

**Annual Comprehensive Financial Report**  
**of the**  
**City of Gatesville, Texas**



For the Fiscal Year Ended  
September 30, 2025

Prepared by:  
Finance Department



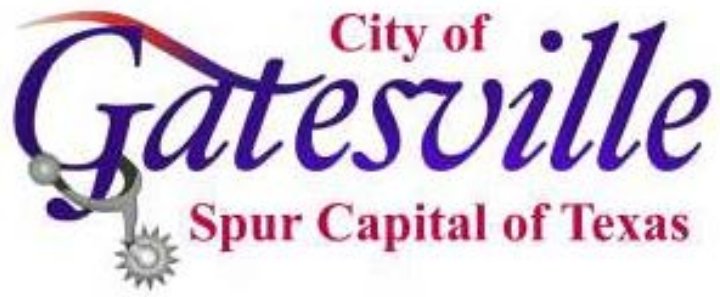
# **City of Gatesville, Texas**

Annual Comprehensive Financial Report

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Finance Department



**CITY OF GATESVILLE, TEXAS**

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2025

TABLE OF CONTENTS

	<b><u>Page Number</u></b>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal .....	i - iii
Organizational Chart .....	iv
City Officials.....	v
Council Members .....	vi
<b>FINANCIAL SECTION</b>	
Independent Auditor’s Report .....	1 - 3
Management Discussion and Analysis .....	4 - 9
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position.....	10
Statement of Activities.....	11 - 12
Fund Financial Statements:	
Governmental Funds	
Balance Sheet.....	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	14
Statement of Revenues, Expenditures, and Changes in Fund Balance.....	15 - 16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	17
Proprietary Funds	
Statement of Net Position .....	18
Statement of Revenues, Expenses, and Changes in Fund Net Position .....	19
Statement of Cash Flows.....	20 - 21
Notes to the Financial Statements.....	22 - 46

**Required Supplementary Information**

Schedule of Revenues, Expenditures and Changes in Fund balances – Budget and Actual – General Fund .....	47
Notes to Required Supplementary Information .....	48
Schedule of Changes in Net Pension Liability and Related Ratios – Texas Municipal Retirement System (TMRS).....	49 – 50
Schedule of Employer Contributions – Texas Municipal Retirement System (TMRS).....	51 – 52
Schedule of Changes in Total OPEB Liability and Related Ratios Texas Municipal Retirement System (TMRS).....	53 – 54
Schedule of Changes in Total OPEB Liability and Related Ratios - Health Benefit Plan .....	55 – 56
Schedule of OPEB Contributions - Health Benefit Plan .....	57 – 58

**Combining and Individual Fund Financial Statements and Schedules:**

Nonmajor Governmental Funds	
Combining Balance Sheet.....	59 – 60
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances .....	61 – 62
Schedule of Revenues, Expenditures and Changes in Fund balances – Budget and Actual – Municipal Court Security Fund .....	63
Schedule of Revenues, Expenditures and Changes in Fund balances – Budget and Actual – Debt Service Fund .....	64
Schedule of Revenues, Expenditures and Changes in Fund balances – Budget and Actual – Motel Occupancy Fund .....	65
Schedule of Revenues, Expenditures and Changes in Fund balances – Budget and Actual – Cemetery Maintenance Fund .....	66

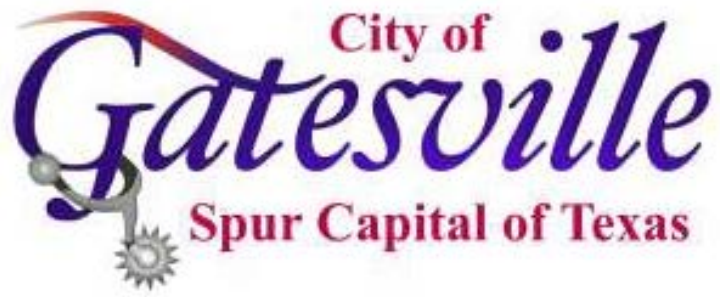
**STATISTICAL SECTION**

Net Position by Component .....	67 – 68
Changes in Net Position .....	69 – 72
Fund Balances of Governmental Funds.....	73 – 74
Changes in Fund Balances of Governmental Funds.....	74 – 76
Assessed Value and Estimated Actual Value of Taxable Property .....	77
Property Tax Levies and Collections .....	78 – 79
Property Tax Rates - Direct and Overlapping Governments .....	80
Principal Property Taxpayers .....	81
Ratios of Outstanding Debt by Type.....	82 – 83
Ratios of General Bonded Debt Outstanding.....	84 – 85
Direct and Overlapping Governmental Debt.....	86

Legal Debt Margin Information .....	87
Revenue Bond Coverage .....	88
Demographic and Economic Statistics .....	89
Principal Employers.....	90
Full-Time Equivalent City Government Employees by Function/Program .....	91 – 92
Operating Indicators by Function/Program .....	93 – 94
Capital Asset Statistics by Function .....	95 – 96

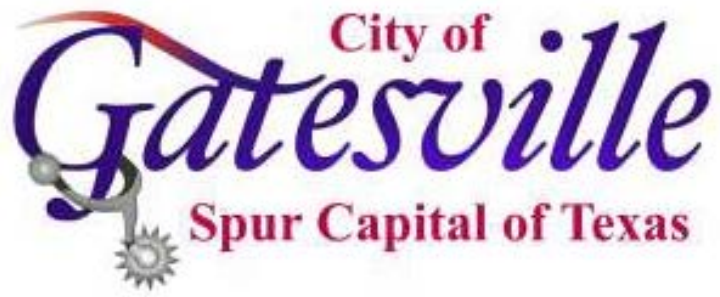
**COMPLIANCE SECTION**

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.....	97 – 98
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# INTRODUCTORY SECTION







March 24, 2026

To the Honorable Mayor, City Council, and Citizens of the City of Gatesville, Texas: State law requires that every general-purpose local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended September 30, 2025.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free from any material misstatement.

Pattillo, Brown, and Hill LLP, a firm of licensed independent certified public accountants, has issued an unmodified ("clean") opinion on the City's financial statements for the year ended September 30, 2025. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

### ***Profile of the Government***

Gatesville is a budding and vibrant community that strives to maintain its small city, family-oriented appeal and rich historical fabric while continually adapting to the evolving needs of the community. The City strives to balance development highlighting our rich historical roots while providing exceptional quality of life amenities to the community.

Gatesville is located approximately 40 miles from Waco and is the Coryell County seat. Gatesville is well situated to service the Central Texas growth. Traversed by U.S. Highway 84 and SH 36, Gatesville's infrastructure revitalization projects, available land for development, and low overall tax rates and create a prime opportunity for both current and future residents and businesses.

The City of Gatesville is a Home Rule municipality created in accordance with the provisions of Chapter 9 of the Local Government Code and operating pursuant to the enabling legislation of the State of Texas. The City of Gatesville is a Council-Manager form of government with one (1) mayor and six (6) council members. The mayor is elected at large by the community. The City is divided into two (2) wards, and three (3) council members are elected from each ward. Three (3) council members and the Mayor are elected each even-numbered year: Ward 1 place 2, Ward 2 Place 4, and Ward 2 Place 6. The other (3) council members are elected each odd-numbered year: Ward 1 place 1, Ward 1 Place 3, and Ward 2 Place 5. All hold office for two (2) years, respectively and until their successors are elected. The mayor presides at council meetings, serves as a spokesperson for the community, facilitates communication and understanding between elected and appointed officials, assists the council in setting goals and advocating policy decisions, and serves as a promoter and defender of the community. The council is

the legislative body of the City. The City Council is responsible for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the government and appointing department heads. The Council is required by Charter to adopt a budget for the fiscal year no later than 15 days preceding the beginning of the fiscal year on October 1. This annual budget serves as the foundation for the City of Gatesville's financial planning and control. The budget is prepared by fund, function (e.g., General Fund), and department (e.g., police). The legal level of control (the level at which expenditures may not legally exceed appropriations) is the fund.

### ***Debt Administration***

Gatesville has previously authorized the issuance of certificates of obligation, limited tax refunding bonds, and general obligation refunding bonds. Proceeds from debt issues other than refunding bonds have been used for capital improvements. The City also works with its financial advisor to monitor the conditions of the tax-exempt credit market and issue refunding debt to decrease outstanding obligations when it can lower its cost or as needed to manage the City's tax rate.

### ***Financial Management Policy***

The Gatesville City Council adopted a comprehensive financial management policy on February 11, 2025. These policies establish guidelines for budget development and administration, fiscal monitoring, auditing and financial reporting, inter-fund loans, inter-fund transfers, capital equipment and projects, cash management, internal controls, grants, debt, and fund balance. The debt policy establishes guidelines for the planning, implementation, and evaluation of the debt program and the City's ability to service such debt. The debt policy is designed to provide guidance to all participants in the capital improvement process. As project requests are evaluated and funding decisions are considered, the acceptable level of debt issuance and tax and fee increases should be clearly indicated. The fund balance policy establishes the fund balance required to be maintained by the General Fund as 25% of operating expenditures. Any balance above 25% will be transferred to a capital improvements fund. Accordingly, all enterprise funds must maintain a working capital balance of 25% of operating expenses.

### ***Awards and Acknowledgements***

The City is submitting the 2025 Annual Comprehensive Financial Report (ACFR) to the Government Finance Officers Association (GFOA) of the United States and Canada for a Certificate of Achievement for Excellence in Financial Reporting. This is the first year that the City has pursued this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR that satisfies both generally accepted accounting principles and applicable program requirements.

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance Department. We wish to thank all City departments for their assistance in providing the data necessary to prepare this report. We also wish to express our sincere appreciation to the Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Gatesville's finances.



Mike Halsema  
Deputy City Manager & CFO

**CITY OF GATESVILLE, TEXAS**

CITY OFFICIALS

SEPTEMBER 30, 2025

MAYOR AND CITY COUNCIL

Gary Chumley, Mayor	Mayor
Aaron Smith	Ward 1, Place 1
Jon Salter	Ward 1, Place 2
Meredith Rainer	Ward 1, Place 3
Joe Patterson	Ward 2, Place 4
Greg Casey, Mayor Pro-Tem	Ward 2, Place 5
Kalinda Westbrook	Ward 2, Place 6

ADMINISTRATIVE

Brad Hunt	City Manager
Holly Owens	City Secretary/Director of Development Services
Mike Halsema	Director of Finance / Deputy City Manager
Chad Newman	Director of Public Works
Jeffrey Clark	Police Chief
Robert Featherson	Fire Chief
Lori McLaughlin	Human Resources Director
Seth Phillips	Director of Parks and Recreation
Shea Harp	Library Director

**CITY OF GATESVILLE, TEXAS**

COUNCIL MEMBERS

SEPTEMBER 30, 2025



**Gary Chumley**  
Mayor



**Greg Casey**  
City Council  
Member/Mayor Pro-Tem  
Ward 2, Place 5



**Joe Patterson**  
City Council Member  
Ward 2, Place 4



**Meredith Rainer**  
City Council Member  
Ward 1, Place 3



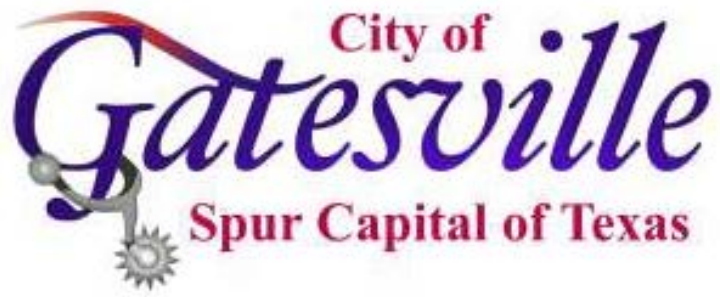
**Jon Salter**  
City Council Member  
Ward 1, Place 2



**Aaron Smith**  
City Council Member  
Ward 1, Place 1

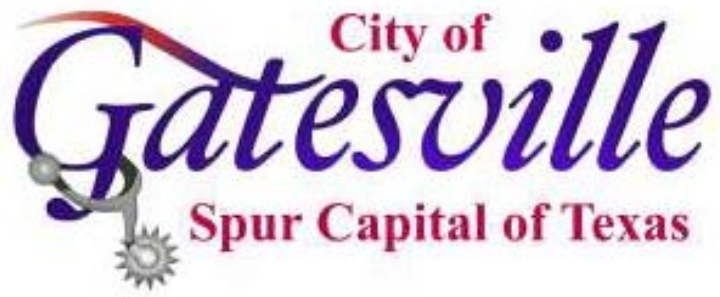


**Kalinda Westbrook**  
City Council Member  
Ward 2, Place 6



# FINANCIAL SECTION





## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### **Opinions**

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

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

#### **Basis for Opinions**

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

#### **Emphasis of Matter – Change in Accounting Principle**

As discussed in the notes to the basic financial statements, during the year ended September 30, 2025, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

#### **Responsibilities of Management for the Financial Statements**

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS and *Government Auditing Standards*, we:

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB information, as listed in the table of contents, to 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 of Gatesville, Texas' basic financial statements. The combining statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements and schedules are the responsibility of management and were derived from and relate 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 statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Information included in the Annual Comprehensive Financial Report**

Management is responsible for the other information included in the annual comprehensive financial report (ACFR). The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

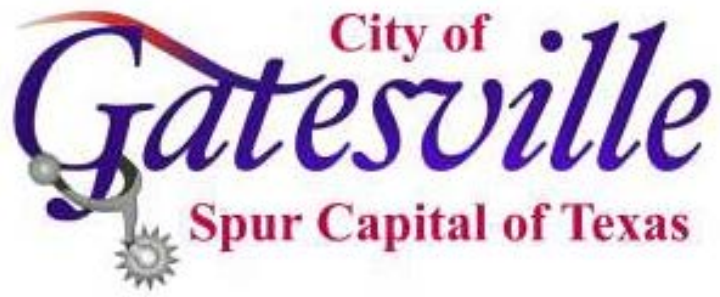
In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated.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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2026, on our consideration of the City of Gatesville, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Gatesville, Texas' internal control over financial reporting and compliance.

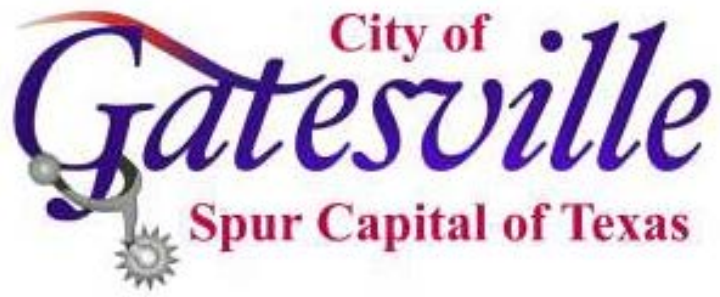
*Pattillo, Brown & Hill, L.L.P.*

Waco, Texas  
March 24, 2026



# MANAGEMENT'S DISCUSSION AND ANALYSIS





## MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2025.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources as of September 30, 2025, by \$32,005,641 (net position). Of this amount \$20,167,086 is the net investment in capital assets, \$1,534,073 is restricted for debt service, \$1,813,884 is restricted for capital projects, \$1,277,852 is restricted for special purposes and \$69,046 is restricted for public safety, and \$7,143,700 is unrestricted.
- As of the close of the current fiscal year, the City's governmental activities reported combined ending net position of \$10,099,189. This is an increase of \$1,367,686 (or 16%) from the prior year's net position of \$8,731,503.
- As of September 30, 2025, unassigned fund balance for the General Fund was \$2,466,454. This is an increase of \$30,964 (1%) from the prior year's unassigned fund balance of \$2,411,327.

