, or \$2,430,839, constitutes unassigned fund balance.

Proprietary Funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund's actual revenue exceeded budgeted amounts by \$681,430, primarily due to charges for services surpassing budgeted amounts by \$562,530. The main contributors to this surplus were unbudgeted recreation fees and fitness center revenue. Additionally, the General Fund's final budgeted expenditures were \$144,156 less than actual amounts. Management attributes this success to their effective monitoring of actual expenditures and timely budget amendments.

CAPITAL ASSETS

Governmental capital assets increased by \$736,469 from fiscal year 2023 to 2024 due to the construction of lighting for the ballfields. Business-type capital assets increased by \$3,321,672 due to significant additions for the Lover's Lane & Mill Street projects. The table below presents the City's capital assets as of September 30, 2024, as well as the previous fiscal year-end.

	Governmental Activities		Business-Type Activities		Totals	
	2024	2023	2024	2023 (as restated)	2024	2023 (as restated)
Land	\$ 636,543	\$ 636,543	\$ 300,339	\$ 300,339	\$ 936,882	\$ 936,882
Construction in progress	2,715	84,846	4,909,110	3,116,972	4,911,825	3,201,818
Buildings and improvements	4,449,734	5,049,826	62,074,347	59,313,105	66,524,081	64,362,931
Improvements other than buildings	6,266,581	4,722,182	-	-	6,266,581	4,722,182
Machinery and equipment	5,183,536	4,737,402	6,500,823	5,790,096	11,684,359	10,527,498
equipment	694,547	575,765	310,211	295,094	1,004,758	870,859
SBITA assets	155,560	155,560	-	-	155,560	155,560
Less: accumulated depreciation	(9,404,866)	(8,806,847)	(43,796,350)	(42,072,546)	(53,201,216)	(50,879,393)
Less: accumulated amortization	(421,773)	(329,169)	(152,109)	(168,363)	(573,882)	(497,532)
Total Capital Assets, Net	\$ 7,562,577	\$ 6,826,108	\$ 30,146,371	\$ 26,574,697	\$ 37,708,948	\$ 33,400,805

City of Gatesville, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2024

During fiscal year (FY) 2024 (FY24), the City discovered that a drainage study conducted by the water fund in FY23 had been improperly capitalized. As a result, prior year business-type capital assets, net of depreciation, were overstated by \$250,002, and expenses were **understated** by the same amount. The corrections for this error are reflected in the above tables for capital assets, as well as the government-wide net position and changes in net position.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City's total debt stood at \$26,131,973. This represents a decrease of \$2,246,570, primarily due to a reduction in net pension liability by \$1,141,897 and principal payments. Additional information on the City's long-term debt can be found below and in the notes section of this report.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
General obligation	\$ 575,000	\$ 840,000	\$ 11,595,000	\$ 12,655,000	\$ 12,170,000	\$ 13,495,000
Revenue bonds	-	-	7,625,000	8,100,000	7,625,000	8,100,000
Notes payable	1,172,476	607,417	862,971	664,492	2,035,447	1,271,909
Total Debt Payable	<u>1,747,476</u>	<u>1,447,417</u>	<u>20,082,971</u>	<u>21,419,492</u>	<u>21,830,447</u>	<u>22,866,909</u>
Right to use lease liability	230,765	283,109	172,576	193,745	403,341	476,854
Subscription liability	96,183	141,507	-	-	96,183	141,507
Compensated absences	254,341	195,312	102,428	98,157	356,769	293,469
Net pension liability	2,183,278	2,997,753	826,402	1,153,824	3,009,680	4,151,577
Total OPEB liability	315,958	323,654	119,595	124,573	435,553	448,227
Total Long Term Liabilities	<u>\$ 4,828,001</u>	<u>\$ 5,388,752</u>	<u>\$ 21,303,972</u>	<u>\$ 22,989,791</u>	<u>\$ 26,131,973</u>	<u>\$ 28,378,543</u>

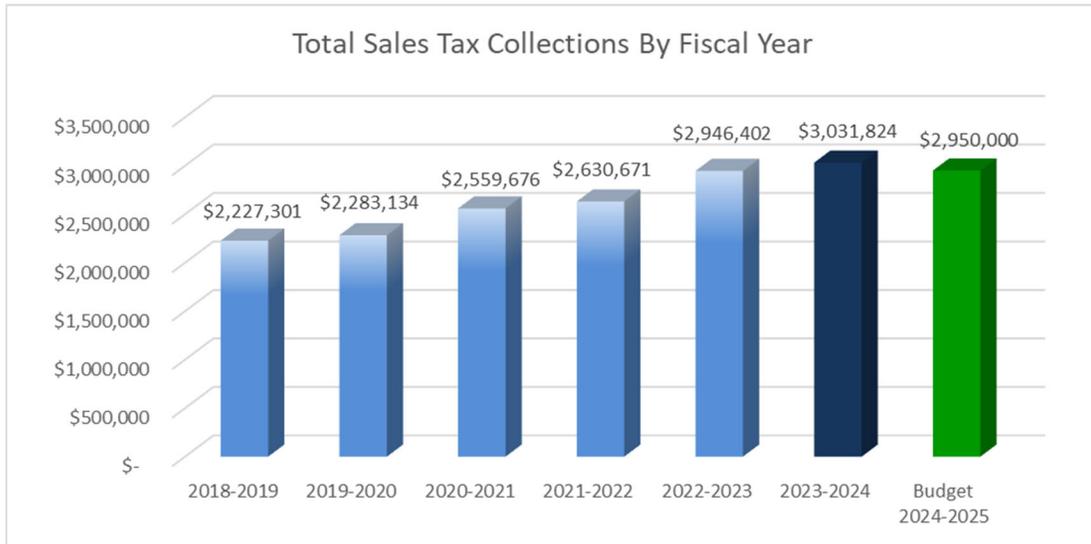
ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Gatesville is strategically positioned within 30 miles of two Interstate Highways, sits at the intersection of a major U.S. Highway (U.S. 84) and SH36, and immediately west of the confluence of the Waco and Killeen-Temple Fort Cavazos Metropolitan Statistical Areas (MSA); both areas are expected to have continued growth over the next ten-to-twenty-year timeframe. Since 2000, the city has experienced slow growth in population, changing from 15,801 individuals to 16,135 as of the 2020 Census. This followed the largest spike from 1980 to 2000 when the population increased by 160%. The city of Gatesville and the County of Coryell have both remained fairly static in population in the past years as compared to the State of Texas whose population increased by 16% from 2010-2020. The limited population growth may in part be accounted for by the unique demographic profile in the area, due to the number of correctional institutions in Gatesville. As of the 2020 Census, the population has increased to 16,135. Of the total population, 8,589 are un-incarcerated bringing the un-incarcerated to 53%, and incarcerated represent 47%. As land prices become more expensive (especially for commercial/manufacturing development) and populations increase in the neighboring urban areas, Gatesville will be an attractive place for both residential and commercial development in the future due to an abundance of affordable and developable land. Additionally, the strategic importance of nearby North Fort Cavazos will continue to shape opportunities for Gatesville's economy in the near- to mid-term.

Annual sales tax allocations saw an increase of 2.9% in FY 2024 over FY 2023. The City must be cautious about adopting an over-reliance on projected sales tax allocations during the budgeting process which could induce increased risk that revenue projections will not be met. The FY 2024 budget for sales tax collections was \$2.9M. The fiscal year ended with collections exceeding budget by \$122,256, or 4%. The FY 2024-25 budget for sales tax is \$2.95M.

City of Gatesville, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2024

The City has implemented a more rigorous Code Enforcement program with a long-term goal to increase per-capita median housing values. When the City lost annexation authority in 2019 (H.B. 347) efforts shifted to finding ways to work with local builders on in-fill projects on vacant lots, and encouraging voluntary annexation in order to extend City utilities to developments in the extraterritorial jurisdiction (ETJ).



A retail and wholesale water and sewer rate study is planned for 2025 to ensure rates adequately fund current operating and maintenance costs, as well as infrastructure projects in the Capital Improvement Plan (CIP). The 2022 rate study included restructuring rates from a flat volumetric rate to a tiered, or block rate structure. As consumption increases, rates increase incrementally to encourage conservation. The new rate structure was effective April of 2023.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Michael Halsema, Deputy City Manager & CFO, 803 East Main Street, Gatesville, Texas 76528.



**BASIC FINANCIAL
STATEMENTS**



City of Gatesville, Texas

STATEMENT OF NET POSITION

As of September 30, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 5,070,015	\$ 11,387,748	\$ 16,457,763
Receivables, net	831,333	1,131,978	1,963,311
Inventories	24,163	269,163	293,326
Prepaid expenses	-	405	405
Total Current Assets	5,925,511	12,789,294	18,714,805
Capital assets:			
Non-depreciable	639,258	5,209,450	5,848,708
Depreciable/amortizable, net of accumulated depreciation/amortization	6,923,319	24,936,921	31,860,240
Total Capital Assets	7,562,577	30,146,371	37,708,948
Total Noncurrent Assets	7,562,577	30,146,371	37,708,948
Total Assets	13,488,088	42,935,665	56,423,753
Deferred Outflows of Resources			
Deferred outflows - pension	922,503	349,180	1,271,683
Deferred outflows - OPEB	21,522	8,147	29,669
Deferred charges on refunding	-	458,545	458,545
Total Deferred Outflows of Resources	\$ 944,025	\$ 815,872	\$ 1,759,897

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current liabilities:			
Accounts payable	\$ 217,302	\$ 925,109	\$ 1,142,411
Accrued liabilities and other payables	182,463	-	182,463
Unearned revenue	-	560,536	560,536
Customer deposits	-	131,838	131,838
Accrued interest payable	46,797	46,202	92,999
Due within one year:			
Bonds and notes payable	302,603	1,683,384	1,985,987
Subscription liability	47,164	-	47,164
Right-to-use lease liability	102,508	53,104	155,612
Accrued compensated absences	254,341	102,428	356,769
Total Current Liabilities	1,153,178	3,502,601	4,655,779
Noncurrent liabilities:			
Due in more than one year:			
Bonds and notes payable	1,444,873	18,399,587	19,844,460
Subscription liability	49,019	-	49,019
Right-to-use lease liability	128,257	119,472	247,729
Net pension liability	2,183,278	826,402	3,009,680
Total OPEB liability	315,958	119,595	435,553
Total Noncurrent Liabilities	4,121,385	19,465,056	23,586,441
Total Liabilities	5,274,563	22,967,657	28,242,220
Deferred Inflows of Resources			
Deferred inflows - pension	138,952	52,596	191,548
Deferred inflows - OPEB	105,894	40,082	145,976
Deferred lease inflows	7,449	-	7,449
Total Deferred Inflows of Resources	252,295	92,678	344,973
Net Position			
Net investment in capital assets	5,488,153	16,017,940	21,506,093
Restricted for:			
Debt service	42,889	2,002,635	2,045,524
Capital projects	2,066,813	-	2,066,813
Special purposes	747,850	-	747,850
Public safety	131,010	-	131,010
Unrestricted	428,540	2,670,627	3,099,167
Total Net Position	\$ 8,905,255	\$ 20,691,202	\$ 29,596,457

City of Gatesville, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2024

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public safety	\$ 3,238,391	\$ 192,157	\$ 10,108	\$ -
Public works	1,618,358	-	189,505	-
General government	1,667,032	264,731	2,188	-
Culture and recreation	1,785,158	469,665	23,396	-
Interest and fiscal charges	72,473	-	-	-
Total Governmental Activities	8,381,412	926,553	225,197	-
Business-Type Activities:				
Water and sewer	8,561,895	9,790,097	1,981,183	-
Municipal airport	86,334	81,907	-	-
Total Business-Type Activities	8,648,229	9,872,004	1,981,183	-
Total Primary Government	\$ 17,029,641	\$ 10,798,557	\$ 2,206,380	\$ -