### 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 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 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.

### 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 states and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All 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 funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for 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 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.

## **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 post-employment 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 post-employment 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 \$32,005,641 as of September 30, 2025.

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	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 6,417,980	\$ 5,925,511	\$ 9,940,866	\$ 12,789,294	\$ 16,358,846	\$ 18,714,805
Capital assets	<u>7,903,055</u>	<u>7,562,577</u>	<u>39,788,216</u>	<u>30,146,371</u>	<u>47,691,271</u>	<u>37,708,948</u>
Total assets	<u>14,321,035</u>	<u>13,488,088</u>	<u>49,729,082</u>	<u>42,935,665</u>	<u>64,050,117</u>	<u>56,423,753</u>
Deferred outflows of resources	<u>647,009</u>	<u>944,025</u>	<u>474,951</u>	<u>815,872</u>	<u>1,121,960</u>	<u>1,759,897</u>
Other liabilities	556,857	446,562	959,276	1,663,685	1,516,133	2,110,247
Long-term liabilities	<u>3,650,351</u>	<u>4,828,001</u>	<u>19,364,027</u>	<u>21,303,972</u>	<u>23,014,378</u>	<u>26,131,973</u>
Total liabilities	<u>4,207,208</u>	<u>5,274,563</u>	<u>20,323,303</u>	<u>22,967,657</u>	<u>24,530,511</u>	<u>28,242,220</u>
Deferred inflows of resources	<u>661,647</u>	<u>252,295</u>	<u>71,223</u>	<u>92,678</u>	<u>732,870</u>	<u>344,973</u>
Net position:						
Net investment in capital assets	6,395,318	5,488,153	13,771,768	16,017,940	20,167,086	21,506,093
Restricted	3,222,360	2,988,562	1,472,495	2,002,635	4,694,855	4,991,197
Unrestricted	<u>481,511</u>	<u>428,540</u>	<u>6,662,189</u>	<u>2,670,627</u>	<u>7,143,700</u>	<u>3,099,167</u>
Total net position	<u>\$ 10,099,189</u>	<u>\$ 8,905,255</u>	<u>\$ 21,906,452</u>	<u>\$ 20,691,202</u>	<u>\$ 32,005,641</u>	<u>\$ 29,596,457</u>

As of September 30, 2025, the City is able to report positive balances in all three categories of net position, both for the government collectively, as well as for its separate governmental and business type activities.

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 904,525	\$ 926,553	\$ 9,499,199	\$ 9,872,004	\$ 10,403,724	\$ 10,798,557
Operating grants and contributions	143,301	225,197	439,094	1,981,183	582,395	2,206,380
Capital grants and contributions	491,764	-	99,441	-	591,205	-
General revenues:						
Property tax	3,656,179	3,378,243	-	-	3,656,179	3,378,243
Sales tax	3,250,773	3,031,824	-	-	3,250,773	3,031,824
Franchise tax	840,390	829,853	-	-	840,390	829,853
Hotel/motel taxes	258,109	281,400	-	-	258,109	281,400
Other taxes	11,900	15,503	-	-	11,900	15,503
Investment earnings	208,754	177,400	441,887	601,213	650,641	778,613
Miscellaneous	<u>91,865</u>	<u>147,393</u>	<u>51,927</u>	<u>-</u>	<u>143,792</u>	<u>147,393</u>
Total revenues	<u>9,857,560</u>	<u>9,013,366</u>	<u>10,531,548</u>	<u>12,454,400</u>	<u>20,389,108</u>	<u>21,467,766</u>
Expenses:						
General government	1,679,657	1,667,032	-	-	1,679,657	1,667,032
Public safety	3,540,303	3,238,391	-	-	3,540,303	3,238,391
Public works	1,652,600	1,618,358	-	-	1,652,600	1,618,358
Culture and recreation	2,126,484	1,785,158	-	-	2,126,484	1,785,158
Water and sewer	-	-	8,574,872	8,561,895	8,574,872	8,561,895
Airport	-	-	70,935	86,334	70,935	86,334
Interest on long-term debt	<u>62,356</u>	<u>72,473</u>	<u>-</u>	<u>-</u>	<u>62,356</u>	<u>72,473</u>
Total expenses	<u>9,061,400</u>	<u>8,381,412</u>	<u>8,645,807</u>	<u>8,648,229</u>	<u>17,707,207</u>	<u>17,029,641</u>
Transfers	<u>571,526</u>	<u>646,337</u>	<u>(571,526)</u>	<u>(646,337)</u>	<u>-</u>	<u>-</u>
Change in net position	1,367,686	1,278,291	1,314,215	3,159,834	2,681,901	4,438,125
Net position, beginning	8,905,255	7,626,964	20,691,202	17,531,368	29,596,457	25,158,332
Restatement	<u>(173,752)</u>	<u>-</u>	<u>(98,965)</u>	<u>-</u>	<u>(272,717)</u>	<u>-</u>
Net position, ending	<u>\$ 10,099,189</u>	<u>\$ 8,905,255</u>	<u>\$ 21,906,452</u>	<u>\$ 20,691,202</u>	<u>\$ 32,005,641</u>	<u>\$ 29,596,457</u>

### Governmental Activities:

Revenues from governmental activities when compared to the prior year had an increase of \$844,194 (9%). This increase is a result of an increase of \$277,936 in property tax revenue which is primarily attributed to the increase in appraised property values and levy, as well as a \$218,949 increase sales taxes primarily due to continued growth in local retail activity and overall economic conditions within the City and surrounding region. Expenses in governmental activities increased by \$679,988 (8%) from the prior year. A majority of the increase was driven by public safety and culture & recreation expenses.

The City's additional capital grants and contributions related to ARPA were spent in accordance with guidelines from the federal granting agency. The increase in these revenues by \$491,764 offset the largest increases in expenses.

### **Business-type Activities:**

Net position increased during the fiscal year in the amount of \$1,314,215 compared to the prior year which was \$3,159,834. Revenues of the business-type activities decreased by \$1,922,852 due to the decreases in operating and capital grants. The ARPA grant was closed out during the year and will not be received again in the future. Total expenses remained stable compared to the prior year reflecting consistent service delivery levels and only minor fluctuations in operating costs.

## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

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

**Governmental 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 \$5,707,594. Of this total, approximately 43%, or \$2,436,217, constitutes unassigned fund balance.

The General Fund total revenues during the fiscal year was \$8,391,348 compared to \$8,015,537 during the prior year. The largest increase was sale taxes by \$218,949 due to additional consumer spending. Total expenditures during the fiscal year was \$8,557,438 compared to \$7,907,236 in the prior fiscal year. The change of \$650,202 was due to higher costs across most functional areas for payroll costs.

The Capital Projects Fund has a decrease of fund balance in the amount of \$252,929 due the capital outlay costs associated with construction projects. These projects are expected to be completed in subsequent years.

**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 \$499,883, primarily due to additional property and sales taxes. Additionally, the General Fund's final budgeted expenditures were \$153,030 less than actual amounts. Some functional expenses were more than budget by a small amount but were covered by a larger budget surplus for culture and recreation. Management attributes this success to their effective monitoring of actual expenditures and timely budget amendments.

## **CAPITAL ASSETS**

Governmental capital assets increased by \$340,478 from fiscal year 2024 to 2025 due to the construction of the library rehabilitation project. Business-type capital assets increased by \$1,738,790 due to significant additions for the Stillhouse WWTP Upgrade project.

The table below presents the City's capital assets as of September 30, 2025, as well as the previous fiscal year-end. Additional information on the City's capital assets can be found in Note II E of the notes to the financial statements.

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Land	\$ 636,543	\$ 636,543	\$ 300,339	\$ 300,339	\$ 936,882	\$ 936,882
Construction in progress	74,690	2,715	6,381,588	4,909,110	6,456,278	4,911,825
Buildings and improvements	5,358,094	4,449,734	64,117,916	62,074,347	69,476,010	66,524,081
Improvements other than building	6,266,581	6,266,581	-	-	6,266,581	6,266,581
Machinery and equipment	5,471,091	5,183,536	6,562,308	6,500,823	12,033,399	11,684,359
Right-to-use leased assets	694,547	694,547	310,211	310,211	1,004,758	1,004,758
Right-to-use SBITAs	155,560	155,560	-	-	155,560	155,560
Accumulated depreciation	<u>(10,754,051)</u>	<u>(9,826,639)</u>	<u>(45,787,201)</u>	<u>(43,948,459)</u>	<u>(56,541,252)</u>	<u>(53,775,098)</u>
Total	<u>\$ 7,903,055</u>	<u>\$ 7,562,577</u>	<u>\$ 31,885,161</u>	<u>\$ 30,146,371</u>	<u>\$ 39,788,216</u>	<u>\$ 37,708,948</u>

## LONG-TERM DEBT

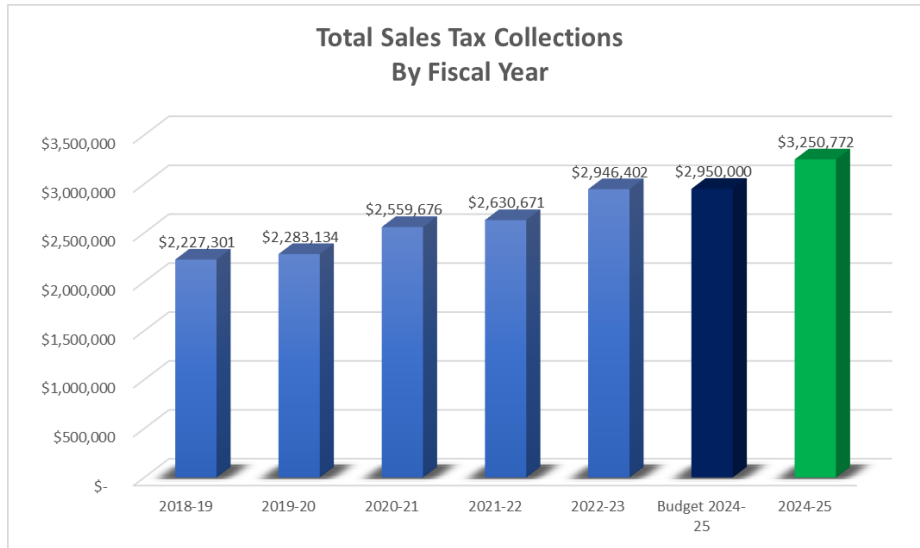
At the end of the current fiscal year, the City's total long-term liabilities stood at \$23,014,378. This represents a decrease of \$3,390,312, primarily due to a reduction in bonds and notes payable by \$2,103,379 and a decrease in net pension liability by \$1,059,120. Additional information on the City's long-term debt can be found in Note II F of the notes to the financial statements.

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
General obligation	\$ 295,000	\$ 575,000	\$ 10,495,000	\$ 11,595,000	\$ 10,790,000	\$ 12,170,000
Revenue bonds	-	-	7,145,000	7,625,000	7,145,000	7,625,000
Notes payable	<u>1,037,481</u>	<u>1,172,476</u>	<u>754,587</u>	<u>862,971</u>	<u>1,792,068</u>	<u>2,035,447</u>
Total debt	<u>1,332,481</u>	<u>1,747,476</u>	<u>18,394,587</u>	<u>20,082,971</u>	<u>19,727,068</u>	<u>21,830,447</u>
Leases payable	126,237	230,765	114,594	172,576	240,831	403,341
SBITAs payable	49,019	96,183	-	-	49,019	96,183
Compensated absences	433,036	428,093	195,419	201,393	628,455	629,486
Net pension liability	1,406,030	2,183,278	544,530	826,402	1,950,560	3,009,680
Total OPEB liability	<u>303,548</u>	<u>315,958</u>	<u>114,897</u>	<u>119,595</u>	<u>418,445</u>	<u>435,553</u>
Total long term liabilities	<u>\$ 3,650,351</u>	<u>\$ 5,001,753</u>	<u>\$ 19,364,027</u>	<u>\$ 21,402,937</u>	<u>\$ 23,014,378</u>	<u>\$ 26,404,690</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 Hood 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 7.22% in FY 2025 over FY 2024. 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 2025 budget for sales tax collections was \$2.95M. The fiscal year ended with collections exceeding budget by \$300,772, or 10.2%. Next year's sales tax is budgeted. Ad valorem tax collections have increased each year due increased valuations.



**Freeze Adjusted Taxable Value & New Value**

<u>Fiscal Year</u>	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Certified Freeze Adjusted Taxable Value	\$ 583,161,825	\$ 567,864,263	\$ 532,448,691	\$ 471,174,018	\$ 412,333,244
Year Over Year growth	2.69%	6.65%	13.00%	14.27%	2.95%
New Value (taxable)	\$ 9,132,183	\$ 7,845,722	\$ 7,945,140	\$ 6,182,509	\$ 6,050,680

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).

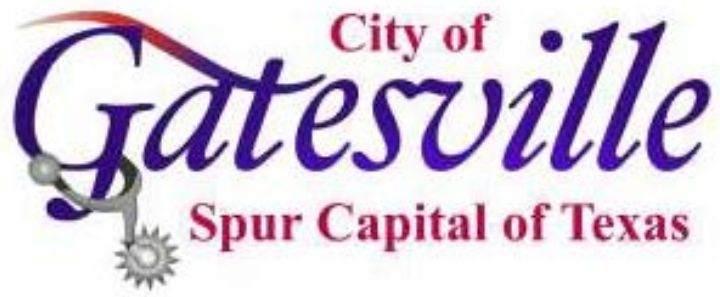
A water and sewer rate study was completed in 2025 to ensure rates adequately fund current operating and maintenance costs, as well as infrastructure projects in the Capital Improvement Plan (CIP). New water and sewer rates were implemented in FY2026.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

SEPTEMBER 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,426,091	\$ 8,273,969	\$ 13,700,060
Receivables, net	961,652	1,177,350	2,139,002
Due from other governments	-	90,373	90,373
Inventories	30,237	398,649	428,886
Prepaid items	-	525	525
Capital assets:			
Nondepreciable	711,233	6,681,927	7,393,160
Depreciable, net	7,191,822	25,203,234	32,395,056
Total Assets	<u>14,321,035</u>	<u>41,826,027</u>	<u>56,147,062</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pension	578,836	71,578	650,414
Related to OPEB SDB	18,114	3,345	21,459
Related to OPEB HBP	50,059	4,240	54,299
Deferred loss on refunding	-	395,788	395,788
Total Deferred Outflows of Resources	<u>647,009</u>	<u>474,951</u>	<u>1,121,960</u>
<b>LIABILITIES</b>			
Accounts payable	369,583	505,163	874,746
Accrued liabilities	148,763	279,803	428,566
Customer deposits	-	132,344	132,344
Accrued interest payable	38,511	41,966	80,477
Noncurrent liabilities:			
Due within one year:			
Long-term debt and compensated absences	626,739	1,812,939	2,439,678
Total OPEB liability SDB	6,042	2,014	8,056
Total OPEB liability HBP	15,531	5,879	21,410
Due in more than one year:			
Long-term debt and compensated absences	1,314,034	16,891,661	18,205,695
Net pension liability	1,406,030	544,530	1,950,560
Total OPEB liability SDB	168,549	64,071	232,620
Total OPEB liability HBP	113,426	42,933	156,359
Total Liabilities	<u>4,207,208</u>	<u>20,323,303</u>	<u>24,530,511</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pension	505,298	33,669	538,967
Related to OPEB SDB	57,699	16,373	74,072
Related to OPEB retiree health	94,814	21,181	115,995
Related to lease	3,836	-	3,836
Total Deferred Inflows of Resources	<u>661,647</u>	<u>71,223</u>	<u>732,870</u>
<b>NET POSITION</b>			
Net investment in capital assets	6,395,318	13,771,768	20,167,086
Restricted for:			
Debt service	61,578	1,472,495	1,534,073
Capital projects	1,813,884	-	1,813,884
Promotion and tourism	1,012,177	-	1,012,177
Other purposes	265,675	-	265,675
Public safety	69,046	-	69,046
Unrestricted	481,511	6,662,189	7,143,700
Total Net Position	<u>\$ 10,099,189</u>	<u>\$ 21,906,452</u>	<u>\$ 32,005,641</u>

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

**CITY OF GATESVILLE, TEXAS**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
General government	\$ 1,679,657	\$ 214,875	\$ 6,547
Public safety	3,540,303	145,349	74,191
Public works	1,652,600	-	-
Culture and recreation	2,126,484	544,301	62,563
Interest	62,356	-	-
Total governmental activities	<u>9,061,400</u>	<u>904,525</u>	<u>143,301</u>
Business-type activities:			
Water and sewer	8,574,872	9,451,181	348,721
Municipal airport	70,935	48,018	90,373
Total business-type activities	<u>8,645,807</u>	<u>9,499,199</u>	<u>439,094</u>
Total primary government	<u>\$ 17,707,207</u>	<u>\$ 10,403,724</u>	<u>\$ 582,395</u>

General revenues:

- Property taxes
- Sales taxes
- Alcoholic beverage taxes
- Franchise taxes
- Hotel/motel taxes
- Investment earnings
- Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Restatement - change in accounting principle

Net position - beginning as restated

Net position - ending

Program Revenues Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
\$ 491,764	\$ (966,471)	\$ -	\$ (966,471)
-	(3,320,763)	-	(3,320,763)
-	(1,652,600)	-	(1,652,600)
-	(1,519,620)	-	(1,519,620)
-	(62,356)	-	(62,356)
<u>491,764</u>	<u>(7,521,810)</u>	<u>-</u>	<u>(7,521,810)</u>
99,441	-	1,324,471	1,324,471
-	-	67,456	67,456
<u>99,441</u>	<u>-</u>	<u>1,391,927</u>	<u>1,391,927</u>
<u>\$ 591,205</u>	<u>(7,521,810)</u>	<u>1,391,927</u>	<u>(6,129,883)</u>
	3,656,179	-	3,656,179
	3,250,773	-	3,250,773
	11,900	-	11,900
	840,390	-	840,390
	258,109	-	258,109
	208,754	441,887	650,641
	91,865	51,927	143,792
	<u>571,526</u>	<u>(571,526)</u>	<u>-</u>
	<u>8,889,496</u>	<u>(77,712)</u>	<u>8,811,784</u>
	1,367,686	1,314,215	2,681,901
	<u>8,905,255</u>	<u>20,691,202</u>	<u>29,596,457</u>
	(173,752)	(98,965)	(272,717)
	<u>8,731,503</u>	<u>20,592,237</u>	<u>29,323,740</u>
	<u>\$ 10,099,189</u>	<u>\$ 21,906,452</u>	<u>\$ 32,005,641</u>

**CITY OF GATESVILLE, TEXAS**

BALANCE SHEET  
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2025

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,167,433	\$ 1,828,494	\$ 1,430,164	\$ 5,426,091
Receivables, net:				
Property taxes	145,830	-	19,731	165,561
Sales taxes	576,143	-	-	576,143
Leases	3,836	-	-	3,836
Other	216,112	-	-	216,112
Inventories	<u>30,237</u>	<u>-</u>	<u>-</u>	<u>30,237</u>
Total assets	<u>3,139,591</u>	<u>1,828,494</u>	<u>1,449,895</u>	<u>6,417,980</u>
 <b>LIABILITIES</b>				
Accounts payable	352,065	14,610	2,908	369,583
Accrued liabilities	<u>148,763</u>	<u>-</u>	<u>-</u>	<u>148,763</u>
Total liabilities	<u>500,828</u>	<u>14,610</u>	<u>2,908</u>	<u>518,346</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	131,545	-	19,731	151,276
Unavailable revenue - fines	36,928	-	-	36,928
Unavailable revenue - leases	<u>3,836</u>	<u>-</u>	<u>-</u>	<u>3,836</u>
Total inflows of resources	<u>172,309</u>	<u>-</u>	<u>19,731</u>	<u>192,040</u>
 <b>FUND BALANCES</b>				
Nonspendable:				
Inventory	30,237	-	-	30,237
Restricted:				
Debt service	-	-	80,358	80,358
Municipal court security	-	-	110,860	110,860
Donations	-	-	58,726	58,726
Public safety	-	-	69,046	69,046
Promote tourism and hotels	-	-	1,012,177	1,012,177
Cemetery maintenance	-	-	96,089	96,089
Capital projects	-	1,813,884	-	1,813,884
Unassigned	<u>2,436,217</u>	<u>-</u>	<u>-</u>	<u>2,436,217</u>
Total fund balances	<u>2,466,454</u>	<u>1,813,884</u>	<u>1,427,256</u>	<u>5,707,594</u>
 Total liabilities, deferred inflows and fund balances	<u>\$ 3,139,591</u>	<u>\$ 1,828,494</u>	<u>\$ 1,449,895</u>	<u>\$ 6,417,980</u>

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

**CITY OF GATESVILLE, TEXAS**

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION

SEPTEMBER 30, 2025

Total Fund Balances - Governmental Funds	\$ 5,707,594
Amount reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the governmental funds.	7,903,055
Other long-term assets are not available to pay for current-period expenditures, and therefore, are unavailable in the governmental funds.	
Property taxes receivables	151,276
Fines receivable	36,928
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	73,538
OPEB amounts	(84,340)
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	(38,511)
Long-term debt	(1,940,773)
Net pension and total OPEB liability	<u>(1,709,578)</u>
Net Position of Governmental Activities	<u>\$ 10,099,189</u>

**CITY OF GATESVILLE, TEXAS**

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

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Funds</u>
<b>REVENUES</b>			
Taxes:			
Property taxes	\$ 3,204,071	\$ -	
Sales taxes	3,250,773	-	
Alcoholic beverage taxes	17,428	-	
Franchise tax	840,390	-	
Hotel/motel tax	-	-	
Fines and forfeitures	136,292	-	
Licenses and permits	167,959	-	
Charges for services	545,413	-	
Intergovernmental	53,335	491,764	
Donations	-	-	
Investment earnings	123,565	49,463	
Miscellaneous	<u>52,122</u>	<u>36,997</u>	
Total revenues	<u>8,391,348</u>	<u>578,224</u>	
<b>EXPENDITURES</b>			
Current:			
General government	1,452,991	-	
Public safety	3,306,108	-	
Public works	1,433,957	-	
Culture and recreation	1,900,879	-	
Capital outlay	140,783	1,127,107	
Debt service:			
Principal	304,353	62,576	
Interest and other	<u>18,367</u>	<u>30,569</u>	
Total expenditures	<u>8,557,438</u>	<u>1,220,252</u>	
Excess (deficiency) of revenues over (under) expenditures	(166,090)	(642,028)	
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	571,526	500,000	
Transfers out	(500,000)	(110,901)	
Insurance recoveries	45,286	-	
Issuance of notes payable	<u>80,242</u>	<u>-</u>	
Total other financing sources (uses)	<u>197,054</u>	<u>389,099</u>	
<b>CHANGE IN FUND BALANCE</b>	30,964	(252,929)	
<b>FUND BALANCE - BEGINNING</b>	2,435,490	2,066,813	42,889
<b>ADJUSTMENT - CHANGE WITHIN   REPORTING ENTITY</b>	<u>-</u>	<u>-</u>	<u>(42,889)</u>
<b>FUND BALANCE - BEGINNING, RESTATED</b>	<u>2,435,490</u>	<u>2,066,813</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 2,466,454</u>	<u>\$ 1,813,884</u>	<u>\$ -</u>

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 339,176	\$ 3,543,247
-	3,250,773
-	17,428
-	840,390
258,109	258,109
14,272	150,564
-	167,959
37,100	582,513
15,599	560,698
74,453	74,453
35,726	208,754
83	89,202
<u>774,518</u>	<u>9,744,090</u>
17,688	1,470,679
20,438	3,326,546
-	1,433,957
59,591	1,960,470
-	1,267,890
280,000	646,929
21,707	70,643
<u>399,424</u>	<u>10,177,114</u>
375,094	(433,024)
110,901	1,182,427
-	(610,901)
-	45,286
-	80,242
<u>110,901</u>	<u>697,054</u>
485,995	264,030
898,372	5,443,564
42,889	-
<u>941,261</u>	<u>5,443,564</u>
\$ <u>1,427,256</u>	\$ <u>5,707,594</u>

**CITY OF GATESVILLE, TEXAS**

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

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Total net change in Fund Balances - Governmental Funds	\$	264,030
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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.</p>		
Capital outlay		1,267,890
Depreciation expense		(927,412)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.</p>		
Property taxes		112,932
Fines and fees		538
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The following amounts are the net effect of these differences in the treatment of long-term debt and related items:</p>		
Bond principal payments		280,000
Note payable principal payments		215,237
Lease principal payments		104,528
SBITA principal payments		47,164
Issuance of note payable		(80,242)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Accrued interest		8,287
Pension and OPEB expense		79,677
Compensated absences		(4,943)
Total change in net position of Governmental Activities	\$	<u>1,367,686</u>

**CITY OF GATESVILLE, TEXAS**

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS

SEPTEMBER 30, 2025

	Water and Sewer Fund	Nonmajor Municipal Airport	Total Enterprise Funds
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 8,172,277	\$ 101,692	\$ 8,273,969
Receivables, net	1,177,350	-	1,177,350
Due from other governments	-	90,373	90,373
Inventories	398,649	-	398,649
Prepaid items	-	525	525
Total current assets	<u>9,748,276</u>	<u>192,590</u>	<u>9,940,866</u>
Noncurrent assets:			
Capital assets:			
Nondepreciable	6,665,927	16,000	6,681,927
Depreciable, net	<u>24,400,707</u>	<u>802,527</u>	<u>25,203,234</u>
Total noncurrent assets	<u>31,066,634</u>	<u>818,527</u>	<u>31,885,161</u>
Total assets	<u>40,814,910</u>	<u>1,011,117</u>	<u>41,826,027</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on refunding	395,788	-	395,788
Related to pension	71,578	-	71,578
Related to OPEB SDB	3,345	-	3,345
Related to OPEB HBP	<u>4,240</u>	<u>-</u>	<u>4,240</u>
Total deferred outflows of resources	<u>474,951</u>	<u>-</u>	<u>474,951</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	503,601	1,562	505,163
Accrued liabilities	279,803	-	279,803
Accrued interest	41,966	-	41,966
Customer deposits	132,344	-	132,344
Bonds and notes payable	1,738,232	-	1,738,232
Lease	35,623	-	35,623
Compensated absences	39,084	-	39,084
Total OPEB liability SDB	2,014	-	2,014
Total OPEB liability HBP	<u>5,879</u>	<u>-</u>	<u>5,879</u>
Total current liabilities	<u>2,778,546</u>	<u>1,562</u>	<u>2,780,108</u>
Noncurrent liabilities:			
Bonds and notes payable	16,656,355	-	16,656,355
Lease	78,971	-	78,971
Compensated absences	156,335	-	156,335
Net pension liability	544,530	-	544,530
Total OPEB liability SDB	64,071	-	64,071
Total OPEB liability HBP	<u>42,933</u>	<u>-</u>	<u>42,933</u>
Total noncurrent liabilities	<u>17,543,195</u>	<u>-</u>	<u>17,543,195</u>
Total liabilities	<u>20,321,741</u>	<u>1,562</u>	<u>20,323,303</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pension	33,669	-	33,669
Related to OPEB SDB	16,373	-	16,373
Related to OPEB HBP	<u>21,181</u>	<u>-</u>	<u>21,181</u>
Total deferred inflows of resources	<u>71,223</u>	<u>-</u>	<u>71,223</u>
<b>NET POSITION</b>			
Net investment in capital assets	12,953,241	818,527	13,771,768
Restricted for debt service	1,472,495	-	1,472,495
Unrestricted	<u>6,471,161</u>	<u>191,028</u>	<u>6,662,189</u>
Total net position	<u>\$ 20,896,897</u>	<u>\$ 1,009,555</u>	<u>\$ 21,906,452</u>

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

**CITY OF GATESVILLE, TEXAS**

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

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Water and Sewer Fund	Nonmajor Municipal Airport	Total Enterprise Funds
<b>OPERATING REVENUES</b>			
Charges for services	\$ 9,451,181	\$ 48,018	\$ 9,499,199
Total revenues	<u>9,451,181</u>	<u>48,018</u>	<u>9,499,199</u>
<b>OPERATING EXPENSES</b>			
Personnel services	1,868,727	-	1,868,727
Materials and supplies	1,420,363	17,426	1,437,789
Contractual services	3,033,217	8,062	3,041,279
Depreciation	1,793,292	45,447	1,838,739
Total expenses	<u>8,115,599</u>	<u>70,935</u>	<u>8,186,534</u>
Operating income (loss)	<u>1,335,582</u>	<u>(22,917)</u>	<u>1,312,665</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Investment earnings	436,300	5,587	441,887
Intergovernmental	348,721	90,373	439,094
Insurance recoveries	51,927	-	51,927
Interest	(459,273)	-	(459,273)
Total non-operating revenues (expenses)	<u>377,675</u>	<u>95,960</u>	<u>473,635</u>
Income (loss) before capital contributions	1,713,257	73,043	1,786,300
Capital contributions	99,441	-	99,441
Transfers out	<u>(571,526)</u>	<u>-</u>	<u>(571,526)</u>
<b>CHANGE IN NET POSITION</b>	1,241,172	73,043	1,314,215
<b>NET POSITION - BEGINNING, AS PREVIOUSLY REPORTED</b>	<u>19,754,690</u>	<u>936,512</u>	<u>20,691,202</u>
<b>RESTATEMENT - CHANGE IN ACCOUNTING PRINCIPLE</b>	<u>(98,965)</u>	<u>-</u>	<u>(98,965)</u>
<b>NET POSITION - BEGINNING, AS RESTATED</b>	<u>19,655,725</u>	<u>936,512</u>	<u>20,592,237</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 20,896,897</u>	<u>\$ 1,009,555</u>	<u>\$ 21,906,452</u>

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

**CITY OF GATESVILLE, TEXAS**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Water and Sewer Fund	Nonmajor Municipal Airport Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 9,398,571	\$ 49,282	\$ 9,447,853
Payments to employees	(1,769,752)	-	(1,769,752)
Payments to suppliers	<u>(4,961,301)</u>	<u>(28,220)</u>	<u>(4,989,521)</u>
Net cash provided (used) by operating activities	<u>2,667,518</u>	<u>21,062</u>	<u>2,688,580</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating grants	-	-	-
Transfers out to other funds	<u>(571,526)</u>	<u>-</u>	<u>(571,526)</u>
Net cash provided (used) by noncapital financing activities	<u>(571,526)</u>	<u>-</u>	<u>(571,526)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal paid on capital debt	(1,746,366)	-	(1,746,366)
Interest paid on capital debt	(400,752)	-	(400,752)
Capital grants	-	-	-
Insurance recoveries	51,927	-	51,927
Acquisition and construction of capital assets	<u>(3,484,616)</u>	<u>(92,913)</u>	<u>(3,577,529)</u>
Net cash provided (used) by capital and related financing activities	<u>(5,579,807)</u>	<u>(92,913)</u>	<u>(5,672,720)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends on investments	<u>436,300</u>	<u>5,587</u>	<u>441,887</u>
Net cash provided (used) by investing activities	<u>436,300</u>	<u>5,587</u>	<u>441,887</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(3,047,515)	(66,264)	(3,113,779)
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>11,219,792</u>	<u>167,956</u>	<u>11,387,748</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 8,172,277</u>	<u>\$ 101,692</u>	<u>\$ 8,273,969</u>

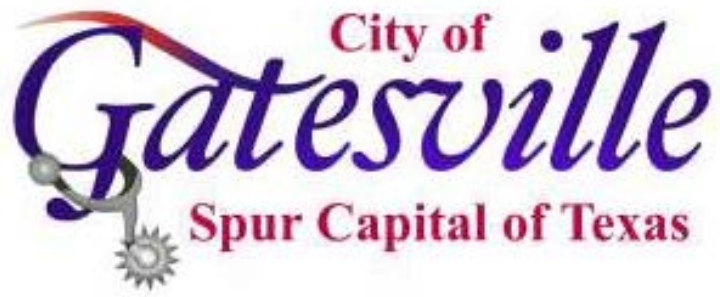
The notes to the financial statements are an integral part of these financial statements.