General Revenues:

- Property taxes
- Sales and use taxes
- Franchise and local taxes
- Alcoholic beverage taxes
- Hotel/motel taxes
- Investment income
- Other revenues
- Gain on sale of assets
- Transfers in (out)

Total General Revenues and Transfers

Change in Net Position

- Net Position - Beginning
- Prior period adjustment (see Note F to the financial st
- Net Position - Ending

**Net (Expense) Revenue and
Changes in Net Position**

Primary Government

Governmental Activities	Business-Type Activities	Total
\$ (3,036,126)		\$ (3,036,126)
(1,428,853)		(1,428,853)
(1,400,113)		(1,400,113)
(1,292,097)		(1,292,097)
(72,473)		(72,473)
<u>(7,229,662)</u>		<u>(7,229,662)</u>
-	\$ 3,209,385	3,209,385
-	(4,427)	(4,427)
-	3,204,958	3,204,958
<u>\$ (7,229,662)</u>	<u>\$ 3,204,958</u>	<u>\$ (4,024,704)</u>
3,378,243	-	3,378,243
3,031,824	-	3,031,824
829,853	-	829,853
15,503	-	15,503
281,400	-	281,400
177,400	601,213	778,613
33,072	-	33,072
114,321	-	114,321
646,337	(646,337)	-
<u>8,507,953</u>	<u>(45,124)</u>	<u>8,462,829</u>
1,278,291	3,159,834	4,438,125
7,626,964	17,781,370	25,408,334
-	(250,002)	(250,002)
<u>\$ 8,905,255</u>	<u>\$ 20,691,202</u>	<u>\$ 29,596,457</u>

City of Gatesville, Texas
BALANCE SHEET - GOVERNMENTAL FUNDS
As of September 30, 2024

	General Fund	Capital Projects Fund
Assets		
Cash and cash equivalents	\$ 2,056,677	\$ 2,069,528
Receivables, net:		
Property taxes	100,362	-
Sales taxes	514,639	-
Leases	7,449	-
Other	205,274	-
Inventories	24,163	-
Total Assets	2,908,564	2,069,528
Liabilities		
Accounts payable	212,037	2,715
Accrued liabilities and other payables	182,463	-
Total Liabilities	394,500	2,715
Deferred Inflows of Resources		
Unavailable revenue - property taxes	34,735	-
Unavailable revenue - fines	36,390	-
Unavailable revenue - leases	7,449	-
Total Deferred Inflows of Resources	78,574	-
Fund Balances		
Nonspendable	24,163	-
Restricted for:		
Debt service	-	-
Capital projects	-	2,066,813
Special purposes	-	-
Public safety	-	-
Unassigned	2,411,327	-
Total Fund Balances	2,435,490	2,066,813
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,908,564	\$ 2,069,528

Nonmajor Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 42,889	\$ 900,921	\$ 5,070,015
3,609	-	103,971
-	-	514,639
-	-	7,449
-	-	205,274
-	-	24,163
<u>46,498</u>	<u>900,921</u>	<u>5,925,511</u>
-	2,549	217,301
-	-	182,463
<u>-</u>	<u>2,549</u>	<u>399,764</u>
3,609	-	38,344
-	-	36,390
-	-	7,449
<u>3,609</u>	<u>-</u>	<u>82,183</u>
-	-	24,163
42,889	-	42,889
-	-	2,066,813
-	747,850	747,850
-	131,010	131,010
-	19,512	2,430,839
<u>42,889</u>	<u>898,372</u>	<u>5,443,564</u>
<u>\$ 46,498</u>	<u>\$ 900,921</u>	<u>\$ 5,925,511</u>

City of Gatesville, Texas
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2024

Fund Balances - Total Governmental Funds \$ 5,443,564

Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:

Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the governmental funds. 7,562,577

Other long-term assets are not available to pay for current-period expenditures, and therefore, are unavailable in the governmental funds.

Property taxes receivables	38,344
Fines receivable	36,390

Deferred outflows (inflows) of resources represent a consumption (source) of net position that applies to a future period(s) and are not recognized as an outflow (inflow) of resources (expense/expenditure) until then.

Pension amounts	783,551
OPEB amounts	(84,372)

Some liabilities, including interest, bonds/leases payable, and net pension and total OPEB liabilities, are not reported as liabilities in the governmental funds.

Accrued interest	(46,797)
Accrued compensated absences	(254,341)
Non-current debt due in one year	(452,275)
Non-current debt due in more than one year	(1,622,149)
Net pension and total OPEB liability	(2,499,236)

Net Position of Governmental Activities - Statement of Net Position \$ 8,905,255

City of Gatesville, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended September 30, 2024

	General Fund	Capital Projects Fund	Nonmajor Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes:					
Property	\$ 3,104,898	\$ -	\$ 300,779	\$ -	\$ 3,405,677
Sales	3,031,824	-	-	-	3,031,824
Franchise	829,853	-	-	-	829,853
Hotel/motel	-	-	-	281,400	281,400
Liquor	15,503	-	-	-	15,503
Charges for services	562,530	-	-	21,500	584,030
Grants	-	-	-	189,505	189,505
Court fines	170,817	-	-	17,957	188,774
Donations	-	-	-	35,692	35,692
Miscellaneous	33,072	-	-	-	33,072
Licenses, permits and fees	152,312	-	-	-	152,312
Interest revenue	114,728	43,364	-	19,308	177,400
Total Revenues	8,015,537	43,364	300,779	565,362	8,925,042
Expenditures					
Current operating:					
Public safety	3,044,979	-	-	13,084	3,058,063
General government	1,253,782	-	-	237,414	1,491,196
Culture and recreation	1,328,968	-	-	10,337	1,339,305
Public works	1,406,476	-	-	-	1,406,476
Fitness center	290,236	-	-	-	290,236
Debt Service:					
Principal retirement	452,265	-	265,000	54,871	772,136
Interest and fiscal charges	23,691	5,000	25,344	144	54,179
Capital outlay	106,839	1,345,778	-	-	1,452,617
Total Expenditures	7,907,236	1,350,778	290,344	315,850	9,864,208
Excess (Deficiency) of Revenues Over (Under) Expenditures	108,301	(1,307,414)	10,435	249,512	(939,166)
Other Financing Sources (Uses)					
Transfers in	646,337	982,023	-	-	1,628,360
Transfers out	(880,000)	-	-	(102,023)	(982,023)
Bond proceeds	-	781,000	-	-	781,000
Leases issued	-	144,307	-	-	144,307
Proceeds from the sale of leased assets	122,343	-	-	-	122,343
Total Other Financing Sources (Uses)	(111,320)	1,907,330	-	(102,023)	1,693,987
Net Change in Fund Balances	(3,019)	599,916	10,435	147,489	754,821
Fund Balances - Beginning	2,438,509	1,466,897	32,454	750,883	4,688,743
Fund Balances - Ending	\$ 2,435,490	\$ 2,066,813	\$ 42,889	\$ 898,372	\$ 5,443,564

City of Gatesville, Texas

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2024

Net Change in Fund Balances - Total Governmental Funds \$ 754,821

Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:

Governmental funds report capital outlays as expenditures. However, in the SOA the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays	1,452,617
Depreciation and amortization expense	(708,126)

In the governmental fund financial statements, the proceeds from the sale of assets are shown as an increase in financial resources. In the government-wide financial statements, the gain or loss is calculated and reported. (8,022)

Revenues in the SOA that do not provide current financial resources are not reported as revenues in the governmental funds. (25,997)

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, the amounts are deferred and amortized in the SOA. The following amounts are the net effect of these differences in the treatment of long-term debt and related items:

Net changes in certificates, bonds & notes, right-of-use, and subscription liability	(202,391)
--	-----------

Some expenses reported in the SOA do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Accrued interest	(18,295)
Pension and OPEB expense	92,713
Accrued compensated absences	(59,029)

Net Position of Governmental Activities - Statement of Activities \$ 1,278,291

City of Gatesville, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended September 30, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes:				
Property	\$ 2,799,236	\$ 3,069,236	\$ 3,104,898	\$ 35,662
Sales	2,909,568	3,009,568	3,031,824	22,256
Franchise	797,203	797,203	829,853	32,650
Liquor	-	-	15,503	15,503
Charges for services	-	-	562,530	562,530
Court fines	158,000	158,000	170,817	12,817
Miscellaneous	21,500	21,500	33,072	11,572
Licenses, permits and fees	36,600	156,600	152,312	(4,288)
Interest revenue	72,000	122,000	114,728	(7,272)
Total Revenues	6,794,107	7,334,107	8,015,537	681,430
Expenditures				
Current operating:				
Public safety	3,074,989	3,074,989	3,044,979	30,010
General government	1,393,948	1,393,948	1,253,782	140,166
Culture and recreation	1,392,166	1,392,166	1,328,968	63,198
Public works	1,461,743	1,461,743	1,406,476	55,267
Fitness center	297,421	297,421	290,236	7,185
Debt Service:				
Principal retirement	398,669	398,669	452,265	(53,596)
Interest and fiscal charges	3,456	3,456	23,691	(20,235)
Capital outlay	29,000	29,000	106,839	(77,839)
Total Expenditures	8,051,392	8,051,392	7,907,236	144,156
Excess of Revenues				
Over (Under) Expenditures	(1,257,285)	(717,285)	108,301	825,586
Other Financing Sources (Uses)				
Transfers in	777,785	777,785	646,337	(131,448)
Transfers out	-	(690,000)	(880,000)	(190,000)
Proceeds from the sale of leased assets	50,000	125,000	122,343	(2,657)
Total Other Financing Sources (Uses)	827,785	212,785	(111,320)	(324,105)
Net Change in Fund Balances	(429,500)	(504,500)	(3,019)	\$ 501,481
Fund Balances - Beginning	2,438,509	2,438,509	2,438,509	
Fund Balances, Ending	\$ 2,009,009	\$ 1,934,009	\$ 2,435,490	

City of Gatesville, Texas

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

As of September 30, 2024

	Water and Sewer Fund	Nonmajor Municipal Airport	Total Enterprise Funds
Assets			
Current assets:			
Cash and cash equivalents	\$ 11,219,792	\$ 167,956	\$ 11,387,748
Receivables, net	1,130,714	1,264	1,131,978
Inventories	269,163	-	269,163
Prepaid expenses	-	405	405
Total Current Assets	12,619,669	169,625	12,789,294
 Capital Assets			
Non-depreciable	5,193,450	16,000	5,209,450
Depreciable/Amortizable (net)	24,181,860	755,061	24,936,921
Total Capital Assets (net)	29,375,310	771,061	30,146,371
Total Assets	41,994,979	940,686	42,935,665
 Deferred Outflows of Resources			
Deferred charges on bond refunding	458,545	-	458,545
Deferred outflows - pension	349,180	-	349,180
Deferred outflows - OPEB	8,147	-	8,147
Total Deferred Outflows of Resources	\$ 815,872	\$ -	\$ 815,872