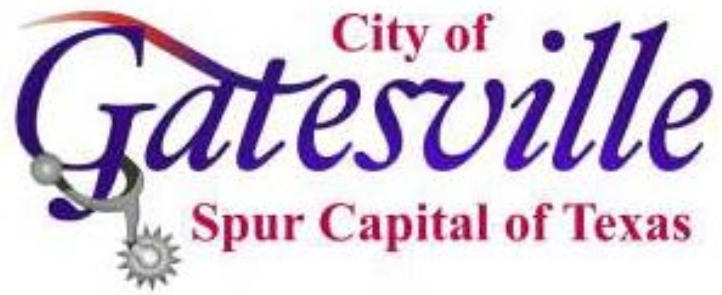
**CITY OF GATESVILLE, TEXAS**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2025

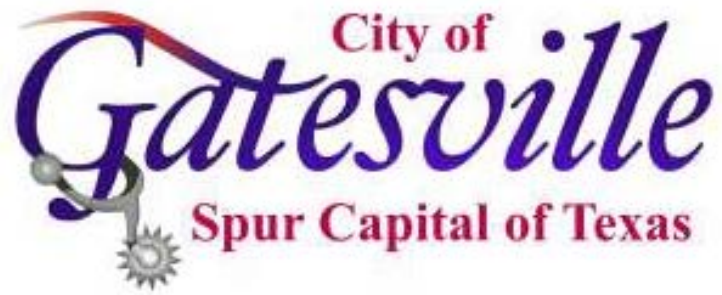
	Water and Sewer Fund	Nonmajor Municipal Airport Fund	Totals
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 1,335,582	\$( 22,917)	\$ 1,312,665
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	1,793,292	45,447	1,838,739
Change in assets and liabilities:			
Decrease (increase) in receivables	(46,636)	1,264	(45,372)
Decrease (increase) in inventories	(241,860)	-	(241,860)
Decrease (increase) in prepaid items	-	(120)	(120)
Increase (decrease) in accounts payable	(265,861)	(2,612)	(268,473)
Increase (decrease) in accrued liabilities	128,330	-	128,330
Increase (decrease) in accrued compensated absences	(5,974)	-	(5,974)
Increase (decrease) in unearned revenue	506	-	506
Increase (decrease) in total OPEB liability	(6,664)	-	(6,664)
Increase (decrease) in net pension liability	(23,197)	-	(23,197)
Total adjustments	1,331,936	43,979	1,375,915
Net cash provided (used) by operating activities	\$ 2,667,518	\$ 21,062	\$ 2,688,580





# NOTES TO THE FINANCIAL STATEMENTS





## **CITY OF GATESVILLE, TEXAS**

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

#### **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. 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 nonfiduciary 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.

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.

#### **D. 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 municipal airport fund is 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 cost 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:

##### **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.

##### **Debt Service Fund**

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

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 fund:

## **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.

The City reports the following nonmajor proprietary fund:

## **Municipal Airport Fund**

The Municipal 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.

## **E. 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.

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 expenditure has 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.

**F. 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.

Investments for the City are reported at fair value, except for the position in investment pools. The City's in Pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. Interest earned on pooled cash and investments is allocated to the participating funds on a pro rata basis according to the fund's percentage of the total pooled cash or investments. Funds with discrete bank accounts retain all investment earnings.

**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."

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.

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:

<u>Asset Type</u>	<u>Number of Years</u>
Building and building improvements	10-50
Improvements other than buildings	10-50
Machinery and furniture	5-15
Infrastructure	40
Right-to-use SBITAs	Term
Right-to-use leases	Term

## **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.
- 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.

## **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 governmentwide 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 bring 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. 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.

#### **9. *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.

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.

#### **10. *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.

#### **11. *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.

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, additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, additional action is essential to either remove or revise a commitment.

**12. 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.

**13. Change in Accounting Principle**

GASB Statement No. 101, *Compensated Absences*, was adopted effective October 1, 2024. The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences.

**G. 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. A liability is recorded for leave that has been earned and is attributable to services already rendered, and for which it is more likely than not that the City will make payments or otherwise settle the obligation through cash payments, paid leave, or other means. The liability includes salary-related payments, where applicable in the government wide and proprietary fund financial statements.

#### **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.

The principal operating revenues of the Water and Sewer Fund are charges to customers for sales and services. The Water and Sewer Fund also recognize 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.

#### **5. Long-term obligations**

In the government-wide financial statements, 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 at year end.

At year end, the City had carrying amounts of demand deposits of \$13,698,812, while the bank balance was \$13,831,756. Included in the balance is \$5,120,904 held in escrow by a third party. Of the remaining bank balances, \$250,000 was covered by federal depositor insurance. Collateral for the bank balances over the federal depository insurance amount consisted of securities with a fair market value of \$7,187,526 at September 30, 2025.

### **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 have 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 for 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.

The City did not engage in repurchase or reverse repurchase agreement transactions during the year. The City's investments were as follows at year end:

	<u>Reported Value</u>	<u>Rating Standard &amp; Poors</u>	<u>Weighted Average Maturity (days)</u>
Cash	\$ 8,511,046	N/A	N/A
Investment Pools:			
TexPool	486,338	AAAm	44
TexStar	<u>4,702,676</u>	AAAm	49
Total	<u>\$ 13,700,060</u>		49

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 people 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 consistent manner 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.

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**

The following are receivables for the City's major and nonmajor funds, including allowances for uncollectible accounts, as of year end:

	General Fund	Nonmajor Governmental Funds	Water and Sewer Fund	Totals
Receivables:				
Property tax	\$ 145,830	\$ 19,731	\$ -	\$ 165,561
Sales tax	576,143	-	-	576,143
Mixed beverage	2,450	-	-	2,450
Franchise	171,313	-	-	171,313
Court	73,856	-	-	73,856
Leases	3,836	-	-	3,836
Accounts	5,421	-	1,692,976	1,698,397
Gross receivables	<u>978,849</u>	<u>19,731</u>	<u>1,692,976</u>	<u>2,691,556</u>
Less: allowance	<u>(36,928)</u>	<u>-</u>	<u>(515,626)</u>	<u>(552,554)</u>
Net receivables	<u>\$ 941,921</u>	<u>\$ 19,731</u>	<u>\$ 1,177,350</u>	<u>\$ 2,139,002</u>

**D. Interfund Transfers**

The following includes interfund activity for the current year:

Transfers From	Transfers To	Amounts
General Fund	Capital Projects	\$ 500,000
Water and Sewer	General Fund	571,526
Capital Projects	Nonmajor governmental	<u>110,901</u>
Total		<u>\$ 1,182,427</u>

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.

## E. Capital Assets

Capital assets activity for the governmental activities for the current year are as follows:

	Beginning Balance	Additions	Transfers	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 636,543	\$ -	\$ -	\$ 636,543
Construction in progress	2,715	650,184	(578,209)	74,690
Total capital assets not being depreciated	639,258	650,184	(578,209)	711,233
Capital assets being depreciated:				
Buildings and improvements	4,449,734	330,151	578,209	5,358,094
Improvements other than buildings	6,266,581	-	-	6,266,581
Machinery and equipment	5,183,536	287,555	-	5,471,091
Right to use - vehicles and equipment	694,547	-	-	694,547
Right to use - SBITAs	155,560	-	-	155,560
Total assets being depreciated	16,749,958	617,706	578,209	17,945,873
Less accumulated depreciation for:				
Buildings and improvements	(2,157,784)	(148,558)	-	(2,306,342)
Improvements other than buildings	(3,257,251)	(227,668)	-	(3,484,919)
Machinery and equipment	(3,989,831)	(292,061)	-	(4,281,892)
Right to use - vehicles and equipment	(364,462)	(210,001)	-	(574,463)
Right to use - SBITAs	(57,311)	(49,124)	-	(106,435)
Total accumulated depreciation	(9,826,639)	(927,412)	-	(10,754,051)
Total capital assets being depreciated, net	6,923,319	(309,706)	578,209	7,191,822
Governmental activities capital assets, net	\$ 7,562,577	\$ 340,478	\$ -	\$ 7,903,055

Depreciation and amortization expense was charged to functions/programs of governmental activities for the current year as follows:

<u>Governmental activities:</u>	
General government	\$ 219,174
Public safety	298,042
Culture and recreation	180,882
Public works	229,314
Total	<u>\$ 927,412</u>

Capital asset activity for business-type activities for the current year are as follows:

	Beginning Balance	Additions	Transfers	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 300,339	\$ -	\$ -	\$ 300,339
Construction in progress	4,909,109	3,052,934	(1,580,455)	6,381,588
Total capital assets, not being depreciated	5,209,448	3,052,934	(1,580,455)	6,681,927
Capital assets being depreciated:				
Buildings and improvements	62,074,347	463,114	1,580,455	64,117,916
Machinery and equipment	6,500,823	61,485	-	6,562,308
Right to use - vehicles and equipment	310,211	-	-	310,211
Total capital assets being depreciated	68,885,381	524,599	1,580,455	70,990,435
Less accumulated depreciation for:				
Buildings and improvements	(38,710,334)	(1,632,102)	-	(40,342,436)
Machinery and equipment	(5,086,016)	(173,293)	-	(5,259,309)
Right to use - vehicles and equipment	(152,112)	(33,344)	-	(185,456)
Total accumulated depreciation	(43,948,462)	(1,838,739)	-	(45,787,201)
Total capital assets being depreciated, net	24,936,919	(1,314,140)	1,580,455	25,203,234
Business-type activities capital assets, net	\$ 30,146,367	\$ 1,738,794	\$ -	\$ 31,885,161

Depreciation and amortization expense was charged to functions/programs of the business-type activities for the current year as follows:

<u>Business-type activities:</u>	
Water and Sewer Fund	\$ 1,793,292
Municipal airport	45,447
Total depreciation expense	<u>\$ 1,838,739</u>

## F. Long-Term Liabilities

Long-term liabilities of the City's governmental activities consist of general obligation bonds, leases, SBITAs, 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 liabilities are paid by the General Fund, Debt Service Fund, and the Hotel/Motel Tax Fund.

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

The following includes governmental activities long-term liabilities as of year-end:

	Beginning Balance	Issued	Refunded/ Retired	Ending Balance	Amount Due Within One Year
Governmental activities:					
Bonds payable	\$ 575,000	\$ -	\$ 280,000	\$ 295,000	\$ 115,000
Notes payable	1,172,476	80,242	215,237	1,037,481	321,041
Total long-term debt	1,747,476	80,242	495,237	1,332,481	436,041
Lease liability	230,765	-	104,528	126,237	55,072
SBITAs payable	96,183	-	47,164	49,019	49,019
Compensated absences	428,093	4,943	-	433,036	86,607
Total long-term liabilities	\$ 2,502,517	\$ 85,185	\$ 646,929	\$ 1,940,773	\$ 626,739

The following includes business-type activities long-term liabilities as of year end:

	Beginning Balance	Issued	Refunded/ Retired	Ending Balance	Amount Due Within One Year
Business-type activities:					
Bonds payable	\$ 11,595,000	\$ -	\$ 1,100,000	\$ 10,495,000	\$ 1,140,000
Revenue bonds	7,625,000	-	480,000	7,145,000	485,000
Notes payable	862,971	-	108,384	754,587	113,232
Total long-term debt	20,082,971	-	1,688,384	18,394,587	1,738,232
Lease liability	172,576	-	57,982	114,594	35,623
Compensated absences	201,393	-	5,974	195,419	39,084
Total long-term liabilities	\$ 20,456,940	\$ -	\$ 1,752,340	\$ 18,704,600	\$ 1,812,939

Compensated absences increases and decreases are netted in the information presented above.

Long-term debt of the City is comprised of the following individual issues at September 30, 2025:

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rate	Governmental Activities	Business-type Activities
<b>General obligation bonds</b>						
Refunding	4,975,000	2017	2036	1.75 - 4.25%	\$ -	\$ 3,350,000
Refunding	2,570,000	2020	2035	2.00 - 4.00%	-	1,920,000
Refunding	6,150,000	2021	2036	4.25 - 5.10%	-	4,670,000
					-	9,940,000
<b>Combination bonds</b>						
Infrastructure	2,410,000	2020	2027	1.35%	-	555,000
					-	555,000
<b>Revenue bonds</b>						
Infrastructure	10,000,000	2019	2039	0.16 - 1.47%	-	7,145,000
					-	7,145,000
<b>Tax notes</b>						
Tax notes	675,000	2023	2029	3.55-3.85%	295,000	-
					295,000	-
					295,000	17,640,000
<b>Notes payable</b>						
Energy savings	949,000	2018	2033	3.42%	-	541,929
Equipment	231,850	2018	2033	3.86%	42,770	-
Equipment	652,049	2019	2026	4.55%	213,680	-
Lighting	781,000	2023	2033	5.21%	718,424	-
Equipment	198,900	2024	2029	5.71%	-	163,408
Equipment	59,814	2024	2029	6.22%	-	49,250
Equipment	80,242	2025	2030	4.84%	62,607	-
					1,037,481	754,587
Total notes payable					1,037,481	754,587
Totals					\$ 1,332,481	\$ 18,394,587

The annual debt service requirements to maturity for bonds are as follows:

Year Ended September 30,	Governmental Activities		Business-type Activities		Totals
	Principal	Interest	Principal	Interest	
2026	\$ 115,000	\$ 11,440	\$ 1,625,000	\$ 342,916	\$ 2,094,356
2027	120,000	7,063	1,535,000	316,743	1,978,806
2028	60,000	2,406	1,330,000	290,386	1,682,792
2029	-	-	1,365,000	265,968	1,630,968
2030	-	-	1,385,000	241,241	1,626,241
2031-2035	-	-	7,410,000	769,283	8,179,283
2036-2039	-	-	2,990,000	102,927	3,092,927
Total	<u>\$ 295,000</u>	<u>\$ 20,909</u>	<u>\$ 17,640,000</u>	<u>\$ 2,329,464</u>	<u>\$ 20,285,373</u>

The annual debt service requirements to maturity for notes payable are as follows:

Year Ended September 30,	Governmental Activities		Business-type Activities		Totals
	Principal	Interest	Principal	Interest	
2026	\$ 321,041	\$ 39,141	\$ 113,232	\$ 30,151	\$ 503,565
2027	82,496	37,163	118,309	25,071	263,039
2028	86,755	32,903	123,634	19,749	263,041
2029	91,235	28,423	129,212	14,170	263,040
2030	95,946	23,711	73,933	8,323	201,913
2031-2034	360,008	48,080	196,267	9,375	613,730
Total	<u>\$ 1,037,481</u>	<u>\$ 209,421</u>	<u>\$ 754,587</u>	<u>\$ 106,839</u>	<u>\$ 2,108,328</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	Balance At Year End
Governmental Activities:				
Leased vehicles	2.75%	\$ 386,858	2.0	\$ 125,773
Leased equipment	0.480% - 2.75%	59,425	1.0 - 4.0	464
Total Governmental Activities				<u>\$ 126,237</u>
Business-type Activities:				
Leased vehicles	2.75%	\$ 269,976	2.0-4.0	\$ 114,594
Total Business-type Activities				<u>\$ 114,594</u>

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

Year Ended September 30,	Governmental Activities		Business-type Activities		Totals
	Principal	Interest	Principal	Interest	
2026	\$ 55,072	\$ 6,373	\$ 35,623	\$ 4,904	\$ 101,972
2027	35,145	4,086	35,472	3,976	78,679
2028	32,706	1,710	33,221	1,819	69,456
2029	3,314	454	10,278	1,087	15,133
Total	<u>\$ 126,237</u>	<u>\$ 12,623</u>	<u>\$ 114,594</u>	<u>\$ 11,786</u>	<u>\$ 265,240</u>

**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	Balance At Year End
Governmental Activities:				
Software	2.90 - 3.27%	\$ 155,561	3.0	\$ 49,019
Total Governmental Activities				\$ 49,019

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

Year Ended September 30,	Governmental Activities		Totals
	Principal	Interest	
2026	\$ 49,019	\$ 371	\$ 49,390
Total	\$ 49,019	\$ 371	\$ 49,390

**G. 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. Retirement Plan**

**Plan Description**

The City participates as one of 919 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 [www.tmrs.com](http://www.tmrs.com). All eligible employees of the City are required to participate in TMRS. The General Fund is typically used to liquidate the Town’s net pension liability related to governmental activities.