	Water and Sewer Fund	Nonmajor Municipal Airport	Total Enterprise Funds
Liabilities			
Current liabilities:			
Accounts payable and other current liabilities	\$ 920,935	\$ 4,174	\$ 925,109
Accrued interest payable	46,202	-	46,202
Utility customer deposits	131,838	-	131,838
Right-to-use lease liability - current	53,104	-	53,104
Bonds and notes payable - current	1,683,384	-	1,683,384
Deferred revenue - grants	560,536	-	560,536
Compensated absences payable - current	102,428	-	102,428
Total Current Liabilities	<u>3,498,427</u>	<u>4,174</u>	<u>3,502,601</u>
Noncurrent Liabilities			
Right-to-use lease liability	119,472	-	119,472
Bonds and notes payable	18,399,587	-	18,399,587
Total OPEB liability	119,595	-	119,595
Net pension liability	826,402	-	826,402
Total Noncurrent Liabilities	<u>19,465,056</u>	<u>-</u>	<u>19,465,056</u>
Total Liabilities	<u>22,963,483</u>	<u>4,174</u>	<u>22,967,657</u>
Deferred Inflows of Resources			
Deferred inflows - pension	52,596	-	52,596
Deferred inflows - OPEB	40,082	-	40,082
Total Deferred Inflows of Resources	<u>92,678</u>	<u>-</u>	<u>92,678</u>
Net Position			
Net Investment in Capital Assets	15,246,879	771,061	16,017,940
Restricted for:			
Debt service	2,002,635	-	2,002,635
Unrestricted	2,505,176	165,451	2,670,627
Total Net Position	<u>\$ 19,754,690</u>	<u>\$ 936,512</u>	<u>\$ 20,691,202</u>



City of Gatesville, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS

For the Year Ended September 30, 2024

	Water and Sewer Fund	Nonmajor Municipal Airport	Total Enterprise Funds
Operating Revenues			
Charges for sales and services:			
Water sales	\$ 9,244,177	\$ -	\$ 9,244,177
Municipal airport	-	56,633	56,633
Grants and contributions	1,981,183	-	1,981,183
Other income	545,920	25,274	571,194
Total Operating Revenues	11,771,280	81,907	11,853,187
Operating Expenses			
Salaries and wages	1,674,690	-	1,674,690
Other purchased services	1,856,613	-	1,856,613
Supplies and maintenance	1,172,142	35,301	1,207,443
Utilities	938,866	6,375	945,241
Miscellaneous	691,377	-	691,377
Depreciation and amortization	1,739,819	44,658	1,784,477
Total Operating Expenses	8,073,507	86,334	8,159,841
Operating Income (Loss)	3,697,773	(4,427)	3,693,346
Non-Operating Revenues (Expenses)			
Interest revenue	600,972	241	601,213
Interest and fiscal charges	(488,388)	-	(488,388)
Total Non-Operating Revenues (Expenses)	112,584	241	112,825
Income (Loss) Before Transfers	3,810,357	(4,186)	3,806,171
Transfers out	(646,337)	-	(646,337)
Changes in Net Position	3,164,020	(4,186)	3,159,834
Net Position - Beginning	16,840,672	940,698	17,781,370
Prior period adjustments (see Note F)	(250,002)	-	(250,002)
Net Position - Ending	\$ 19,754,690	\$ 936,512	\$ 20,691,202

City of Gatesville, Texas
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended September 30, 2024

	Water and Sewer Fund	Nonmajor Municipal Airport Fund	Totals
Cash Flows from Operating Activities			
Cash received from customers	\$ 9,980,086	\$ 80,918	\$ 10,061,004
Cash payments to employees for services	(1,717,590)	-	(1,717,590)
Cash payments to other suppliers for goods and services	(4,443,399)	(38,007)	(4,481,406)
Cash received between funds	1,459,896	-	1,459,896
Net Cash Provided (Used) by Operating Activities	<u>5,278,993</u>	<u>42,911</u>	<u>5,321,904</u>
Cash Flows from Non-capital Financing Activities			
Transfers out to other funds	(646,337)	-	(646,337)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(646,337)</u>	<u>-</u>	<u>(646,337)</u>
Cash Flows from Capital and Related Financing Activities			
Principal paid on capital debt	(1,595,235)	-	(1,595,235)
Interest paid on capital debt	(479,387)	-	(479,387)
Acquisition and construction of capital assets	(5,264,103)	-	(5,264,103)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(7,338,725)</u>	<u>-</u>	<u>(7,338,725)</u>
Cash Flows from Investing Activities			
Interest and dividends on investments	600,972	241	601,213
Net Cash Provided (Used) by Investing Activities	<u>600,972</u>	<u>241</u>	<u>601,213</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,105,097)	43,152	(2,061,945)
Cash and Cash Equivalents at Beginning of Year	13,324,889	124,804	13,449,693
Cash and Cash Equivalents at End of Year	<u>\$ 11,219,792</u>	<u>\$ 167,956</u>	<u>\$ 11,387,748</u>

Reconciliation of Operating Income (Loss) to Net Cash**Provided (Used) by Operating Activities**

Operating income (loss)	\$ 3,697,773	\$ (4,427)	\$ 3,693,346
Adjustment to reconcile operating income to net cash			
Provided (used) by operating activities:			
Depreciation and amortization	1,739,819	44,658	1,784,477
Loss on disposal of fixed asset	44,097		
Change in Assets and Liabilities:			
Decrease (increase) in receivables	(1,553)	(989)	(2,542)
Decrease (increase) in inventories	(57,763)	-	(57,763)
Decrease (increase) in prepaid expenses	-	(405)	(405)
Decrease (increase) in due from other funds	1,459,896	-	1,459,896
Decrease (increase) in pension and OPEB related deferred outflows	234,740	-	234,740
Increase (decrease) in accounts payable	65,107	4,074	69,181
Increase (decrease) in accrued interest expense	9,001	-	9,001
Increase (decrease) in accrued compensated absences	4,271	-	4,271
Increase (decrease) in utility customer deposits	(164,438)	-	(164,438)
Increase (decrease) in unearned revenue	(1,470,046)	-	(1,470,046)
Increase (decrease) in total OPEB obligation	(4,978)	-	(4,978)
Increase (decrease) in net pension obligation	(327,422)	-	(327,422)
Increase (decrease) in pension and OPEB related deferred inflows	50,489	-	50,489
Net Cash Provided (Used) by Operating Activities	<u>\$ 5,278,993</u>	<u>\$ 42,911</u>	<u>\$ 5,277,807</u>

Noncash disclosures:

Amortization of deferred charges on refunding	\$ 62,757	\$ -	\$ 62,757
---	-----------	------	-----------



City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The City of Gatesville, Texas, (City), a municipal corporation in Coryell County, Texas, was incorporated under the general laws of the State of Texas. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police), streets, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. Other services include utilities and airport operations.

The financial statements of the City of Gatesville have been prepared to conform with generally accepted accounting principles in the United States of America (GAAP) as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the government's accounting and reporting policies are described below.

B. Financial Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The City Council, which is elected at large, consists of a mayor and six council members constituting an ongoing entity and is the level of government that has governance responsibilities over all activities related to the City of Gatesville. The criteria for including organizations as component units within the City's reporting entity include whether 1) the organization is legally separate (can sue and be sued in their own name), 2) the City holds the corporate powers of the organization, 3) the City appoints a voting majority of the organization's board, 4) the City is able to impose its will on the organization, 5) the organization has the potential to impose a financial benefit/burden on the City, and 6) there is fiscal dependency by the organization on the City. Based on all factors, there are no component units that qualify for inclusion in the City's reporting entity.

C. GASB Pronouncements Implemented by the City

The GASB has issued the following statements:

GASB Statement No. 99, *Omnibus 2022*, enhances the comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Certain provisions of Statement No 99 are effective upon issuance, while other provisions are effective for fiscal years beginning after June 15, 2022, or 2023. The City has determined that the provisions applicable to the City have no impact on the City's financial statements.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2024

GASB issued Statement No. 100, “Accounting Changes and Error Corrections-Amendment of GASB Statement No. 62,” which prescribes the accounting and financial reporting for each type of accounting change and error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating the prior period, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this statement are effective for reporting periods beginning after June 15, 2023. The City has implemented this statement.

GASB issued Implementation Guide No. 2023-1, "Implementation Guidance Update—2023" to provide guidance that clarifies, explains, or elaborates on GASB Statements. The requirements of this Implementation Guide apply to the financial statements of all state and local governments unless narrower applicability is specifically provided for in the pronouncement addressed by a question and answer. This Implementation Guide amends Implementation Guide No. 2019-3, Leases, Question 4.16, and Implementation Guide No. 2021-1, Implementation Guidance Update—2021, Question 4.13. The requirements of this Implementation Guide are effective for fiscal years beginning after June 15, 2023, and reporting periods thereafter. The City has seen no impact from implementing this statement.

GASB issued Statement No. 101, “Compensated Absences,” that clarifies the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The requirements of this Statement are effective for financial statements for reporting periods beginning after December 15, 2023. The City is evaluating the impact that adoption of this Statement on its financial statements.

GASB issued Statement No. 102, “Certain Risk Disclosures,” that clarifies the definitions & disclosure guidance for risks due to concentration or constraint. The Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow or outflow of resources and a constraint as a limitation imposed by an external party or formal action of the government’s highest level of decision-making authority. The Statement requires the government to assess whether a concentration or constraint makes the primary reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of substantial impact, and whether an event associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin within the 12 months after the date the financial statements are issued. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2024. The City is evaluating the impact that adoption of this Statement will have on its financial statements.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2024

GASB issued Statement No. 103, “Financial Reporting Model Improvements,” that attempts to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement expands requirements for the management discussion & analysis, presentation of proprietary fund statement of revenues, expenses & changes in fund net position, and information related to major component units & budgetary comparisons. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2025. The City is evaluating the impact that adoption of this Statement will have on its financial statements.

GASB issued Statement No. 104, “Disclosure of Certain Capital Assets,” to clarify the disclosure requirements related to capital assets. This Statement requires separate disclosure of capital assets arising from leases, public-private & public-public partnerships & availability payment arrangements, and subscription-based information technology arrangements, and additional disclosures for capital assets held for sale. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2025. The City is evaluating the impact that adoption of this Statement will have on its financial statements.

D. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government’s enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government’s water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. 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 and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2024

Taxes or other items not properly included among program revenues are reported as general revenues. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

E. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City’s funds, including its fiduciary funds and blended component units. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. Nonmajor debt service and municipal airport funds are displayed in a separate column. All remaining governmental funds are aggregated and reported as other nonmajor funds.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources. The City reports the following major governmental funds:

General Fund

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources that are not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual 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.

Capital Projects Fund

The Capital Projects Fund is used to account for the proceeds from the issuance of general obligation bonds to be used for the acquisition or construction of parks, buildings, and other facilities.

In addition, the City reports the following non-major governmental funds:

Debt Service Fund

The Debt Service Fund is used to account for the debt activities for the governmental funds.

Other Nonmajor Special Revenue Funds

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than an expendable trust or major capital projects) that are restricted to expenditures for specified purposes. These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2024

These other nonmajor special revenue funds include Municipal Court Security Fund, the Donations Fund, the Public Safety Fund, the Hotel Occupancy Tax Fund, Cemetery Maintenance Fund, and the Grant Fund.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are the determination of net income, financial position, and cash flow. All assets and liabilities are included on the Statement of Net Position. The City reports the following proprietary funds:

Water and Sewer Fund

The Water and Sewer Fund provides water and wastewater services to the residents and businesses of Gatesville. The Water and Sewer Fund accounts for the distribution of treated water and the collection and treatment of sewage, and solid waste collection activities. Activities of the fund include administration, operation, and maintenance of the water and sewer system, and billing and collection activities. The Fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the Fund. This fund is considered major for reporting purposes.

Airport Fund

The Airport Fund is used to account for hangar rentals and nominal expenses associated with operating the facilities. This fund is considered nonmajor for reporting purposes.

F. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2024

Revenues are considered 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 available if they are collected within 60 days 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise taxes, sales taxes, municipal court fines, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes collected by Coryell County Appraisal District at year-end on behalf of the City and sales taxes collected and held by the state at year-end on behalf of the City are also recognized as revenue.

Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered measurable and available only when cash is received by the government.

The proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

G. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the General Fund. The Capital Projects Fund is appropriated on a project-length basis. Other Special Revenue Funds do not have appropriated budgets since other means control the use of these resources (i.e. grant awards and city council resolutions) and sometimes span a period of more than one fiscal year.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2024

The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a department with the approval of the City Manager. Transfers of appropriations between funds require the approval of the governing council. The legal level of budgetary control is the fund level.

H. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balances

1. *Cash and cash equivalents*

Cash of all funds, including restricted cash, are pooled into common pooled accounts in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash accounts has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at month-end. An individual fund's equity in the pooled cash accounts is available upon demand and is considered to be "cash equivalents" when preparing these financial statements.

In addition, any marketable securities not included in the common pooled accounts that are purchased with maturity of ninety days or less are also considered "cash equivalents." Negative balances incurred in pooled cash at year-end are treated as interfund receivables of the General Fund and interfund payables of the deficit fund.

2. *Investments*

The City is authorized to make investments in accordance with "The Public Funds Investment Act of 1987". The City is also authorized by the Interlocal Cooperation Act, Articles 4413(32c) and 4413(43c), Vernon's Texas Civil Statutes, as amended, to invest in shares of a public funds investment pool. The City's investment policy authorizes certain investments that may be purchased by the City. Investments for the City are reported at fair value (generally based on quoted market prices) except for the position in TexPool and TexSTAR. In accordance with state law, TexPool and TexSTAR operate in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, TexPool and TexSTAR, qualify as 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. TexPool is subject to regulatory oversight by the State Comptroller, although it is not registered with the SEC while TexSTAR is subject to regulatory oversight by JP Morgan Chase, Inc. and First Southwest Asset Management, Inc.

3. *Receivables and payables*

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2024

All legally authorized transfers are appropriately treated as transfers and are included in the results of operations of both governmental and proprietary funds. Nonrecurring or non-routine transfers of equity between funds - for example, the contribution of capital assets to a proprietary fund or transfers of residual balances of discontinued funds to other funds - are accounted for as transfers in the government-wide statements of activities and as capital contributions in the proprietary fund operating statement.

All service and property tax receivables are shown net of an allowance for uncollectibles. Service accounts receivable in excess of 60 days comprise the service accounts receivable allowance for uncollectible. The property tax receivable allowance is based on historical collection rates at the end of the fiscal year.

4. *Inventories and prepaid items*

Inventories are valued at cost using the first-in first-out (FIFO) method. Inventories consist of expendable supplies held for consumption or the construction of plant and equipment. Inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

5. *Capital assets*

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the government chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year).

As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their acquisition value at the date of donation. Capital assets received in a service concession arrangement are recorded at acquisition value.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2024

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Land and construction are not depreciated. The other property, plant, equipment, and infrastructure of the City, as well as the component unit, are depreciated using the straight-line method over the following useful lives:

Building and building improvements	10 - 50 years
Improvements other than buildings	10 - 50 years
Machinery and equipment	5 - 15 years
Infrastructure	40 years

6. Leases

Lessee

The City is a lessee for noncancellable leases of property and equipment. The City recognizes a lease liability, reported with long-term debt, and a right-to-use lease asset (lease asset), reported with other capital assets, in the government-wide and proprietary fund financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2024

- Lease payments included in the measurement of the lease liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, purchase option price that the City is reasonably certain to exercise, lease incentives receivable from the lessor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lessor

The City is a lessor for noncancellable leases of property and equipment. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide, governmental fund and proprietary fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease receivable are composed of fixed payments from the lessee, variable payments from the lessee that are fixed in substance or that depend on an index or a rate, residual value guarantee payments from the lessee that are fixed in substance, and any lease incentives that are payable to the lessee.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2024

7. *Subscription-Based Information Technology Arrangements (SBITAs)*

The City has noncancellable contracts with SBITA vendors for the right to use information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets). The City recognizes a subscription liability, reported with long-term debt and a right to use subscription asset (an intangible asset), reported with other capital assets, in the government-wide financial statements. The City recognizes subscription liabilities with an initial, individual value of \$25,000 or more.

At the commencement of the SBITA, the City initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of SBITA payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for SBITA payments made at or before the SBITA commencement date, plus certain initial implementation costs. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying IT assets.

Key estimates and judgements related to SBITAs include how the City determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The City uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The subscription term includes the noncancellable period of the SBITA.
- Subscription payments included in the measurement of the subscription liability are composed of fixed payments, variance payments fixed in substance or that depends on an index or a rate, termination penalties if the City is reasonably certain to exercise such options, subscription contract incentives receivable from the SBITA vendor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The City monitors changes in circumstances that would require a remeasurement of its SBITAs and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

8. *Estimates*

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2024

9. Pension and Other Post-Employment Benefits (OPEB)

The City participates in a retirement plan through Texas Municipal Retirement System (TMRS) covering all employees and additionally participates in an OPEB plan through TMRS and a single-employer defined benefit healthcare plan.

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

Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Information regarding the City's Net Pension Liability and Total OPEB Liability is obtained from the TMRS through reports prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in accordance with GASB Statement No. 68. Accounting and Financial Reporting for Pensions and GASB No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

10. 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 reports a deferred charge on refunding reported in the Government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City also reports deferred pension and OPEB expenses that arise from payments made to the pension trustee applicable to subsequent periods and changes in assumptions. These amounts are deferred and recognized as an outflow of resources in the period that the amounts become available.

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 reports pension and OPEB amounts that arise from differences in expected versus actual experience and projected versus actual earnings. Also, the City has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting under this category. According to the item, unavailable revenue is reported only in the governmental funds balance sheet.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2024

The governmental funds report unavailable revenues from property taxes and municipal court fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

11. *Net position and fund balance flow assumptions*

When the City incurs an expense for which it may use either restricted, committed, assigned, or unassigned assets, the City shall reduce restricted, committed, and assigned assets first, in that order, unless unassigned assets would have to be returned because they were not used.

12. *Fund balance policies*

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Non-spendable 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 law through constitutional provisions or enabling legislation.

Committed fund balance - amounts that can be used only for the specific purposes determined by formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by the adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned fund balance – amounts that are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council by ordinance authorized the finance division to assign fund balance.

Unassigned fund balance – the residual classification for the City's General Fund that includes amounts not contained in the other classifications. In other words, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2024

The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

I. Revenues and Expenditures/Expenses

1. *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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. *Property taxes*

Ad valorem (property) taxes are levied based on the January 1 property values as assessed by the Coryell County Appraisal District.

Property taxes are recognized as revenue when they become available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay current liabilities. Current taxes are levied on October 1, and become delinquent if unpaid on February 1.

3. *Compensated absences*

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The liabilities for these amounts are accrued as they are incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, because of employee resignations and retirements. Typically, the General Fund has been used in prior years to liquidate such amounts in governmental funds.

4. *Proprietary funds operating and non-operating revenues and expenses*

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.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2024

The principal operating revenues of the Water and Sewer Fund are charges to customers for sales and services. The Water and Sewer 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 enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

J. Long-Term Obligations

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

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

II. DETAILED NOTES ON ALL FUNDS

A. Cash Deposits with Financial Institutions

Deposits - Custodial credit risk for deposits is the risk in the event of a bank failure, the City's deposits may not be returned, or the City will not be able to recover collateral securities in the possession of an outside party. State statutes require all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities having a market value of not less than the principal amount of the deposits. The City's deposits were fully insured or collateralized with securities held by the City or its agent in the City's name or the pledging financial institution's trust department or agent in the City's name on September 30, 2024.

On September 30, 2024, the City had carrying amounts of demand deposits of \$16,457,763, while the bank balance was \$17,052,770. Included in the balance is \$7,568,752 held in escrow by a third party. Of the remaining bank balances, \$250,000 was covered by federal depository insurance. Collateral for the bank balances over the federal depository insurance amount consisted of securities with a fair market value of \$10,634,834 at September 30, 2024.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2024

B. Investments

The investment policy of the City is governed by State statutes and the adopted City Investment Policy. City policy governing bank deposits requires depositors to be FDIC-insured institutions; depositories must fully collateralize all deposits in excess of FDIC insurance limits. The City's investment policy limits investments to obligations of the United States of America and its agencies, investment quality obligations of the states with a rating of AAA, and fully insured certificates of deposit.

The City has invested in TexPool Investment Pool, a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. TexPool Investment Pool's Liquidity Plus Fund uses a dollar weighted average maturity of 120 days or fewer and the net asset value of the shares invested are expected to maintain a net asset value of approximately \$1. The net asset value of the shares invested in the fund do not fluctuate based on the fund's current market value.

The City does not own specific, identifiable investments with TexPool Investment Pool. The City considers the holdings in these pools to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

Custodial credit risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's investment policy requires that securities be insured and registered in the name of the City. All safekeeping receipts for investment instruments are held in accounts in the City's name, and all securities are registered in the City's name.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investment policy provides that to the extent practicable, investments are matched with anticipated cash flows.

Credit risk is the risk that an issuer or other counterparty will not fulfill its obligations. Such risk shall be controlled by investing in compliance with the City's investment policy, qualifying the broker and financial institution with which the City will transact, portfolio diversification, and limiting maturity.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended September 30, 2024

The City did not engage in repurchase or reverse repurchase agreement transactions during the year. The City’s investments were as follows on September 30, 2024:

	Carrying Amount	Fair Value	Rating Standard & Poors	Weighted Average Maturity
Primary Government				
Cash	\$ 10,464,932			
Investments not subject to categorization:				
Government sponsored investment pool (TexPool)	465,323	\$ 465,323	AAAm	26 days
Restricted government sponsored investment pool (TexStar)	5,527,508	\$ 5,527,508	AAAm	40 days
Total Cash and Cash Equivalents	\$ 16,457,763			

The City invests in the public fund investment pools listed above, which have specified maximum weighted average maturities for their investment portfolios. The maximum weighted average maturity (WAM) of TexPool investment portfolios cannot exceed 60 days. TexSTAR also maintains a portfolio maximum WAM of 60 days calculated according to SEC rule 2a-7.

The Texas Local Government Investment Pool (TexPool) is a public funds investment pool created pursuant to the Inter-local Cooperation Act of the State of Texas. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both Participants in TexPool and other persons who do not have a business relationship with TexPool.

The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAAm by Standard & Poors. As a requirement to maintain the rating weekly portfolio, information must be submitted to Standard & Poor’s, as well as the Office of the State Comptroller of Public Accounts for review. TexPool operates in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than fair value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

The Texas Short Term Asset Reserve Program (TexSTAR) has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools (including TexSTAR) and authorize eligible governmental entities to invest their public funds through the investment pools. TexSTAR is administered by JP Morgan Chase and First Southwest Asset Management, Inc., and is rated AAAm by Standard and Poor’s.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended September 30, 2024

Concentration of credit risk. The City has no formal policy addressing credit risk. However, safety of principal is the primary objective of the City’s investment policy. In accordance with this objective, the City limits its investments to those that have been issued one of the top ratings by nationally recognized credit rating agency. As of September 30, 2024, the City’s investment in TexPool and TexSTAR were rated AAAM by Standard & Poor’s.

Custodial credit risk – investments. For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investment policy states that investments of City funds shall be secured by pledged collateral with a fair value equal to or exceeding 102% of the principal plus accrued interest of deposits at financial institutions.