## 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 benefit in one of seven payments 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.

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

Employee deposit rate	7%
Matching ratio (Town to employe	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years at any age, 5 years at age 60 and above
Updated service credit	100% repeating, transfers
Annuity increase to retirees	70% of CPI repeating

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

Inactive employees or beneficiaries currently receiving benefits	62
Inactive employees entitled to but not yet receiving benefits	63
Active employees	<u>80</u>
Total	<u><u>205</u></u>

## 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 15.99% and 15.80% in calendar years 2025 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were \$800,797 and were equal to the required contributions.

## Net Pension Liability

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

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

Inflation	2.50% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018, to December 31, 2022. They were adopted in 2024 and first used in the December 31, 2024, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Public Equity	35.00%	7.10%
Core Fixed Income	6.00%	5.00%
Non-Core Fixed Income	6.00%	6.80%
Hedge Funds	5.00%	6.40%
Private Equity	13.00%	8.50%
Private Debt	13.00%	8.20%
Real Estate	12.00%	6.70%
Infrastructure	6.00%	6.00%
Other Private Markets	4.00%	7.30%
Total	<u>100.00%</u>	

#### *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 Net Pension Liability*

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2023	\$ 25,289,097	\$ 22,279,417	\$ 3,009,680
Changes for the year:			
Service cost	851,988	-	851,988
Interest	1,688,798	-	1,688,798
Difference between expected and actual experience	(242,370)	-	(242,370)
Change in assumptions	-	-	-
Contributions - employer	-	726,417	(726,417)
Contributions - employee	-	331,697	(331,697)
Net investment income	-	2,314,616	(2,314,616)
Benefit payments, including refunds of employee contributions	(1,391,722)	(1,391,722)	-
Administrative expense	-	(14,847)	14,847
Other changes	-	(347)	347
Net changes	<u>906,694</u>	<u>1,965,814</u>	<u>(1,059,120)</u>
Balance at 12/31/2024	<u>\$ 26,195,791</u>	<u>\$ 24,245,231</u>	<u>\$ 1,950,560</u>

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

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

	1% Decrease in Discount Rate (5.75%)	Current Single Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability (asset)	\$ 5,641,711	\$ 1,950,560	\$( 1,060,598)

*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](http://www.tmr.com).

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

For the current year, the City recognized pension expense of \$698,200.

At year end, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 72,380	\$ 174,857
Changes in actuarial assumptions	-	120,604
Difference between projected and actual investment earnings	-	243,506
Contributions subsequent to the measurement date	578,034	-
Totals	<u>\$ 650,414</u>	<u>\$ 538,967</u>

\$578,034 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>For the Year Ended September 30,</u>	
2026	\$ (63,615)
2027	156,140
2028	(396,963)
2029	(162,149)

## **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 General Fund is typically used to liquidate the Town’s OPEB liability related to governmental activities.

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 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 \$9,348 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)
2025	0.33%	0.19%
2024	0.40%	0.17%

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

Inactive employees or beneficiaries currently receiving benefits	46
Inactive employees entitled to but not yet receiving benefits	12
Active employees	<u>80</u>
Total	<u><u>138</u></u>

### Total OPEB Liability

The City's Total OPEB Liability (TOL) was measured as of December 31, 2024 and was determined by an actuarial valuation as of that date.

### Actuarial Assumptions:

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

Inflation rate	2.50%
Salary Increases	3.60% to 11.85% including inflation
Discount Rate	4.08%
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 68.
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate
Mortality Rates - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year setforward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements

### Discount Rate:

The discount rate used to measure the Total OPEB Liability was 4.08% and was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2024.

**Changes in Total OPEB Liability:**

	<u>Total OPEB Liability</u>
Balance at 12/31/2023	\$ 256,793
Changes for the year:	
Service cost	9,003
Interest	9,699
Difference between expected and actual experience	(14,404)
Changes of assumptions	(12,359)
Benefit payments	<u>(8,056)</u>
Net changes	<u>(16,117)</u>
Balance at 12/31/2024	<u>\$ 240,676</u>

**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 4.08%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (3.08%) or 1 percentage-point higher (5.08%) than the current rate:

	<u>1% Decrease in Discount Rate (3.08%)</u>	<u>Discount Rate (4.08%)</u>	<u>1% Increase in Discount Rate (5.08%)</u>
Total OPEB Liability	\$ 284,438	\$ 240,676	\$ 206,091

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

For the current year, the City recognized OPEB expense of (\$1,923). At year end, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in actuarial assumptions	\$ 1,264	\$ 13,859
Differences in expected and actual experience	13,182	60,213
Contributions subsequent to the measurement date	<u>7,013</u>	<u>-</u>
Totals	<u>\$ 21,459</u>	<u>\$ 74,072</u>

The \$7,013 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 for the year ending September 30, 2026. The other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,	
2026	\$ (19,582)
2027	(22,140)
2028	(12,385)
2029	(4,994)
Thereafter	(525)

### 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 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, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees and Beneficiaries	2
Inactive, Nonretired Members	0
Active Members	79
Total	<u>81</u>

#### Actuarial Assumptions

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

Inflation rate	2.50%
Salary Increases	3.60% to 11.85% including inflation
Discount Rate	4.08%

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.

#### Changes in Total OPEB Liability:

	Total OPEB Liability
	<u>                    </u>
Balance at 12/31/2023	\$ 178,760
Changes for the year:	
Service cost	19,714
Interest	6,707
Difference between expected and actual experience	(207)
Changes of assumptions	(5,795)
Benefit payments	<u>(21,410)</u>
Net changes	<u>(991)</u>
Balance at 12/31/2024	<u>\$ 177,769</u>

**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 4.08%, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (3.08%) or 1 percentage-point higher (5.08%) than the current rate:

	<u>1% Decrease in Discount Rate (3.08%)</u>	<u>Discount Rate (4.08%)</u>	<u>1% Increase in Discount Rate (5.08%)</u>
Total OPEB Liability	\$ 197,635	\$ 177,769	\$ 160,161

**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:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 153,801	\$ 177,769	\$ 206,728

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

For the current year, the City recognized OPEB expenses related to the healthcare plan of \$5,072. At year end, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in actuarial assumptions	\$ 27,061	\$ 57,331
Differences in expected and actual experience	11,791	58,664
Contributions subsequent to the measurement date	<u>15,477</u>	<u>-</u>
Total	<u>\$ 54,329</u>	<u>\$ 115,995</u>

The \$15,447 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 for the fiscal year ending September 30, 2026. The other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>For the Year Ended September 30,</u>	
2026	\$ (22,459)
2027	(20,946)
2028	(5,980)
2029	(7,836)
2030	(9,794)
Thereafter	(10,128)

**D. 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, automobiles, 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.

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.

#### **E. Contingencies**

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 expenditure 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.

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. Restatement – Change in Accounting Principle**

During the current year, the City adopted GASB Statement No. 101, *Compensated Absences*, which changed the way liabilities for employees' unused leave are measured and reported. Under this new standard, the City re-evaluated its compensated absences balances, resulting in a decrease to beginning net position of \$173,752 for governmental activities and \$98,965 for business-type activities.

#### **G. Adjustment – Change Within Reporting Entity**

During the year the City had one change within the financial reporting entity, which resulted in an adjustment to beginning fund balance. The Debt Service Fund was previously reported as a major governmental fund and is now reported as a nonmajor fund. The change in classification is a result of quantitative factors.

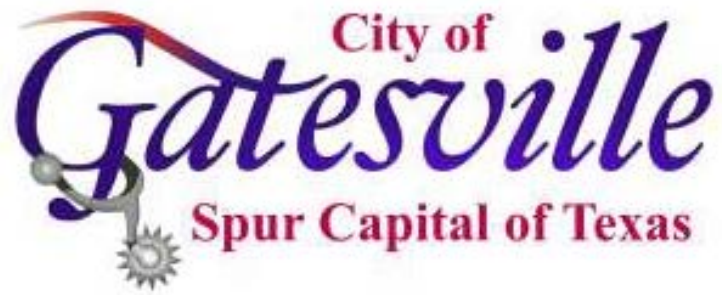
#### **H. Upcoming Accounting Standards**

Significant new accounting standards issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the City include the following:

GASB Statement No. 103, *Financial Reporting Model Improvements* - The objective of this Statement is 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 also addresses certain application issues. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* - The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be presented separately in the note disclosures, including right-to-use assets related to leases, Subscription-Based Information Technology Arrangements, and public-private or public-public partnerships. Other intangible assets are also required to be presented separately by major class. Additional disclosures have also been required for capital assets held for sale. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No. 105, *Subsequent Events* - The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This Statement will become effective for fiscal years beginning after June 15, 2026, and the impact has not yet been determined.



**REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF GATESVILLE, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (BUDGET BASIS) AND ACTUAL  
GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 2,952,906	\$ 2,952,906	\$ 3,204,071	\$ 251,165
Sales taxes	2,950,000	2,950,000	3,250,773	300,773
Alcoholic beverage taxes	20,000	20,000	17,428	(2,572)
Franchise tax	797,000	797,000	840,390	43,390
Fines and forfeitures	161,500	161,500	136,292	(25,208)
Intergovernmental	371,459	371,459	53,335	(318,124)
Licenses and permits	61,000	61,000	167,959	106,959
Charges for services	484,000	484,000	545,413	61,413
Investment earnings	72,000	72,000	123,565	51,565
Miscellaneous	21,600	21,600	52,122	30,522
Total revenues	<u>7,891,465</u>	<u>7,891,465</u>	<u>8,391,348</u>	<u>499,883</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,423,950	1,423,950	1,452,991	(29,041)
Public safety	3,293,386	3,297,386	3,306,108	(8,722)
Public works	1,354,505	1,364,505	1,433,957	(69,452)
Culture and recreation	2,165,124	2,165,124	1,900,879	264,245
Capital outlay	78,765	146,265	140,783	5,482
Debt service:				
Principal	309,782	309,782	304,353	5,429
Interest and other	3,456	3,456	18,367	(14,911)
Total expenditures	<u>8,628,968</u>	<u>8,710,468</u>	<u>8,557,438</u>	<u>153,030</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(737,503)</u>	<u>(819,003)</u>	<u>(166,090)</u>	<u>652,913</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	687,503	687,503	571,526	(115,977)
Transfers out	-	(779,811)	(500,000)	279,811
Insurance recoveries	-	-	45,286	45,286
Issuance of notes payable	-	-	80,242	80,242
Proceeds from disposal of assets	50,000	50,000	-	(50,000)
Total other financing sources (uses)	<u>737,503</u>	<u>(42,308)</u>	<u>197,054</u>	<u>239,362</u>
<b>CHANGE IN FUND BALANCE</b>	-	(861,311)	30,964	892,275
<b>FUND BALANCE - BEGINNING</b>	<u>2,435,490</u>	<u>2,435,490</u>	<u>2,435,490</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 2,435,490</u>	<u>\$ 1,574,179</u>	<u>\$ 2,466,454</u>	<u>\$ 892,275</u>

**CITY OF GATESVILLE, TEXAS**

NOTES TO BUDGETARY SCHEDULE

SEPTEMBER 30, 2025

**BUDGETARY COMPARISON SCHEDULE**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the General Fund and certain Special Revenue Funds. The Capital Projects Fund is appropriated on a project-length basis. The Donations, Public Safety and Grant 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.

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.