C. Receivables

Amounts are aggregated into a single accounts receivable (net of uncollectible) line on the statement of net position.

Following is the detail of receivables of the government’s individual major and non-major funds, including the applicable allowances for uncollectible accounts, as of September 30, 2024:

	General Fund	Debt Service Fund	Water and Sewer Fund	Airport Fund	Total Primary Government
Receivables:					
Property tax	\$ 100,362	\$ 3,609	\$ -	\$ -	\$ 103,971
Sales tax	514,639	-	-	-	514,639
Other	241,664	-	1,575,403	1,264	1,818,331
Leases	7,449	-	-	-	7,449
Gross Receivables	<u>\$ 864,114</u>	<u>\$ 3,609</u>	<u>\$ 1,575,403</u>	<u>\$ 1,264</u>	<u>\$ 2,444,390</u>
Less: Allowance	(36,390)	-	(444,689)	-	(481,079)
Net Total Receivables	<u><u>\$ 827,724</u></u>	<u><u>\$ 3,609</u></u>	<u><u>\$ 1,130,714</u></u>	<u><u>\$ 1,264</u></u>	<u><u>\$ 1,963,311</u></u>

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended September 30, 2024

D. Interfund Transfers

Following is a summary of transfers to/from other funds for the year ended September 30, 2024:

	Transfers To Other Funds	Transfers From Other Funds	Net Transfers
Governmental Funds:			
General	\$ 880,000	\$ 646,337	
Capital Projects	-	982,023	
Nonmajor	102,023	-	
	\$ 982,023	\$ 1,628,360	\$ 646,337
Proprietary Funds:			
Water and Sewer	\$ 646,337	\$ -	
	\$ 646,337	\$ -	\$ (646,337)

Interfund transfers are used to pay an allocation of general and administrative services, provide funds for debt service, and contribute toward the cost of capital projects and for other operational purposes.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2024

E. Capital Assets

Capital assets activity for the governmental activities for the year ended September 30, 2024 are as follows:

	Balance 9/30/2023	Additions	Retirements	Transfers	Balance 9/30/2024
GOVERNMENTAL ACTIVITIES:					
Capital assets, not being depreciated:					
Land	\$ 636,543	\$ -	\$ -	\$ -	\$ 636,543
Construction in progress	84,846	2,715	-	(84,846)	2,715
Total capital assets not being depreciated	<u>721,389</u>	<u>2,715</u>	<u>-</u>	<u>(84,846)</u>	<u>639,258</u>
Capital assets, being depreciated/amortized:					
Buildings and improvements	4,364,888	-	-	84,846	4,449,734
Improvements other than buildings	5,407,120	859,461	-	-	6,266,581
Machinery and equipment	4,737,402	446,134	-	-	5,183,536
Right to use - vehicles and equipment	575,765	144,307	(25,525)	-	694,547
SBITA assets	155,560	-	-	-	155,560
Total capital assets being depreciated/amortized	<u>15,240,735</u>	<u>1,449,902</u>	<u>(25,525)</u>	<u>84,846</u>	<u>16,749,958</u>
Less accumulated depreciation/amortization for:					
Buildings and improvements	(2,049,107)	(108,677)	-	-	(2,157,784)
Improvements other than buildings	(3,080,659)	(176,592)	-	-	(3,257,251)
Machinery and equipment	(3,677,081)	(312,750)	-	-	(3,989,831)
Right to use - vehicles and equipment	(320,982)	(60,983)	17,503	-	(364,462)
SBITA assets	(8,187)	(49,124)	-	-	(57,311)
Total accumulated depreciation/amortization	<u>(9,136,016)</u>	<u>(708,126)</u>	<u>17,503</u>	<u>-</u>	<u>(9,826,639)</u>
Total capital assets being depreciated/amortized, net	<u>6,104,719</u>	<u>741,776</u>	<u>(8,022)</u>	<u>84,846</u>	<u>6,923,319</u>
Governmental activities capital assets, net	<u>\$ 6,826,108</u>	<u>\$ 744,491</u>	<u>\$ (8,022)</u>	<u>\$ -</u>	<u>\$ 7,562,577</u>

Depreciation and amortization expense was charged to functions/programs of governmental activities for the year ended September 30, 2024 as follows:

Governmental activities:	
General government and administration	\$ 130,558
Public safety	200,336
Culture and recreation	159,599
Public works	217,633
Total depreciation expense	<u>\$ 708,126</u>

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2024

Capital asset activity for business-type activities for the year ended September 30, 2024 are as follows:

	Balance 9/30/2023 (as restated)	Additions	Retirements	Transfers	Balance 9/30/2024
BUSINESS-TYPE ACTIVITIES:					
Capital assets, not being depreciated:					
Land	\$ 300,339	\$ -	\$ -	\$ -	\$ 300,339
Construction in progress	3,116,972	4,754,314	-	(2,962,177)	4,909,109
Total capital assets not being depreciated	<u>3,417,311</u>	<u>4,754,314</u>	<u>-</u>	<u>(2,962,177)</u>	<u>5,209,449</u>
Capital assets, being depreciated/amortized:					
Buildings and improvements	59,313,107	-	-	2,761,240	62,074,347
Machinery and equipment	5,790,097	509,789	-	200,937	6,500,823
Right to use - vehicles and equipment	295,094	136,141	(121,024)	-	310,211
Total capital assets being depreciated/amortized	<u>65,398,298</u>	<u>645,930</u>	<u>(121,024)</u>	<u>2,962,177</u>	<u>68,885,381</u>
Less accumulated depreciation/amortization for:					
Buildings and improvements	(37,150,739)	(1,559,595)	-	-	(38,710,334)
Machinery and equipment	(4,921,810)	(164,206)	-	-	(5,086,016)
Right to use - vehicles and equipment	(168,363)	(60,676)	76,927	-	(152,112)
Total accumulated depreciation/amortization	<u>(42,240,912)</u>	<u>(1,784,477)</u>	<u>76,927</u>	<u>-</u>	<u>(43,948,462)</u>
Total capital assets being depreciated, net	<u>23,157,386</u>	<u>(1,138,547)</u>	<u>(44,097)</u>	<u>2,962,177</u>	<u>24,936,921</u>
Business-type activities capital assets, net	<u>\$ 26,574,697</u>	<u>\$ 3,615,767</u>	<u>\$ (44,097)</u>	<u>\$ -</u>	<u>\$ 30,146,371</u>

Depreciation and amortization expense was charged to functions/programs of the business-type activities for the year ended September 30, 2024 as follows:

Business-type activities:	
Water and sewer	\$ 1,739,819
Municipal airport	44,658
Total depreciation expense	<u>\$ 1,784,477</u>

F. Risk Management

The City is a member of the Texas Municipal League's Intergovernmental Risk Pool ("Pool"). The Pool was created for providing coverage against risks that are inherent in operating a political subdivision. The City pays annual premiums to the Pool for liability, aviation, automobile, property, and workers' compensation coverage. The City's agreement with the Pool provides that the Pool will be self-sustaining through member premiums and will provide through commercial companies' reinsurance contracts. The Pool agrees to handle all liability, property and workers' compensation claims and provide any defense as necessary. The Pool makes available to the City loss control services to assist the City in following a plan of loss control that may result in reduced losses.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2024

The City agrees that it will cooperate in instituting all reasonable loss control recommendations made by the Pool. The City also carries commercial insurance on other risks of loss. The City has experienced no significant reductions in coverage through the Pool over the past year. There have been no insurance settlements exceeding Pool coverage for any of the past three years.

G. Long-term Liabilities

Long-term debt of the City’s governmental activities consists of general obligation bonds, leases, notes payable, and accrued compensated absences. Sources of retirement of general obligation bond and certificates of obligation are provided from ad valorem tax. Governmental activities long-term debt is paid by the General Fund, Debt Service Fund, and the Hotel/Motel Tax Fund.

Long-term debt of the City business-type activities consists of general obligation and revenue bonds, capital leases, notes payable, and accrued compensated absences. Business-type activities long-term debt is serviced by revenue from the water and sewer systems, as well as ad valorem taxes.

The following is a summary of changes in long-term debt for governmental activities for the year ended September 30, 2024:

Description	September 30, 2023	Additions	Retirements	September 30, 2024	Due Within One Year	Long-Term Portion
Governmental activities:						
Bonds payable	\$ 840,000	\$ -	\$ (265,000)	\$ 575,000	\$ 105,000	\$ 470,000
Notes payable	607,417	781,000	(215,941)	1,172,476	197,602	974,874
Total long-term debt	1,447,417	781,000	(480,941)	1,747,476	302,602	1,444,874
Right to use lease liability	283,109	144,307	(196,651)	230,765	102,795	127,970
Subscription liability	141,507	-	(45,324)	96,183	47,164	49,019
Compensated absences	195,312	254,341	(195,312)	254,341	254,341	-
Net pension liability	2,997,753	-	(814,475)	2,183,278	-	2,183,278
Total OPEB liability	323,654	-	(7,696)	315,958	-	315,958
Total long-term liabilities	\$ 5,388,752	\$ 1,179,648	\$ (1,740,399)	\$ 4,828,001	\$ 706,902	\$ 4,121,099

The following is a summary of changes in long-term debt for business-type activities for the year ended September 30, 2024:

Description	September 30, 2023	Additions	Retirements	September 30, 2024	Due Within One Year	Long-Term Portion
Business-type activities:						
Bonds payable	\$ 12,655,000	\$ -	\$ (1,060,000)	\$ 11,595,000	\$ 1,095,000	\$ 10,500,000
Revenue bonds	8,100,000	-	(475,000)	7,625,000	480,000	7,145,000
Notes payable	664,492	258,714	(60,235)	862,971	108,384	754,587
Total long-term debt	21,419,492	258,714	(1,595,235)	20,082,971	1,683,384	18,399,587
Right to use lease liability	193,745	136,141	(157,310)	172,576	53,104	119,472
Compensated absences	98,157	102,428	(98,157)	102,428	102,428	-
Net pension liability	1,153,824	-	(327,422)	826,402	-	826,402
Total OPEB liability	124,573	-	(4,978)	119,595	-	119,595
Total long-term liabilities	\$ 22,989,791	\$ 497,283	\$ (2,183,102)	\$ 21,303,972	\$ 1,838,916	\$ 19,465,056

Compensated absences are paid from the fund out of which an employee is regularly paid – primarily the General Fund and Water and Sewer Fund.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2024

Year	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2025	\$ 197,602	\$ 55,266	\$ 108,384	\$ 34,998
2026	321,043	37,430	113,231	30,150
2027	67,958	34,065	118,311	17,888
2028	71,498	30,524	123,634	19,118
2029	75,224	26,799	129,211	14,170
2030-2034	439,151	70,960	270,200	17,697
2035-2039				
	<u>\$ 1,172,476</u>	<u>\$ 255,044</u>	<u>\$ 862,971</u>	<u>\$ 134,021</u>

Right-to-Use Lease Liability

The City has entered into multiple lease agreements as the lessee. The leases allow the right-to-use equipment and vehicles for the term of the lease. The City is required to make monthly payments at its incremental borrowing rate or the interest rate stated or implied within the leases.