**CITY OF GATESVILLE, TEXAS**

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Measurement year December 31,	2015	2016	2017	2018
<b>Total pension liability</b>				
Service cost	\$ 578,197	\$ 574,521	\$ 594,731	\$ 603,610
Interest (on the total pension liability)	1,115,252	1,130,444	1,196,570	1,256,097
Difference between expected and actual experience	(214,116)	(92,529)	(150,538)	(92,837)
Changes in assumptions	16,497	-	-	-
Benefit payments, including refunds of employee contributions	<u>(726,384)</u>	<u>(631,309)</u>	<u>(654,499)</u>	<u>(872,133)</u>
Net change in total pension liability	769,446	981,127	986,264	894,737
Total pension liability - beginning	<u>16,006,267</u>	<u>16,775,713</u>	<u>17,756,840</u>	<u>18,743,104</u>
Total pension liability - ending (a)	<u>\$ 16,775,713</u>	<u>\$ 17,756,840</u>	<u>\$ 18,743,104</u>	<u>\$ 19,637,841</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 548,786	\$ 551,291	\$ 549,367	\$ 564,950
Contributions - employee	245,328	242,706	250,037	255,303
Net investment income	19,281	888,332	1,966,183	(487,950)
Benefit payments, including refunds of employee contributions	(726,384)	(631,309)	(654,499)	(872,133)
Administrative expenses	(11,743)	(10,030)	(10,186)	(9,426)
Other	<u>(579)</u>	<u>(540)</u>	<u>(515)</u>	<u>(492)</u>
Net change in plan fiduciary net position	74,689	1,040,450	2,100,387	(549,748)
Plan fiduciary net position - beginning	<u>13,065,953</u>	<u>13,140,642</u>	<u>14,181,092</u>	<u>16,281,479</u>
Plan fiduciary net position - ending (b)	<u>\$ 13,140,642</u>	<u>\$ 14,181,092</u>	<u>\$ 16,281,479</u>	<u>\$ 15,731,731</u>
Net Pension Liability (a) - (b)	<u>\$ 3,635,071</u>	<u>\$ 3,575,748</u>	<u>\$ 2,461,625</u>	<u>\$ 3,906,110</u>
Plan fiduciary net position as a percentage of total pension liability	78.33%	79.86%	86.87%	80.11%
Covered payroll	\$ 3,485,215	\$ 3,467,235	\$ 3,571,960	\$ 3,647,188
Net pension liability as a percentage of covered payroll	104.30%	103.13%	68.92%	107.10%

2019	2020	2021	2022	2023	2024
\$ 619,680	\$ 690,093	\$ 697,922	\$ 745,199	\$ 793,113	\$ 851,988
1,316,406	1,381,511	1,440,672	1,542,723	1,627,506	1,688,798
(232,325)	(277,563)	391,475	133,470	51,304	(242,370)
104,908	-	-	-	(262,492)	-
<u>(890,753)</u>	<u>(867,941)</u>	<u>(975,056)</u>	<u>(1,108,627)</u>	<u>(1,269,969)</u>	<u>(1,391,722)</u>
917,916	926,100	1,555,013	1,312,765	939,462	906,694
<u>19,637,841</u>	<u>20,555,757</u>	<u>21,481,857</u>	<u>23,036,870</u>	<u>24,349,635</u>	<u>25,289,097</u>
<u>\$ 20,555,757</u>	<u>\$ 21,481,857</u>	<u>\$ 23,036,870</u>	<u>\$ 24,349,635</u>	<u>\$ 25,289,097</u>	<u>\$ 26,195,791</u>
\$ 572,510	\$ 622,620	\$ 618,036	\$ 617,980	\$ 694,337	\$ 726,416
266,284	292,767	294,305	309,211	333,699	331,697
2,433,349	1,374,403	2,544,857	(1,605,219)	2,338,266	2,314,617
(890,753)	(867,941)	(975,056)	(1,108,627)	(1,269,969)	(1,391,722)
(13,742)	(8,890)	(11,769)	(13,885)	(14,872)	(14,847)
<u>(413)</u>	<u>(347)</u>	<u>80</u>	<u>16,567</u>	<u>(104)</u>	<u>(345)</u>
2,367,235	1,412,612	2,470,453	(1,783,973)	2,081,357	1,965,816
<u>15,731,731</u>	<u>18,098,966</u>	<u>19,511,578</u>	<u>21,982,031</u>	<u>20,198,058</u>	<u>22,279,415</u>
<u>\$ 18,098,966</u>	<u>\$ 19,511,578</u>	<u>\$ 21,982,031</u>	<u>\$ 20,198,058</u>	<u>\$ 22,279,415</u>	<u>\$ 24,245,231</u>
<u>\$ 2,456,791</u>	<u>\$ 1,970,279</u>	<u>\$ 1,054,839</u>	<u>\$ 4,151,577</u>	<u>\$ 3,009,682</u>	<u>\$ 1,950,560</u>
88.05%	90.83%	95.42%	82.95%	88.10%	92.55%
\$ 3,804,052	\$ 4,182,380	\$ 4,204,352	\$ 4,417,302	\$ 4,676,375	\$ 4,738,532
64.58%	47.11%	25.09%	93.98%	64.36%	41.16%

**CITY OF GATESVILLE, TEXAS**

SCHEDULE OF EMPLOYER CONTRIBUTIONS  
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Fiscal year ended September 30,	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially determined contribution	\$ 570,438	\$ 548,748	\$ 558,291	\$ 567,742
Contribution in relation to the actuarially determined contribution	<u>570,438</u>	<u>548,748</u>	<u>558,291</u>	<u>567,742</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	3,602,812	3,540,264	3,610,241	3,746,440
Contributions as a percentage of covered payroll	15.83%	15.50%	15.46%	15.15%

**Notes to Schedule**

Valuation date

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

**Methods and assumptions used to determine contribution rates:**

Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	22 Years
Asset Valuation Method	10 year smoothed fair value: 12% soft corridor
Inflation	2.5%
Salary increases	3.60% to 11.85% including
Investment rate of return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Other information:	
Notes	There were no benefit changes during the year.

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$ 592,104	\$ 622,060	\$ 624,441	\$ 667,895	\$ 709,378	\$ 800,797
<u>592,104</u>	<u>622,060</u>	<u>624,441</u>	<u>667,895</u>	<u>709,378</u>	<u>800,797</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3,968,401	4,471,335	4,358,178	4,623,115	4,688,786	5,064,816
14.92%	13.91%	14.33%	14.45%	15.13%	15.81%

**CITY OF GATESVILLE, TEXAS**

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

LAST TEN MEASURED YEARS

	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Total OPEB liability</b>			
Service cost	\$ 9,644	\$ 11,306	\$ 9,891
Interest (on the Total OPEB Liability)	6,862	7,011	10,204
Differences between expected and actual experience	-	61,714	(74,505)
Changes in assumptions or other inputs	15,105	(14,041)	39,604
Benefit payments	<u>(2,143)</u>	<u>(2,188)</u>	<u>(1,902)</u>
<b>Net Change in Total OPEB Liability</b>	<u>29,468</u>	<u>63,802</u>	<u>(16,708)</u>
<b>Total OPEB Liability - Beginning</b>	<u>177,785</u>	<u>207,253</u>	<u>271,055</u>
<b>Total OPEB Liability - Ending (a)</b>	<u>\$ 207,253</u>	<u>\$ 271,055</u>	<u>\$ 254,347</u>
<b>Covered-Employee Payroll</b>	\$ 3,571,960	\$ 3,647,188	\$ 3,804,052
<b>Total OPEB Liability as a Percentage of Covered-Employee Payroll</b>	5.80%	7.43%	6.69%

**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>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
\$ 15,057	\$ 17,658	\$ 18,553	\$ 9,353	\$ 9,003
7,167	6,136	6,049	9,456	9,699
(10,994)	(5,478)	2,494	221	(14,404)
38,244	9,583	(110,856)	12,705	(12,359)
<u>(2,509)</u>	<u>(6,727)</u>	<u>(6,184)</u>	<u>(7,482)</u>	<u>(8,056)</u>
<u>46,965</u>	<u>21,172</u>	<u>(89,944)</u>	<u>24,253</u>	<u>(16,117)</u>
<u>254,347</u>	<u>301,312</u>	<u>322,484</u>	<u>232,540</u>	<u>256,793</u>
<u>\$ 301,312</u>	<u>\$ 322,484</u>	<u>\$ 232,540</u>	<u>\$ 256,793</u>	<u>\$ 240,676</u>
\$ 4,182,380	\$ 4,204,352	\$ 4,417,302	\$ 4,676,375	\$ 4,738,532
7.20%	7.67%	5.26%	5.49%	5.08%

**CITY OF GATESVILLE, TEXAS**

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

LAST TEN MEASURED YEARS

	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Total OPEB liability - City Funded Health Care Plan</b>			
Service cost	\$ 13,022	\$ 14,934	\$ 15,797
Interest (on the Total OPEB Liability)	10,721	10,445	11,893
Differences between expected and actual experience	-	1,224	(97,835)
Changes in assumptions or other inputs	16,384	(13,651)	(27,351)
Benefit payments	<u>(6,160)</u>	<u>(7,685)</u>	<u>(9,019)</u>
<b>Net Change in Total OPEB Liability</b>	<u>33,967</u>	<u>5,267</u>	<u>(106,515)</u>
<b>Total OPEB Liability - Beginning</b>	<u>277,953</u>	<u>311,920</u>	<u>317,187</u>
<b>Total OPEB Liability - Ending (a)</b>	<u>\$ 311,920</u>	<u>\$ 317,187</u>	<u>\$ 210,672</u>
<b>Covered-Employee Payroll</b>	\$ 3,494,571	\$ 3,169,511	\$ 4,052,108
<b>Total OPEB Liability as a Percentage of Covered-Employee Payroll</b>	8.93%	10.01%	5.20%

**Notes to Schedule:**

The ending Total OPEB Liability was as of December 31, 2024.

Changes in assumptions reflect a change in the discount rate from 3.77% as of December 31, 2023, to 4.08% as of December 31, 2024.

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

a. Age adjusted premiums	\$ 44,042
b. Retiree contributions	<u>(22,632)</u>
c. Total benefit payments	\$ 21,410

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

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

2020	2021	2022	2023	2024
\$ 12,394	\$ 15,920	\$ 21,855	\$ 17,076	\$ 19,714
5,847	4,691	4,812	8,573	6,707
1,098	50,263	(367)	(43,943)	(207)
15,773	(24,355)	(49,419)	6,477	(5,795)
<u>(8,497)</u>	<u>(21,412)</u>	<u>(23,589)</u>	<u>(25,109)</u>	<u>(21,410)</u>
<u>26,615</u>	<u>25,107</u>	<u>(46,708)</u>	<u>(36,926)</u>	<u>(991)</u>
<u>210,672</u>	<u>237,287</u>	<u>262,394</u>	<u>215,686</u>	<u>178,760</u>
<u>\$ 237,287</u>	<u>\$ 262,394</u>	<u>\$ 215,686</u>	<u>\$ 178,760</u>	<u>\$ 177,769</u>
\$ 4,190,641	\$ 4,397,290	\$ 4,105,663	\$ 4,891,787	\$ 4,738,537
5.66%	5.97%	5.25%	3.65%	3.75%

**CITY OF GATESVILLE, TEXAS**

SCHEDULE OF OPEB CONTRIBUTIONS  
HEALTH BENEFIT PLAN

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarially Determined Contribution	\$ 16,167	\$ 20,170	\$ 19,109
Contributions in relation to the actuarially determined contribution	<u>16,167</u>	<u>20,170</u>	<u>19,109</u>
Covered-employee payroll	\$ 3,610,241	\$ 3,746,440	\$ 3,968,401
Contributions as a percentage of covered employee payroll	0.45%	0.54%	0.48%

**NOTES TO THE SCHEDULE OF CONTRIBUTIONS**

Valuation Date: December 31, 2023

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

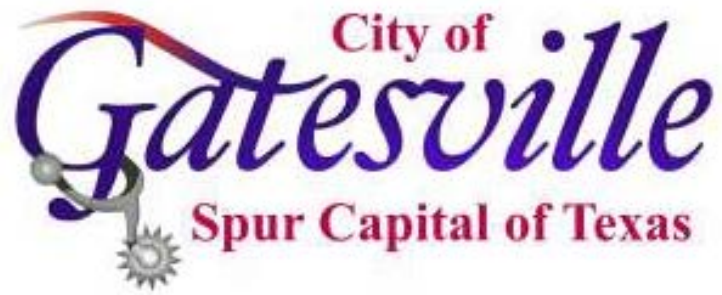
Actuarial Cost Method Individual Entry-Age Normal  
Discount Rate 3.77% as of December 31, 2024  
Inflation 2.50%  
Salary Increases 3.60% to 11.85% including inflation  
Demographic Assumptions Based on the 2023 experience study conducted for the Texas Municipal Retirement System (TMRS). For healthy retirees, the gender-distinct 2019 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.

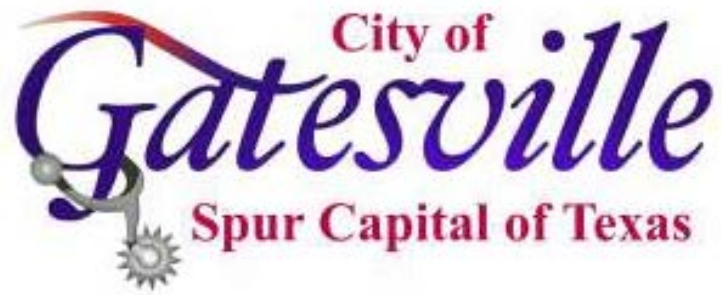
Other Information: The discount rate changed from 3.77% as of December 31, 2023 to 4.05% as of December 31, 2024. Additionally, the demographic and salary increase assumptions were updated to reflect the 2023 TMRS Experience Study, and health care trend rates were updated to reflect the plan's anticipated experience.

<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$ 18,002	\$ 24,583	\$ 27,083	\$ 26,542	\$ 22,632
<u>18,002</u>	<u>24,583</u>	<u>27,083</u>	<u>26,542</u>	<u>22,632</u>
\$ 4,471,335	\$ 4,358,178	\$ 4,623,115	\$ 4,688,786	\$ 5,064,816
0.40%	0.56%	0.59%	0.57%	0.45%



# COMBINING FUND STATEMENTS & BUDGETARY COMPARISON SCHEDULES





## **NONMAJOR GOVERNMENTAL FUNDS**

### SPECIAL REVENUE FUNDS

Municipal Court Security Fund: accounts for municipal court fees, including court technology and building security fines, that are restricted for expenditures related to courtroom security, court technology, and related municipal court operations.

Donations Fund: accounts for gifts and donations received by the City that are restricted or committed for specific public purposes designated by the donor or approved by City Council.

Public Safety Fund: accounts for revenues restricted for public safety activities and related expenditures supporting the City's police, fire, and emergency services.

Motel Occupancy Fund: accounts for revenues derived from the City's hotel occupancy tax that are restricted by state statute for expenditures that promote tourism and the convention and hotel industry within the City.

Cemetery Maintenance Fund: accounts for revenues restricted for the maintenance, improvement, and upkeep of the City-owned cemetery facilities.

Grant Fund: accounts for revenues received from federal, state, and other governmental grants and the related expenditures for the programs funded by those grants.

### DEBT SERVICE FUNDS

Debt Service Fund: accounts for the accumulation of resources for the payment of principal and interest on the City's general long-term debt.