The lease rate, term, and ending lease liability are as follows:

Description	Interest Rates	Liability at Commencement	Lease Term in Years	Ending Balance
Governmental Activities				
Leased vehicles	2.75%	\$ 386,858	2.0	\$ 215,878
Leased equipment	0.480%-2.75%	59,425	1.0-4.0	14,888
Total Governmental Activities				<u>\$ 230,766</u>
Business-type Activities				
Leased vehicles	2.75%	\$ 269,976	2.0-4.0	\$ 172,576
Total Business-type Activities				<u>\$ 172,576</u>

The future principal and interest lease payments, as of fiscal year-end, are as follows:

Year	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2025	\$ 102,795	\$ 9,087	\$ 53,104	\$ 12,549
2026	47,055	6,373	34,873	8,978
2027	40,686	4,086	37,910	6,004
2028	35,508	1,710	42,574	2,326
2029	4,721	454	4,114	168
	<u>\$ 230,765</u>	<u>\$ 21,709</u>	<u>\$ 172,575</u>	<u>\$ 30,026</u>

The value of the right to use assets for governmental activities as of September 30, 2024 was \$694,547 and had accumulated amortization of \$364,462. For business-type activities, the value of the right to use assets as of September 30, 2024 was \$310,211 and had accumulated amortization of \$152,112.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2024

Subscription Based Information Technology Arrangements (SBITA)

The City has entered into multiple SBITAs that allow the right to use the SBITA vendor’s information technology software over the subscription term. The City is required to make annual payments at its incremental borrowing rate or the interest rate stated or implied within the SBITAs. The SBITA rate, term, and ending subscription liability are as follows:

Description	Interest Rates	Liability at Commencement	SBITA Term in Years	Ending Balance
Governmental Activities				
Software	2.90-3.27%	\$ 155,561	3.0	\$ 96,183
Total Governmental Activities				\$ 96,183

The future principal and interest SBITA payments, as of fiscal year-end, are as follows:

Year	Governmental Activities	
	Principal	Interest
2025	\$ 47,164	\$ 726
2026	49,019	371
	\$ 96,183	\$ 1,097

The value of the subscription assets as of the end of the current fiscal year was \$155,560 and had accumulated amortization of \$57,311.

H. Deferred Charges on Refunding

Deferred charges resulting from the issuance of Series 2017, 2020, and 2021 general obligation refunding bonds have been recorded as deferred outflows of resources and are being amortized to interest expense over the shorter of either the remaining term of the refunded debt or the refunding bonds. Business-type activities reported deferred outflows of \$458,545 as of September 30, 2024.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2024

Description	September 30, 2023	Additions	Retirements	September 30, 2024
General Obligation Refunding Bonds, Taxable Series 2017	\$ 380,116	\$ -	\$ -	\$ 380,116
General Obligation Refunding Bonds (2007), Taxable Series 2020	202,812	-	-	202,812
General Obligation Refunding Bonds, Taxable Series 2021 (2011 REFUNDING)	<u>190,000</u>	<u>-</u>	<u>-</u>	<u>190,000</u>
Total deferred charges on refunding:	<u>772,928</u>	<u>-</u>	<u>-</u>	<u>772,928</u>
Less accumulated amortization:				
General Obligation Refunding Bonds, Taxable Series 2017	(126,705)	(21,118)	-	(147,823)
General Obligation Refunding Bonds (2007), Taxable Series 2020	(86,920)	(28,973)	-	(115,893)
General Obligation Refunding Bonds, Taxable Series 2021 (2011 REFUNDING)	<u>(38,000)</u>	<u>(12,667)</u>	<u>-</u>	<u>(50,667)</u>
Total accumulated amortization	<u>(251,625)</u>	<u>(62,757)</u>	<u>-</u>	<u>(314,382)</u>
Total deferred charges on refunding, net:	<u>\$ 521,303</u>	<u>\$ (62,757)</u>	<u>\$ -</u>	<u>\$ 458,545</u>

I. Fund Balances

The table below shows the purposes for which fund balance has been categorized as non-spendable, restricted, and committed with the remainder unassigned:

	General Fund	Capital Projects Fund	Nonmajor Debt Service Fund	Other Nonmajor Governmental Funds	Total
Fund Balances:					
Nonspendable:					
Inventory	\$ 24,163	\$ -	\$ -	\$ -	\$ 24,163
Restricted:					
Debt Service	-	-	42,889	-	42,889
Municipal Court Security	-	-	-	94,784	94,784
Donations	-	-	-	35,882	35,882
Public Safety	-	-	-	36,226	36,226
Motel Occupancy	-	-	-	635,582	635,582
Cemetery Maintenance	-	-	-	76,386	76,386
Capital Projects	-	2,066,813	-	-	2,066,813
Unassigned	<u>2,411,327</u>	<u>-</u>	<u>-</u>	<u>19,512</u>	<u>2,430,839</u>
	<u>\$ 2,435,490</u>	<u>\$ 2,066,813</u>	<u>\$ 42,889</u>	<u>\$ 898,372</u>	<u>\$ 5,443,564</u>

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended September 30, 2024

J. Texas Department of Corrections Water Service Contracts

The City has an agreement to supply water and sewer disposal for the Texas Department of Corrections. The cost of water and sewer services to the Texas Department of Corrections is based on 1) charges for raw water supplied, 2) operation and maintenance charges based on volume, and 3) an allocation of total construction costs.

Payments for these charges began in March of 1990, and the monthly charges for these items are as follows:

	Water	Sewer
Mountainview Unit	\$3.00 per 1,000 Base Charge: \$278.67	\$2.70 per 1,000 Base Charge: \$350.00
Hughes Unit (10" Meter)	\$3.00 per 1,000 Base Charge: \$625.33	\$2.70 per 1,000 Base Charge: \$350.00
Hughes Unit (2" Meter)	\$3.00 per 1,000 Base Charge: \$54.67	\$2.70 per 1,000 Base Charge: \$350.00
Murray Unit (10" Meter)	\$3.00 per 1,000 Base Charge: \$625.33	\$2.70 per 1,000 Base Charge: \$350.00
Murray Unit (2" Meter)	\$3.00 per 1,000 Base Charge: \$54.67	\$2.70 per 1,000 Base Charge: \$350.00

III. OTHER INFORMATION

A. Employee Retirement Systems and Pension Plans

Plan Description

The City participates as one of 934 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. 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's 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.com.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2024

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

Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefits 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 the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	63
Inactive employees entitled to but not yet receiving benefits	54
Active employees	82
Total	199

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The 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 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 14.99% and 15.73% in the calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2024, were \$709,378 and were equal to the required contributions.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2024

Net Pension Liability

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

Actuarial Assumptions:

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

Inflation	2.5% per year
Salary Increases	3.60% to 11.85%, including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates projected on a fully generation 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%. For disabled annuitants, the mortality tables for health retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% 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.

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments is 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2024

The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

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

Discount Rate:

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

Changes in the Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c)
Balance at 12/31/2022	\$ 24,349,635	\$ 20,198,060	\$ 4,151,575
Changes for the year:			
Service cost	793,113	-	793,113
Interest	1,627,506	-	1,627,506
Difference between expected and actual experience	51,304	-	51,304
Change in assumptions	(262,492)	-	(262,492)
Contributions - employer	-	694,337	(694,337)
Contributions - employee	-	333,699	(333,699)
Net investment income	-	2,338,266	(2,338,266)
Benefit payments, including refunds of employee contributions	(1,269,969)	(1,269,969)	-
Administrative expense	-	(14,872)	14,872
Other changes	-	(104)	104
Net changes	939,462	2,081,357	(1,141,895)
Balance at 12/31/2023	\$ 25,289,097	\$ 22,279,417	\$ 3,009,680

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2024

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 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net Pension Liability \$	6,529,204	\$ 3,009,680	\$ 132,630

Pension Plan Fiduciary Net Position:

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

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions

For the year ended September 30, 2024, the City recognized pension expense of \$608,847.

At September 30, 2024, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Differences between expected and actual economic experience	\$ 204,048	\$ -
Changes in actuarial assumptions	-	(191,548)
Difference between projected and actual investment earnings	551,812	-
Contributions subsequent to the measurement date	515,823	-
Total	<u>\$ 1,271,683</u>	<u>\$ (191,548)</u>

The \$515,823 of contributions made after the measurement date of the net pension liability but before the end of the City’s reporting period will be recognized as a reduction of the net pension liability in the subsequent fiscal period. The other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended September 30, 2024

Year Ended September 30:	Deferred Outflow (Inflow) of Resources
2024	\$ 207,443
2025	166,048
2026	385,798
2027	(194,977)
2028	-
Thereafter	-
	\$ 564,312

B. Other Post-Employment Benefits (OPEB) Plan - TMRS

Plan Description

Texas Municipal Retirement System (“TMRS”) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (“SDBF”). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers 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 City has elected to participate in the SDBF for its active members including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded single-employer OPEB plan (i.e. no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75) for City reporting.

Benefits Provided

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

Contributions

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

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended September 30, 2024

by the SDBF and the demographics specific to the workforce of the city.

There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year.

The City's contributions to the TMRS SDBF for the year ended September 30, 2024, was \$18,371 which equaled the required contributions.

Schedule of Contribution Rates
 (Retiree - only portion of the rate)

Plan/ Calendar Year	Total SDB Contribution (Rate)	Retiree Portion of SDB Contribution (Rate)
2024	0.40%	0.17%
2023	0.37%	0.16%

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

Inactive employees currently receiving benefits	46
Inactive employees entitled to but not yet receiving benefits	12
<u>Active employees</u>	<u>82</u>
Total	140

Total OPEB Liability

The City's Total OPEB Liability (TOL) was measured as of December 31, 2023 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

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

Inflation	2.50%
Salary Increases	3.60% to 11.85%, including inflation
Discount Rate	3.77%
Retirees' Share of Benefit-Related Costs	\$0

Salary increases were based on a service-related table. Mortality rates for service retirees were based on the RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB. Mortality rates for disabled retirees were based on the RP2000 Combined

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended September 30, 2024

Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions used in the December 31, 2017, valuation were developed primarily from an actuarial experience study of the four-year period from December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, TMRS adopted the Entry Age Normal Actuarial Cost Method.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 3.77% and was based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2023.

Changes in Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/2022	\$ 232,540
Changes for the year:	
Service cost	9,353
Interest on Total OPEB Liability	9,456
Change of benefit terms	-
Difference between expected and actual experience	221
Changes of assumptions or other inputs	12,705
Benefit payments	(7,482)
Net changes	24,253
Balance at 12/31/2023	\$ 256,793

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.77%, 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 (2.77%) or 1 percentage-point higher (4.77%) than the current rate:

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended September 30, 2024

	1% Decrease <u>2.77%</u>	Current Discount Rate <u>3.77%</u>	1% Increase <u>4.77%</u>
Total OPEB Liability	\$ 303,473	\$ 256,793	\$ 219,985

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

For the year ended September 30, 2024, the City recognized OPEB expense of \$18,371. At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Deferred Outflows/Inflows of Resources		
Changes of assumptions	\$ -	\$ (12,015)
Differences in expected and actual experience	-	(41,475)
Contributions made subsequent to measurement date	13,459	-
	<u>\$ 13,459</u>	<u>\$ (53,490)</u>

The \$13,459 contributions made after the measurement date of the total OPEB liability but before the end of the City’s reporting period will be recognized as a reduction of the total OPEB liability in the subsequent fiscal period. The other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Deferred Outflows (Inflows) of Resources
<u>Year Ended September 30:</u>	
2024	\$ (15,376)
2025	(14,333)
2026	(16,892)
2027	(7,135)
2028	246
Thereafter	-
	<u>\$ (53,490)</u>

C. Other Post-Employment Benefits (OPEB) Plan – City Funded Healthcare Plan

Plan Description

In addition to the pension benefits described above, as required by state law, and defined by City Policy, the City makes available healthcare benefits to all employees who retire from the City through a single employer defined benefit healthcare plan. This plan covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended September 30, 2024

under GASB No. 75, paragraph 4b, (i.e., no assets are accumulated for OPEB). This healthcare plan provides lifetime insurance or until 65 if eligible for Medicare to eligible retirees, their spouses and dependents through the City's group health insurance plan, which covers both active and retired members. Benefit provisions are established by management and Council.