**CITY OF GATESVILLE, TEXAS**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2025

	<u>Municipal Court Security Fund</u>	<u>Debt Service Fund</u>	<u>Donations Fund</u>	<u>Public Safety Fund</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 110,860	\$ 80,358	\$ 60,884	\$ 36,309
Receivables, net:				
Property taxes	<u>-</u>	<u>19,731</u>	<u>-</u>	<u>-</u>
Total assets	<u>110,860</u>	<u>100,089</u>	<u>60,884</u>	<u>36,309</u>
<b>LIABILITIES</b>				
Accounts payable	<u>-</u>	<u>-</u>	<u>2,158</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>2,158</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	<u>-</u>	<u>19,731</u>	<u>-</u>	<u>-</u>
Total inflows of resources	<u>-</u>	<u>19,731</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted:				
Municipal court security	110,860	-	-	-
Debt service	-	80,358	-	-
Donations	-	-	58,726	-
Public safety	-	-	-	36,309
Promote tourism and hotels	-	-	-	-
Cemetery maintenance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>110,860</u>	<u>80,358</u>	<u>58,726</u>	<u>36,309</u>
 Total liabilities and fund balances	<u>\$ 110,860</u>	<u>\$ 80,358</u>	<u>\$ 60,884</u>	<u>\$ 36,309</u>

Motel Occupancy Fund	Cemetery Maintenance Fund	Grant Fund	Total Nonmajor Governmental Funds
\$ 1,012,177	\$ 96,839	\$ 32,737	\$ 1,430,164
<u>-</u>	<u>-</u>	<u>-</u>	<u>19,731</u>
<u>1,012,177</u>	<u>96,839</u>	<u>32,737</u>	<u>1,449,895</u>
<u>-</u>	<u>750</u>	<u>-</u>	<u>2,908</u>
<u>-</u>	<u>750</u>	<u>-</u>	<u>2,908</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>19,731</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>19,731</u>
-	-	-	110,860
-	-	-	80,358
-	-	-	58,726
-	-	32,737	69,046
1,012,177	-	-	1,012,177
<u>-</u>	<u>96,089</u>	<u>-</u>	<u>96,089</u>
<u>1,012,177</u>	<u>96,089</u>	<u>32,737</u>	<u>1,427,256</u>
<u>\$ 1,012,177</u>	<u>\$ 96,839</u>	<u>\$ 32,737</u>	<u>\$ 1,430,164</u>

**CITY OF GATESVILLE, TEXAS**

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

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	<u>Municipal Court Security Fund</u>	<u>Debt Service Fund</u>	<u>Donations Fund</u>	<u>Public Safety Fund</u>
<b>REVENUES</b>				
Taxes - hotel/motel	\$ -	\$ -	\$ -	\$ -
Property Taxes	-	339,176	-	-
Charges for services	-	-	-	-
Fines and forfeitures	14,272	-	-	-
Intergovernmental	-	-	-	-
Donations	86	-	74,367	-
Investment earnings	3,377	-	-	-
Miscellaneous	-	-	-	83
Total revenues	<u>17,735</u>	<u>339,176</u>	<u>74,367</u>	<u>83</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	291	-
Public safety	1,659	-	16,405	-
Culture and recreation	-	-	34,827	-
Debt service:				
Principal	-	280,000	-	-
Interest and fiscal charges	-	21,707	-	-
Total expenditures	<u>1,659</u>	<u>301,707</u>	<u>51,523</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	16,076	37,469	22,844	83
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN FUND BALANCE</b>	16,076	37,469	22,844	83
<b>FUND BALANCE - BEGINNING</b>	94,784	-	35,882	36,226
Adjustment - Change within reporting entity	<u>-</u>	<u>42,889</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - BEGINNING, RESTATED</b>	<u>94,784</u>	<u>42,889</u>	<u>35,882</u>	<u>36,226</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 110,860</u>	<u>\$ 80,358</u>	<u>\$ 58,726</u>	<u>\$ 36,309</u>

Motel Occupancy Fund	Cemetery Maintenance Fund	Grant Fund	Total Nonmajor Governmental Funds
\$ 258,109	\$ -	\$ -	\$ 258,109
-	-	-	339,176
-	37,100	-	37,100
-	-	-	14,272
-	-	15,599	15,599
-	-	-	74,453
32,349	-	-	35,726
-	-	-	83
<u>290,458</u>	<u>37,100</u>	<u>15,599</u>	<u>774,518</u>
-	17,397	-	17,688
-	-	2,374	20,438
24,764	-	-	59,591
-	-	-	280,000
-	-	-	21,707
<u>24,764</u>	<u>17,397</u>	<u>2,374</u>	<u>399,424</u>
265,694	19,703	13,225	375,094
<u>110,901</u>	<u>-</u>	<u>-</u>	<u>110,901</u>
<u>110,901</u>	<u>-</u>	<u>-</u>	<u>110,901</u>
376,595	19,703	13,225	485,995
635,582	76,386	19,512	898,372
-	-	-	42,889
<u>635,582</u>	<u>76,386</u>	<u>19,512</u>	<u>941,261</u>
<u>\$ 1,012,177</u>	<u>\$ 96,089</u>	<u>\$ 32,737</u>	<u>\$ 1,427,256</u>

**CITY OF GATESVILLE, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (BUDGET BASIS) AND ACTUAL  
MUNICIPAL COURT SECURITY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Fines and forfeitures	\$ 13,000	\$ 13,000	\$ 14,272	\$ 1,272
Donations	50	50	86	36
Investment earnings	<u>350</u>	<u>350</u>	<u>3,377</u>	<u>3,027</u>
Total revenues	<u>13,400</u>	<u>13,400</u>	<u>17,735</u>	<u>4,335</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	<u>5,440</u>	<u>5,440</u>	<u>1,659</u>	<u>3,781</u>
Total expenditures	<u>5,440</u>	<u>5,440</u>	<u>1,659</u>	<u>3,781</u>
<b>CHANGE IN FUND BALANCE</b>	7,960	7,960	16,076	8,116
<b>FUND BALANCE - BEGINNING</b>	<u>94,784</u>	<u>94,784</u>	<u>94,784</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 102,744</u>	<u>\$ 102,744</u>	<u>\$ 110,860</u>	<u>\$ 8,116</u>

**CITY OF GATESVILLE, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (BUDGET BASIS) AND ACTUAL  
DEBT SERVICE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property Taxes	\$ 299,473	\$ 299,473	\$ 339,176	\$ 39,703
Total revenues	<u>299,473</u>	<u>299,473</u>	<u>339,176</u>	<u>39,703</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal	280,000	280,000	280,000	-
Interest and fiscal charges	<u>19,473</u>	<u>19,473</u>	<u>21,707</u>	<u>(2,234)</u>
Total expenditures	<u>299,473</u>	<u>299,473</u>	<u>301,707</u>	<u>(2,234)</u>
<b>CHANGE IN FUND BALANCE</b>	-	-	37,469	37,469
<b>FUND BALANCE - BEGINNING</b>	<u>42,889</u>	<u>42,889</u>	<u>42,889</u>	-
<b>FUND BALANCE - ENDING</b>	<u>\$ 42,889</u>	<u>\$ 42,889</u>	<u>\$ 80,358</u>	<u>\$ 37,469</u>

**CITY OF GATESVILLE, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (BUDGET BASIS) AND ACTUAL  
MOTEL OCCUPANCY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2025

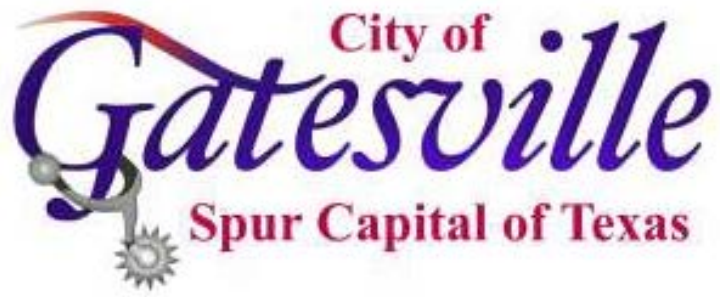
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes - hotel/motel	\$ 150,000	\$ 150,000	\$ 258,109	\$ 108,109
Investment earnings	8,000	8,000	32,349	24,349
Total revenues	<u>158,000</u>	<u>158,000</u>	<u>290,458</u>	<u>132,458</u>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	<u>125,523</u>	<u>125,523</u>	<u>24,764</u>	<u>100,759</u>
Total expenditures	<u>125,523</u>	<u>125,523</u>	<u>24,764</u>	<u>100,759</u>
Excess (deficiency) of revenues over (under) expenditures	32,477	32,477	265,694	233,217
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	110,901	110,901
Transfers out	<u>(29,610)</u>	<u>(29,610)</u>	-	29,610
Total other financing sources (uses)	<u>(29,610)</u>	<u>(29,610)</u>	<u>110,901</u>	<u>140,511</u>
<b>CHANGE IN FUND BALANCE</b>	2,867	2,867	376,595	373,728
<b>FUND BALANCE - BEGINNING</b>	<u>635,582</u>	<u>635,582</u>	<u>635,582</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 638,449</u>	<u>\$ 638,449</u>	<u>\$ 1,012,177</u>	<u>\$ 373,728</u>

**CITY OF GATESVILLE, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (BUDGET BASIS) AND ACTUAL  
CEMETERY MAINTENANCE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2025

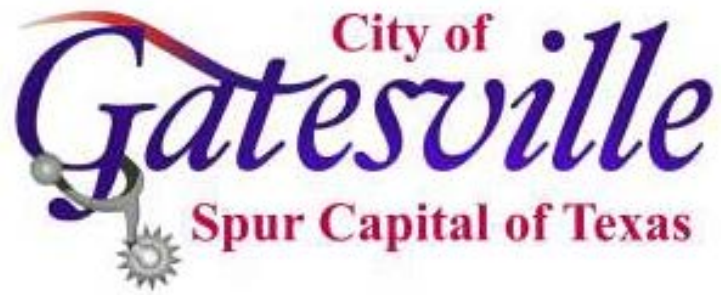
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 15,000	\$ 15,000	\$ 37,100	\$ 22,100
Total revenues	<u>15,000</u>	<u>15,000</u>	<u>37,100</u>	<u>22,100</u>
<b>EXPENDITURES</b>				
Current:				
General government	<u>15,000</u>	<u>20,000</u>	<u>17,397</u>	<u>2,603</u>
Total expenditures	<u>15,000</u>	<u>20,000</u>	<u>17,397</u>	<u>2,603</u>
<b>CHANGE IN FUND BALANCE</b>	-	(5,000)	19,703	24,703
<b>FUND BALANCE - BEGINNING</b>	<u>76,386</u>	<u>76,386</u>	<u>76,386</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 76,386</u>	<u>\$ 71,386</u>	<u>\$ 96,089</u>	<u>\$ 24,703</u>



## STATISTICAL SECTION



Cotton Belt R. R. Station, Gatesville, Texas



**STATISTICAL SECTION  
(Unaudited)**

This part of the City of Gatesville, Texas' annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	67
Revenue Capacity These schedules contain trend information to help the reader assess the factors affecting the City's ability to generate its property taxes.	77
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	82
Demographic and Economic Information These schedules offer economic and demographic information indicators to help the reader understand the environment within the City's financial activities take place and to help make comparisons over time and with other governments.	89
Operating Information These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	93
Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.	

**CITY OF GATESVILLE, TEXAS**

**NET POSITION BY COMPONENT**

LAST TEN FISCAL YEARS  
(accrual basis of accounting)

	Fiscal Year			
	2016	2017	2018	2019
Governmental activities:				
Net investment in capital assets	\$ 5,168,905	\$ 4,866,973	\$ 4,466,284	\$ 4,567,927
Restricted	229,907	261,933	345,700	398,183
Unrestricted	<u>(1,537,018)</u>	<u>(1,672,699)</u>	<u>(1,200,621)</u>	<u>(910,429)</u>
Total governmental activities	<u>\$ 3,861,794</u>	<u>\$ 3,456,207</u>	<u>\$ 3,611,363</u>	<u>\$ 4,055,681</u>
Business-type activities:				
Net investment in capital assets	\$ 12,178,804	\$ 10,269,462	\$ 10,654,881	\$ 9,865,992
Restricted	1,536,868	1,480,962	1,271,135	1,835,546
Unrestricted	<u>(927,897)</u>	<u>632,496</u>	<u>360,414</u>	<u>481,121</u>
Total business-type activities	<u>\$ 12,787,775</u>	<u>\$ 12,382,920</u>	<u>\$ 12,286,430</u>	<u>\$ 12,182,659</u>
Primary government:				
Net investment in capital assets	\$ 17,347,709	\$ 15,136,435	\$ 15,121,165	\$ 14,433,919
Restricted	1,766,775	1,742,895	1,616,835	2,233,729
Unrestricted	<u>(2,464,915)</u>	<u>(1,040,203)</u>	<u>(840,207)</u>	<u>(429,308)</u>
Total primary government	<u>\$ 16,649,569</u>	<u>\$ 15,839,127</u>	<u>\$ 15,897,793</u>	<u>\$ 16,238,340</u>

**TABLE 1**

Fiscal Year					
2020	2021	2022	2023	2024	2025
\$ 4,533,612	\$ 4,383,633	\$ 4,998,073	\$ 4,954,075	\$ 5,488,153	\$ 6,395,318
401,493	468,470	1,262,777	2,219,946	2,988,562	3,222,360
<u>(652,796)</u>	<u>1,177,559</u>	<u>983,869</u>	<u>452,943</u>	<u>428,540</u>	<u>481,511</u>
<u>\$ 4,282,309</u>	<u>\$ 6,029,662</u>	<u>\$ 7,244,719</u>	<u>\$ 7,626,964</u>	<u>\$ 8,905,255</u>	<u>\$ 10,099,189</u>
\$ 7,946,748	\$ 10,422,669	\$ 11,526,159	\$ 14,126,485	\$ 16,017,940	\$ 13,771,768
2,024,778	1,915,257	1,924,255	2,126,084	2,002,635	1,472,495
<u>2,773,345</u>	<u>2,208,456</u>	<u>1,945,298</u>	<u>1,528,801</u>	<u>2,670,627</u>	<u>6,662,189</u>
<u>\$ 12,744,871</u>	<u>\$ 14,546,382</u>	<u>\$ 15,395,712</u>	<u>\$ 17,781,370</u>	<u>\$ 20,691,202</u>	<u>\$ 21,906,452</u>
\$ 12,480,360	\$ 14,806,302	\$ 16,524,232	\$ 19,080,560	\$ 21,506,093	\$ 20,167,086
2,426,271	2,383,727	3,187,032	4,346,030	4,991,197	4,694,855
<u>2,120,549</u>	<u>3,386,015</u>	<u>2,929,167</u>	<u>1,981,744</u>	<u>3,099,167</u>	<u>7,143,700</u>
<u>\$ 17,027,180</u>	<u>\$ 20,576,044</u>	<u>\$ 22,640,431</u>	<u>\$ 25,408,334</u>	<u>\$ 29,596,457</u>	<u>\$ 32,005,641</u>

**CITY OF GATESVILLE, TEXAS**

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS  
(accrual basis of accounting)

	Fiscal Year			
	2016	2017	2018	2019
<b>EXPENSES</b>				
Governmental activities:				
General government	\$ 1,234,194	\$ 1,081,977	\$ 481,157	\$ 837,004
Public safety	2,369,987	2,256,685	2,324,339	2,572,830
Public works	888,863	1,524,824	1,505,857	1,165,682
Culture and recreation	818,578	911,760	852,063	1,084,295
Interest	-	-	36,710	31,879
Total governmental activities	<u>\$ 5,311,622</u>	<u>\$ 5,775,246</u>	<u>\$ 5,200,126</u>	<u>\$ 5,691,690</u>
Business-type activities:				
Water and sewer	\$ 9,037,368	\$ 8,881,020	\$ 8,215,996	\$ 8,469,185
Municipal airport	47,172	57,124	64,988	55,537
Total business-type activities	<u>\$ 9,084,540</u>	<u>\$ 8,938,144</u>	<u>\$ 8,280,984</u>	<u>\$ 8,524,722</u>
Total primary government	<u>\$ 14,396,162</u>	<u>\$ 6,255,528</u>	<u>\$ 6,464,670</u>	<u>\$ 14,216,412</u>
<b>PROGRAM REVENUES</b>				
Governmental activities:				
Charges for services:				
Public safety	\$ 151,406	\$ 170,967	\$ 140,378	\$ 29,504
Public works	-	-	-	183,272
General government	18,632	40,682	44,996	-
Culture and recreation	200,579	177,307	199,528	178,218
Operating grants and contributions	239,955	83,303	7,236	61,321
Capital grants and contributions	-	-	-	-
Total governmental activities	<u>610,572</u>	<u>472,259</u>	<u>392,138</u>	<u>452,315</u>
Business-type activities:				
Charges for services:				
Water and sewer	9,170,408	8,978,229	8,455,552	8,455,353
Municipal airport	56,879	53,740	90,754	44,252
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	-	-
Total business-type activities	<u>9,227,287</u>	<u>9,031,969</u>	<u>8,546,306</u>	<u>8,499,605</u>
Total primary government	<u>\$ 9,837,859</u>	<u>\$ 9,504,228</u>	<u>\$ 8,938,444</u>	<u>\$ 8,951,920</u>