The full cost of the coverage is paid by the retiree, with the rates being the same as an active employee. At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees and Beneficiaries	2
Inactive, Nonretired Members	-
Active Members	79
Total	81

Contributions

The full monthly premium rates for retirees as of October 1, 2023, for each plan are shown as follows:

Plan	Scott & White Plan	
	Base	Buy-Up
Retiree Only	\$ 552.95	\$ 707.42
Retiree & Spouse	\$ 1,271.29	\$ 1,627.08

Actuarial Assumptions:

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

Actuarial Cost Method	Individual Entry-Age Normal
Discount Rate	3.77% as of December 31, 2023
Inflation	2.50%
Salary Increases	3.60% to 11.85%, including inflation
Demographic Assumptions	Based on the 2023 experience study conducted for the Texas Municipal Retirement System (TMRS).
Mortality	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used, with male rates multiplied by 103% and female rates multiplied by 105%. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP-2021 table to account for future mortality improvements.
Health Care Trend Rates	Initial rate of 7.20% declining to an ultimate rate of 4.25% after 16 years.
Participation Rates	20% of non-Medicare retirees; 0% if retiring prior to age 50

Forfeiture rates, the rate of withdrawal is based on the withdrawal assumption used in the 2019 Texas Municipality Retirement System Actuarial Valuation. The rate of withdrawal for reasons other than death and retirement is dependent on an employee's age, gender, and years of service. Sample rates are provided below:

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2024

Termination rates based on first 10 years of service

Age	Male			Female		
	0	4	9	0	4	9
20	22.50%	19.51%	8.60%	22.50%	20.30%	16.00%
30	22.50%	11.38%	6.55%	22.50%	13.69%	8.17%
40	22.50%	11.03%	6.08%	22.50%	13.16%	7.45%
50	22.50%	10.72%	6.09%	22.50%	9.01%	6.28%
60	22.50%	8.33%	5.79%	22.50%	8.11%	3.86%
70	22.50%	8.45%	5.81%	22.50%	8.13%	3.03%

Termination rates after first 10 years of service

Years from retirement	Male	Female
1	2.72%	2.72%
5	4.06%	4.06%
10	6.70%	6.70%
15	11.06%	11.06%

Changes in Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/2022	\$ 215,686
Changes for the year:	
Service cost	17,076
Interest on Total OPEB Liability	8,573
Difference between expected and actual experience	(43,943)
Changes of assumptions	6,477
Benefit payments	(25,109)
Net changes	(36,926)
Balance at 12/31/2023	\$ 178,760

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

The following presents the total OPEB liability of the City related to the healthcare plan, calculated using the discount rate of 3.77%, 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 (2.77%) or 1 percentage-point higher (4.77%) than the current rate:

	1% Decrease 2.77%	Current Discount Rate 3.77%	1% Increase 4.77%
Total OPEB Liability	\$ 197,727	\$ 178,760	\$ 162,180

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2024

Sensitivity of the Total OPEB Liability to the Healthcare Cost Trend Rate Assumption

The following presents the total OPEB liability of the City related to the healthcare plan, calculated using the assumed trend rate, as well as what the City’s total OPEB liability would be if it were calculated using a trend rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	\$ 157,417	\$ 178,760	\$ 204,769

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

For the year ended September 30, 2024, the City recognized OPEB expenses related to the healthcare plan of \$26,542. At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Deferred Outflows/Inflows of Resources		
Changes of assumptions	\$ -	\$ (41,571)
Differences in expected and actual experience	-	(50,915)
Contributions made subsequent to measurement date	16,210	-
	\$ 16,210	\$ (92,486)

The \$16,210 contributions made after the measurement date of the total OPEB liability but before the end of the City’s reporting period will be recognized as a reduction of the total OPEB liability in the subsequent fiscal period. The other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30:	Deferred Outflows (Inflows) of Resources
2025	\$ (20,641)
2026	(21,753)
2027	(20,235)
2028	(5,274)
2029	(7,123)
Thereafter	(17,460)
	\$ (92,486)

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2024

D. Consolidated OPEB Balances for All Plans

The following presents the combined total OPEB liabilities as well as deferred outflows and inflows of resources for the TMRS and the City funded health care plan:

Deferred Outflows of Resources - OPEB			
<u>Contributions Subsequent to the Measurement Date</u>			
	<u>TMRS</u>	<u>City Funded</u>	<u>Total</u>
Governmental Activities	\$ 9,763	\$ 11,759	\$ 21,522
Business-type Activities	3,696	4,451	8,147
Total	\$ 13,459	\$ 16,210	\$ 29,669
Total Deferred Outflows of Resources			\$ 29,669
OPEB Liabilities			
<u>Total OPEB Liabilities</u>			
	<u>TMRS</u>	<u>City Funded</u>	<u>Total</u>
Governmental Activities	\$ (186,282)	\$ (129,676)	\$ (315,958)
Business-type Activities	(70,511)	(49,084)	(119,595)
Total	\$ (256,793)	\$ (178,760)	\$ (435,553)
Deferred Inflows of Resources - OPEB			
<u>Changes in Actuarial Assumptions</u>			
	<u>TMRS</u>	<u>City Funded</u>	<u>Total</u>
Governmental Activities	\$ (30,087)	\$ (36,935)	\$ (67,022)
Business-type Activities	(11,388)	(13,980)	(25,368)
Total	\$ (41,475)	\$ (50,915)	\$ (92,390)
<u>Differences Between Expected and Actual Economic Experience</u>			
	<u>TMRS</u>	<u>City Funded</u>	<u>Total</u>
Governmental Activities	\$ (8,716)	\$ (30,156)	\$ (38,872)
Business-type Activities	(3,299)	(11,415)	(14,714)
Total	\$ (12,015)	\$ (41,571)	\$ (53,586)
Total Deferred Inflows of Resources			\$ (145,976)

E. Contingent Liabilities

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

The City is a defendant in various lawsuits. Although the outcome is not presently determinable, it is the opinion of the City's management that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2024

As a debt issuer, the City is subject to Federal arbitrage regulations and periodically determines its compliance and returns excess interest earned on bond proceeds, if necessary.

F. Correction of an Error in Previously Issued Financial Statements

During fiscal year 2024, the City determined that the costs for a drainage study conducted by the water fund in the prior year with grant funds were improperly capitalized. As a result, capital assets, net of depreciation, were overstated by \$250,002 for the fiscal year ended September 30, 2023. Consequently, expenses for the water fund were understated by the same amount. To correct this, the City has recorded an adjustment of \$250,002 to decrease the beginning fund balance in the current year. The effects of correcting the error are reflected in Note II, E – Capital Assets.

G. Subsequent Events

Management has evaluated all events or transactions that occurred after September 30, 2024, up through the date of the auditor’s report date. This is the date the financial statements were available for issuance. There are no subsequent events requiring disclosure except as noted below.

In November 2024, the City purchased two replacement vehicles, one governmental and one proprietary, utilizing a finance agreement. The combined total of these obligations is less than \$100,000.

**REQUIRED SUPPLEMENTARY
INFORMATION**

City of Gatesville, Texas

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS - ¹ TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)

Last Ten Measured Years

Measurement Date	12/31/2023	12/31/2022	12/31/2021	12/31/2020
Total Pension Liability				
Service cost	\$ 793,113	\$ 745,199	\$ 697,922	\$ 690,093
Interest on total pension liability	1,627,506	1,542,723	1,440,672	1,381,511
Difference between expected and actual experience	51,304	133,470	391,475	(277,563)
Change in assumptions	(262,492)	-	-	-
Benefit payments/refunds of contributions	(1,269,969)	(1,108,627)	(975,056)	(867,941)
Net change in total pension liability	<u>939,462</u>	<u>1,312,765</u>	<u>1,555,013</u>	<u>926,100</u>
Total pension liability, beginning	24,349,635	23,036,870	21,481,857	20,555,757
Total pension liability, ending (a)	<u>\$ 25,289,097</u>	<u>\$ 24,349,635</u>	<u>\$ 23,036,870</u>	<u>\$ 21,481,857</u>
Plan Fiduciary Net Position				
Employer contributions	\$ 694,337	\$ 617,980	\$ 618,036	\$ 622,620
Employee contributions	333,699	309,211	294,305	292,767
Net investment income	2,338,266	(1,605,219)	2,544,857	1,374,403
Benefit payments/refunds of contributions	(1,269,969)	(1,108,627)	(975,056)	(867,941)
Administrative expenses	(14,872)	(13,885)	(11,769)	(8,890)
Other	(104)	16,567	80	(347)
Net change in plan fiduciary net position	<u>2,081,357</u>	<u>(1,783,973)</u>	<u>2,470,453</u>	<u>1,412,612</u>
Plan fiduciary net position, beginning	20,198,060	21,982,031	19,511,578	18,098,966
Plan fiduciary net position, ending (b)	<u>\$ 22,279,417</u>	<u>\$ 20,198,060</u>	<u>\$ 21,982,031</u>	<u>\$ 19,511,578</u>
Net pension liability/(asset) ending = (a) - (b)	<u>\$ 3,009,680</u>	<u>\$ 4,151,575</u>	<u>\$ 1,054,839</u>	<u>\$ 1,970,279</u>
Plan fiduciary net position as a % of total pension liability	88.10%	82.95%	95.42%	90.83%
Covered payroll	\$ 4,676,375	\$ 4,417,302	\$ 4,204,352	\$ 4,182,380
Net pension liability as a % of covered payroll	64.36%	93.98%	25.09%	47.11%

Notes to Schedule:

¹ This schedule is presented to illustrate the requirement to show information for 10 years.

12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
\$ 619,680	\$ 603,610	\$ 594,731	\$ 574,521	\$ 578,197	\$ 506,716
1,316,406	1,256,097	1,196,570	1,130,444	1,115,252	1,029,818
(232,325)	(92,837)	(150,538)	(92,529)	(214,116)	264,700
104,908	-	-	-	16,497	-
(890,753)	(872,133)	(654,499)	(631,309)	(726,384)	(506,596)
<u>917,916</u>	<u>894,737</u>	<u>986,264</u>	<u>981,127</u>	<u>769,446</u>	<u>1,294,638</u>
<u>19,637,841</u>	<u>18,743,104</u>	<u>17,756,840</u>	<u>16,775,713</u>	<u>16,006,267</u>	<u>14,711,629</u>
<u>\$ 20,555,757</u>	<u>\$ 19,637,841</u>	<u>\$ 18,743,104</u>	<u>\$ 17,756,840</u>	<u>\$ 16,775,713</u>	<u>\$ 16,006,267</u>
\$ 572,510	\$ 564,950	\$ 549,367	\$ 551,291	\$ 548,786	\$ 527,696
266,284	255,303	250,037	242,706	245,328	236,938
2,433,349	(487,950)	1,966,183	888,332	19,281	693,519
(890,753)	(872,133)	(654,499)	(631,309)	(726,384)	(506,596)
(13,742)	(9,426)	(10,186)	(10,030)	(11,743)	(7,240)
(413)	(492)	(515)	(540)	(579)	(595)
<u>2,367,235</u>	<u>(549,748)</u>	<u>2,100,387</u>	<u>1,040,450</u>	<u>74,689</u>	<u>943,722</u>
<u>15,731,731</u>	<u>16,281,479</u>	<u>14,181,092</u>	<u>13,140,642</u>	<u>13,065,953</u>	<u>12,122,231</u>
<u>\$ 18,098,966</u>	<u>\$ 15,731,731</u>	<u>\$ 16,281,479</u>	<u>\$ 14,181,092</u>	<u>\$ 13,140,642</u>	<u>\$ 13,065,953</u>
<u>\$ 2,456,791</u>	<u>\$ 3,906,110</u>	<u>\$ 2,461,625</u>	<u>\$ 3,575,748</u>	<u>\$ 3,635,071</u>	<u>\$ 2,940,314</u>
88.05%	80.11%	86.87%	79.86%	78.33%	81.63%
\$ 3,804,052	\$ 3,647,188	\$ 3,571,960	\$ 3,467,235	\$ 3,485,215	\$ 3,384,835
64.58%	107.10%	68.92%	103.13%	104.30%	86.87%

<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>
\$ 592,104	\$ 567,742	\$ 558,291	\$ 548,748	\$ 570,438	\$ 547,508
<u>592,104</u>	<u>567,742</u>	<u>558,291</u>	<u>548,748</u>	<u>570,438</u>	<u>547,508</u>
-	-	-	-	-	-
\$ 3,968,401	\$ 3,746,440	\$ 3,610,241	\$ 3,540,264	\$ 3,602,812	\$ 3,317,279
14.92%	15.15%	15.46%	15.50%	15.83%	16.50%

City of Gatesville, Texas

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)

Last Ten Measured Years

	12/31/2023	12/31/2022	12/31/2021
Total OPEB liability			
Service Cost	\$ 9,353	\$ 18,553	\$ 17,658
Interest (on the Total OPEB Liability)	9,456	6,049	6,136
Differences between expected and actual experience	221	2,494	(5,478)
Changes in assumptions or other inputs	12,705	(110,855)	9,583
Benefit payments	(7,482)	(6,184)	(6,727)
Net Change in Total OPEB Liability	24,253	(89,943)	21,172
Total OPEB Liability - Beginning	232,540	322,484	301,312
Total OPEB Liability - Ending (a)	\$ 256,793	\$ 232,540	\$ 322,484
 Covered Payroll	 \$ 4,676,375	 \$ 4,417,302	 \$ 4,204,352
 Total OPEB Liability as a Percentage of Covered Payroll	 5.49%	 5.26%	 7.67%

Notes to Schedule:

The information in this schedule has been determined as of the measurement date (December 31) of the City's total OPEB liability and is intended to show information for 10 years. However, until a full ten-year trend is compiled, only available information is shown.

There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.1010 to pay related benefits for the OPEB plan.

<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u>
\$ 15,057	\$ 9,891	\$ 11,306	\$ 9,644
7,167	10,204	7,011	6,862
(10,994)	(74,505)	61,714	-
38,244	39,604	(14,041)	15,105
(2,509)	(1,902)	(2,188)	(2,143)
<u>46,965</u>	<u>(16,708)</u>	<u>63,802</u>	<u>29,468</u>
<u>254,347</u>	<u>271,055</u>	<u>207,253</u>	<u>177,785</u>
<u>\$ 301,312</u>	<u>\$ 254,347</u>	<u>\$ 271,055</u>	<u>\$ 207,253</u>
\$ 4,182,380	\$ 3,804,052	\$ 3,647,188	\$ 3,571,960
7.20%	6.69%	7.43%	5.80%

City of Gatesville, Texas

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS HEALTH BENEFIT PLAN

	12/31/2023	12/31/2022	12/31/2021
Total OPEB liability - City Funded Health Care Plan			
Service Cost	\$ 17,076	\$ 21,855	\$ 15,920
Interest (on the Total OPEB Liability)	8,573	4,812	4,691
Differences between expected and actual experience	(43,943)	(367)	50,263
Changes in assumptions or other inputs	6,477	(49,419)	(24,355)
Benefit payments	(25,109)	(23,589)	(21,412)
Net Change in Total OPEB Liability	(36,926)	(46,708)	25,107
Total OPEB Liability - Beginning	215,686	262,394	237,287
Total OPEB Liability - Ending (a)	\$ 178,760	\$ 215,686	\$ 262,394
Covered Payroll	\$ 4,891,787	\$ 4,105,663	\$ 4,397,290
Total OPEB Liability as a Percentage of Covered Payroll	3.65%	5.25%	5.97%

Notes to Schedule:

The ending Total OPEB Liability was as of December 31, 2023.

Changes in assumptions reflect a change in the discount rate from 4.05% as of December 31, 2022, to 3.77% as of December 31, 2023. Additionally, demographic and salary increase assumptions were updated to reflect the 2023 TMRS Experience Study.

The benefit payments during the measurement period were determined as follows:

a. Age adjusted premiums	\$ 51,651	(retiree contributions *1.946)
b. Retiree contributions	(26,542)	(data provided by City)
c. Total benefit payments	\$ 25,109	

The 1.946 factor equals the ratio of the expected retiree claims to the expected retiree contributions.

The underlying retiree claims were estimated using age-adjusted premiums.

	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u>
\$	12,394	\$ 15,797	\$ 14,934	\$ 13,022
	5,847	11,893	10,445	10,721
	1,098	(97,835)	1,224	-
	15,773	(27,351)	(13,651)	16,384
	<u>(8,497)</u>	<u>(9,019)</u>	<u>(7,685)</u>	<u>(6,160)</u>
	<u>26,615</u>	<u>(106,515)</u>	<u>5,267</u>	<u>33,967</u>
	<u>210,672</u>	<u>317,187</u>	<u>311,920</u>	<u>277,953</u>
	<u>\$ 237,287</u>	<u>\$ 210,672</u>	<u>\$ 317,187</u>	<u>\$ 311,920</u>
\$	4,190,641	\$ 4,052,108	\$ 3,169,511	\$ 3,494,591
	5.66%	5.20%	10.01%	8.93%

City of Gatesville, Texas
SCHEDULE OF OPEB CONTRIBUTIONS
HEALTH BENEFIT PLAN

	9/30/2024	9/30/2023	9/30/2022	9/30/2021
Actuarially Determined Contribution	\$ 26,542	\$ 27,083	\$ 24,583	\$ 18,002
Contributions in relation to the actuarially determined contribution	26,542	27,083	24,583	18,002
Covered payroll	\$ 4,688,786	\$ 4,623,115	\$ 4,358,178	\$ 4,471,335
Contributions as a percentage of covered payroll	0.57%	0.59%	0.56%	0.40%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

December 31, 2023

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Individual Entry-Age Normal
Discount Rate	3.77% as of December 31, 2023
Inflation	2.50%
Salary Increases	3.60% to 11.85%, including inflation

Demographic Assumptions

Based on the 2023 experience study conducted for the Texas Municipal Retirement System (TMRS). For healthy retirees, the gender-distinct 2019

Mortality

Municipal Retirees of Texas mortality tables are used, with male rates multiplied by 103% and female rates multiplied by 105%. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP-2021 table to account for future mortality improvements.

Health Care Trend Rates

Initial rate of 7.20% declining to an ultimate rate of 4.25% after 16 years.

Participation Rates

20% of non-Medicare retirees; 0% if retiring prior to age 50.

Other Information:

The discount rate changed from 4.05% as of December 31, 2022 to 3.77% as of December 31,

Notes

2023. Additionally, the demographic and salary increase assumptions were updated to reflect the 2023 TMRS Experience Study, and health care trend rates were updated to reflect the plan's anticipated experience.

<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>
\$ 19,109	\$ 20,170	\$ 16,167
<u>19,109</u>	<u>20,170</u>	<u>16,167</u>
\$ 3,968,401	\$ 3,746,440	\$ 3,610,241
0.48%	0.54%	0.45%



**COMBINING FUND
STATEMENTS**

City of Gatesville, Texas
COMBINING BALANCE SHEET
OTHER NONMAJOR GOVERNMENTAL FUNDS
As of September 30, 2024

	Municipal Court Security Fund	Donations Fund	Public Safety Fund	Motel Occupancy Fund
Assets				
Cash and cash equivalents	\$ 94,784	\$ 38,410	\$ 36,226	\$ 635,582
Total Assets	<u>94,784</u>	<u>38,410</u>	<u>36,226</u>	<u>635,582</u>
Liabilities				
Accounts payable	-	2,528	-	-
	<u>-</u>	<u>2,528</u>	<u>-</u>	<u>-</u>
Fund Balances				
Restricted	94,784	35,882	36,226	635,582
Unassigned	-	-	-	-
Total Fund Balances	<u>94,784</u>	<u>35,882</u>	<u>36,226</u>	<u>635,582</u>
Total Liabilities and Fund Balances	<u>\$ 94,784</u>	<u>\$ 38,410</u>	<u>\$ 36,226</u>	<u>\$ 635,582</u>

Cemetery Maintenance Fund	Grant Fund	Total Other Nonmajor Governmental Funds
\$ 76,407	\$ 19,512	\$ 900,921
<u>76,407</u>	<u>19,512</u>	<u>900,921</u>
21	-	2,549
<u>21</u>	<u>-</u>	<u>2,549</u>
76,386	-	878,860
-	19,512	19,512
<u>76,386</u>	<u>19,512</u>	<u>898,372</u>
<u>\$ 76,407</u>	<u>\$ 19,512</u>	<u>\$ 900,921</u>

City of Gatesville, Texas
*COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES*
OTHER NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2024

	Municipal Court Security Fund	Donations Fund	Public Safety Fund	Motel Occupancy Fund
Revenues				
Taxes:				
Hotel/motel	\$ -	\$ -	\$ -	\$ 281,400
Charges for services	-	-	-	-
Court fines	17,957	-	-	-
Grants	-	-	-	-
Donations	101	35,591	-	-
Interest income	147	-	-	19,161
Total Revenues	<u>18,205</u>	<u>35,591</u>	<u>-</u>	<u>300,561</u>
Expenditures				
Current:				
General government	-	33,284	-	-
Public safety	2,102	10,982	-	-
Culture and recreation	-	-	-	10,337
Debt Service:				
Principal retirement	-	-	-	54,871
Interest and fiscal charges	-	-	-	144
Total Expenditures	<u>2,102</u>	<u>44,266</u>	<u>-</u>	<u>65,352</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	16,103	(8,675)	-	235,209
Other Financing Sources (Uses)				
Transfers out	-	-	-	(102,023)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(102,023)</u>
Net Change in Fund Balances	16,103	(8,675)	-	133,186
Beginning Fund Balances	78,681	44,557	36,226	502,396
Ending Fund Balances	<u>\$ 94,784</u>	<u>\$ 35,882</u>	<u>\$ 36,226</u>	<u>\$ 635,582</u>

Cemetery Maintenance Fund	Grant Fund	Total Other Nonmajor Governmental Funds
\$ -	\$ -	\$ 281,400
21,500	-	21,500
-	-	17,957
-	189,505	189,505
-	-	35,692
-	-	19,308
<u>21,500</u>	<u>189,505</u>	<u>565,362</u>
3,849	200,281	237,414
-	-	13,084
-	-	10,337
-	-	-
-	-	54,871
-	-	144
<u>3,849</u>	<u>200,281</u>	<u>315,850</u>
17,651	(10,776)	249,512
-	-	(102,023)
<u>-</u>	<u>-</u>	<u>(102,023)</u>
17,651	(10,776)	147,489
58,735	30,288	750,883
<u>\$ 76,386</u>	<u>\$ 19,512</u>	<u>\$ 898,372</u>



COMPLIANCE SECTION

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

To the Honorable Mayor and
Members of the City Council
City of Gatesville, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Gatesville, Texas (the City), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 25, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

A handwritten signature in black ink that reads "Vail + Park, P.C." The signature is written in a cursive, slightly slanted style.

Vail & Park, P.C.
Tom Bean, Texas
March 25, 2025