**TABLE 2**

Fiscal Year					
2020	2021	2022	2023	2024	2025
\$ 911,438	\$ 879,171	\$ 878,588	\$ 1,169,360	\$ 1,667,032	\$ 1,679,657
3,030,185	2,754,671	2,961,746	3,232,335	3,238,391	3,540,303
1,273,778	1,366,801	1,658,534	1,675,564	1,618,358	1,652,600
949,208	946,966	1,560,654	1,820,161	1,785,158	2,126,484
34,649	88,796	59,400	104,193	72,473	62,356
<u>\$ 6,199,258</u>	<u>\$ 6,036,405</u>	<u>\$ 7,118,922</u>	<u>\$ 8,001,613</u>	<u>\$ 8,381,412</u>	<u>\$ 9,061,400</u>
\$ 8,529,271	\$ 7,114,048	\$ 7,305,609	\$ 8,419,665	\$ 8,561,895	\$ 8,574,872
57,564	83,590	85,860	70,750	86,334	70,935
<u>8,586,835</u>	<u>7,197,638</u>	<u>7,391,469</u>	<u>8,490,415</u>	<u>8,648,229</u>	<u>8,645,807</u>
<u>\$ 14,786,093</u>	<u>\$ 13,234,043</u>	<u>\$ 14,510,391</u>	<u>\$ 16,492,028</u>	<u>\$ 17,029,641</u>	<u>\$ 17,707,207</u>
\$ 158,681	\$ 280,486	\$ 136,565	\$ 194,927	\$ 192,157	\$ 145,349
-	30,743	-	-	-	-
50,262	52,863	106,736	130,631	264,731	214,875
104,028	113,642	398,969	435,146	469,665	544,301
316,385	726,275	54,479	67,218	225,197	143,301
-	-	121,729	11,982	-	491,764
<u>629,356</u>	<u>1,204,009</u>	<u>818,478</u>	<u>839,904</u>	<u>1,151,750</u>	<u>1,539,590</u>
9,107,991	8,463,674	8,914,410	9,403,913	9,790,097	9,451,181
149,041	26,719	51,272	142,817	81,907	48,018
-	-	8,500	-	1,981,183	439,094
-	-	-	977,873	-	99,441
<u>9,257,032</u>	<u>8,490,393</u>	<u>8,974,182</u>	<u>10,524,603</u>	<u>11,853,187</u>	<u>10,037,734</u>
<u>\$ 9,886,388</u>	<u>\$ 9,694,402</u>	<u>\$ 9,792,660</u>	<u>\$ 11,364,507</u>	<u>\$ 13,004,937</u>	<u>\$ 11,577,324</u>

**CITY OF GATESVILLE, TEXAS**

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS  
(accrual basis of accounting)

	Fiscal Year			
	2016	2017	2018	2019
<b>NET (EXPENSE) REVENUES</b>				
Governmental activities	\$ (4,701,050)	\$ (5,302,987)	\$ (4,807,988)	\$ (5,239,375)
Business-type activities	<u>142,747</u>	<u>93,825</u>	<u>265,322</u>	<u>(25,117)</u>
Total primary government	<u>(4,558,303)</u>	<u>(5,209,162)</u>	<u>(4,542,666)</u>	<u>(5,264,492)</u>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION</b>				
Governmental activities:				
Property taxes	1,701,398	1,870,604	2,090,486	2,392,055
Sales taxes	1,978,274	1,897,023	2,169,560	2,227,301
Occupancy	113,796	126,906	166,270	150,156
Alcoholic beverage taxes	11,629	12,534	13,780	15,436
Franchise	396,128	338,625	299,116	353,973
Hotel/motel taxes	-	-	-	-
Investment earnings	1,958	3,997	9,731	22,119
Contributions and donations	29,280	31,255	26,768	30,205
Gain on sale of capital assets	-	-	-	-
Miscellaneous	79,639	95,459	120,157	313,378
Transfers	<u>309,930</u>	<u>520,997</u>	<u>257,684</u>	<u>179,070</u>
Total governmental activities	<u>4,622,032</u>	<u>4,897,400</u>	<u>5,153,552</u>	<u>5,683,693</u>
Business-type activities:				
Other	4,870	22,317	21,939	100,415
Transfers	<u>(309,930)</u>	<u>(520,997)</u>	<u>(257,684)</u>	<u>(179,070)</u>
Total business-type activities	<u>(305,060)</u>	<u>(498,680)</u>	<u>(235,745)</u>	<u>(78,655)</u>
Total primary government	<u>4,316,972</u>	<u>4,398,720</u>	<u>4,917,807</u>	<u>5,605,038</u>
<b>CHANGE IN NET POSITION</b>				
Governmental activities	(79,018)	(405,587)	345,564	444,318
Business-type activities	<u>(162,313)</u>	<u>(404,855)</u>	<u>29,577</u>	<u>(103,772)</u>
Total primary government	<u>\$ (241,331)</u>	<u>\$ (810,442)</u>	<u>\$ 375,141</u>	<u>\$ 340,546</u>

**TABLE 2**

Fiscal Year					
2020	2021	2022	2023	2024	2025
\$ (5,569,902)	\$ (4,832,396)	\$ (6,300,444)	\$ (7,161,709)	\$ (7,229,662)	\$ (7,521,810)
<u>670,197</u>	<u>1,292,755</u>	<u>1,582,713</u>	<u>2,034,188</u>	<u>3,204,958</u>	<u>1,391,927</u>
<u>(4,899,705)</u>	<u>(3,539,641)</u>	<u>(4,717,731)</u>	<u>(5,127,521)</u>	<u>(4,024,704)</u>	<u>(6,129,883)</u>
2,557,629	2,611,759	2,508,573	3,030,239	3,378,243	3,656,179
2,283,134	2,590,953	2,673,007	2,946,402	3,031,824	3,250,773
113,545	-	-	-	-	-
13,261	14,601	14,129	13,451	15,503	11,900
378,414	354,065	857,673	853,812	829,853	840,390
-	102,497	170,989	319,368	281,400	258,109
10,952	5,846	17,099	101,367	177,400	208,754
27,038	-	-	-	-	-
-	45,996	15,887	111,647	114,321	-
213,380	326,036	267,090	75,038	33,072	91,865
<u>199,177</u>	<u>290,857</u>	<u>503,934</u>	<u>92,630</u>	<u>646,337</u>	<u>571,526</u>
<u>5,796,530</u>	<u>6,342,610</u>	<u>7,028,381</u>	<u>7,543,954</u>	<u>8,507,953</u>	<u>8,889,496</u>
91,192	297,821	259,002	444,100	601,213	493,814
<u>(199,177)</u>	<u>(290,857)</u>	<u>(503,934)</u>	<u>(92,630)</u>	<u>(646,337)</u>	<u>(571,526)</u>
<u>(107,985)</u>	<u>6,964</u>	<u>(244,932)</u>	<u>351,470</u>	<u>(45,124)</u>	<u>(77,712)</u>
<u>5,688,545</u>	<u>6,349,574</u>	<u>6,783,449</u>	<u>7,895,424</u>	<u>8,462,829</u>	<u>8,811,784</u>
226,628	1,510,214	727,937	382,245	1,278,291	1,367,686
<u>562,212</u>	<u>1,299,719</u>	<u>1,337,781</u>	<u>2,385,658</u>	<u>3,159,834</u>	<u>1,314,215</u>
<u>\$ 788,840</u>	<u>\$ 2,809,933</u>	<u>\$ 2,065,718</u>	<u>\$ 2,767,903</u>	<u>\$ 4,438,125</u>	<u>\$ 2,681,901</u>

**CITY OF GATESVILLE, TEXAS**

FUND BALANCES  
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)

	Fiscal Year			
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General fund				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Unassigned	<u>571,545</u>	<u>913,097</u>	<u>1,159,355</u>	<u>1,574,948</u>
Total general fund	<u>\$ 571,545</u>	<u>\$ 913,097</u>	<u>\$ 1,159,355</u>	<u>\$ 1,574,948</u>
All other governmental funds				
Restricted	\$ 64,613	\$ 94,759	\$ 176,756	\$ 232,524
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 64,613</u>	<u>\$ 94,759</u>	<u>\$ 176,756</u>	<u>\$ 232,524</u>

**TABLE 3**

Fiscal Year					
2020	2021	2022	2023	2024	2025
\$ -	\$ 44,731	\$ 27,661	\$ 27,661	\$ 24,163	\$ 30,237
-	168,870	-	-	-	-
<u>1,839,613</u>	<u>2,121,506</u>	<u>2,446,610</u>	<u>2,410,509</u>	<u>2,411,327</u>	<u>2,436,217</u>
<u>\$ 1,839,613</u>	<u>\$ 2,335,107</u>	<u>\$ 2,474,271</u>	<u>\$ 2,438,170</u>	<u>\$ 2,435,490</u>	<u>\$ 2,466,454</u>
\$ 213,174	\$ 799,600	\$ 1,262,777	2,219,946	2,988,562	3,241,140
-	402,443	376,927	30,288	19,512	-
<u>\$ 213,174</u>	<u>\$ 1,202,043</u>	<u>\$ 1,639,704</u>	<u>\$ 2,250,234</u>	<u>\$ 3,008,074</u>	<u>\$ 3,241,140</u>

**CITY OF GATESVILLE, TEXAS**

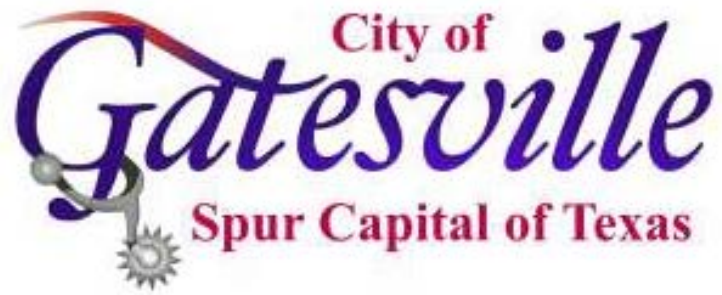
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)

	Fiscal Year			
	2016	2017	2018	2019
<b>REVENUES</b>				
Property taxes	\$ 1,662,614	\$ 1,838,005	\$ 2,051,381	\$ 2,339,593
Other taxes	2,386,031	2,375,088	2,648,726	2,746,867
Licenses and permits	18,632	40,682	44,996	29,504
Fines and forfeitures	151,406	170,967	140,378	182,272
Charges for services	200,579	177,307	199,528	178,218
Intergovernmental	239,955	83,303	7,236	61,321
Contributions and donations	14,285	31,255	26,768	30,205
Investment earnings	1,587	3,997	9,731	22,119
Miscellaneous	64,611	45,920	82,318	64,929
Total revenues	<u>4,739,700</u>	<u>4,766,524</u>	<u>5,211,062</u>	<u>5,655,028</u>
<b>EXPENDITURES</b>				
General government	826,152	601,763	692,259	671,213
Public safety	2,192,983	2,111,019	2,163,493	2,334,915
Public works	704,250	736,670	740,841	841,586
Culture and recreation	690,220	793,410	732,918	888,369
Capital outlay	213,778	677,494	437,318	544,985
Debt service				
Principal	262,862	275,347	273,335	311,479
Interest and other charges	1,498	1,304	36,710	31,879
Total expenditures	<u>4,891,743</u>	<u>5,197,007</u>	<u>5,076,874</u>	<u>5,624,426</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(152,043)</u>	<u>(430,483)</u>	<u>134,188</u>	<u>30,602</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	495,913	906,557	955,880	309,352
Transfers out	(130,947)	(386,910)	(699,652)	(131,402)
Loan proceeds	-	132,995	-	-
Lease issued	-	-	-	220,620
Gain on sale of property	15,028	49,539	37,839	41,189
Insurance recoveries	-	-	-	-
Issuance of notes payable	-	-	-	-
Total other financing sources (uses)	<u>379,994</u>	<u>702,181</u>	<u>294,067</u>	<u>439,759</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ 227,951</u>	<u>\$ 271,698</u>	<u>\$ 428,255</u>	<u>\$ 470,361</u>
<b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b>	<u>5.65%</u>	<u>6.12%</u>	<u>6.68%</u>	<u>6.76%</u>

**TABLE 4**

Fiscal Year						
2020	2021	2022	2023	2024	2025	
\$ 2,437,638	\$ 2,555,809	\$ 2,542,189	\$ 3,029,193	\$ 3,405,677	\$ 3,543,247	
2,788,355	3,062,116	3,715,798	4,133,033	4,158,580	4,366,700	
50,262	30,743	40,422	44,749	152,312	167,959	
158,681	207,672	140,487	187,210	188,774	150,564	
104,028	201,604	469,466	523,402	584,030	582,513	
316,385	924,048	375,795	49,635	189,505	560,698	
27,038	48,038	45,441	65,147	35,692	74,453	
10,952	5,846	17,099	101,367	177,400	208,754	
<u>232,804</u>	<u>80,225</u>	<u>22,062</u>	<u>39,455</u>	<u>33,072</u>	<u>89,202</u>	
<u>6,126,143</u>	<u>7,116,101</u>	<u>7,368,759</u>	<u>8,173,191</u>	<u>8,925,042</u>	<u>9,744,090</u>	
701,234	905,529	856,397	1,092,949	1,491,196	1,470,679	
2,651,373	2,731,827	2,735,585	2,875,971	3,058,063	3,326,546	
906,456	1,148,431	1,372,961	1,422,328	1,406,476	1,433,957	
764,264	848,462	1,407,305	1,654,456	1,629,541	1,960,470	
646,508	329,579	403,077	984,490	1,452,617	1,267,890	
432,112	503,742	539,200	595,161	772,136	646,929	
<u>34,649</u>	<u>87,064</u>	<u>59,453</u>	<u>77,368</u>	<u>54,179</u>	<u>70,643</u>	
<u>6,136,596</u>	<u>6,554,634</u>	<u>7,373,978</u>	<u>8,702,723</u>	<u>9,864,208</u>	<u>10,177,114</u>	
<u>(10,453)</u>	<u>561,467</u>	<u>(5,219)</u>	<u>(529,532)</u>	<u>(939,166)</u>	<u>(433,024)</u>	
520,628	919,261	1,125,663	1,233,107	1,628,360	1,182,427	
(322,786)	(628,404)	(621,729)	(1,140,477)	(982,023)	(610,901)	
-	-	-	675,000	781,000	-	
-	159,440	51,255	230,887.00	144,307	-	
78,926	73,560	26,588	105,783	122,343	-	
-	-	-	-	-	45,286	
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,242</u>	
<u>276,768</u>	<u>523,857</u>	<u>581,777</u>	<u>1,104,300</u>	<u>1,693,987</u>	<u>697,054</u>	
\$ <u>266,315</u>	\$ <u>1,085,324</u>	\$ <u>576,558</u>	\$ <u>574,768</u>	\$ <u>754,821</u>	\$ <u>264,030</u>	
<u>8.50%</u>	<u>9.49%</u>	<u>8.59%</u>	<u>8.71%</u>	<u>9.82%</u>	<u>8.05%</u>	



**CITY OF GATESVILLE, TEXAS**

**TABLE 5**

ASSESSED VALUE AND ESTIMATED  
ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN YEARS  
(UNAUDITED)

Fiscal Year	Total Assessed Value	Ratio of Total Assessed to Total Estimated Actual Value	Total Direct Tax Rate
2016	\$ 353,095,605	100.00%	0.46
2017	362,210,117	100.00%	0.51
2018	376,759,678	100.00%	0.56
2019	391,000,794	100.00%	0.56
2020	400,532,534	100.00%	0.56
2021	419,139,350	100.00%	0.56
2022	485,075,403	100.00%	0.56
2023	547,842,730	100.00%	0.56
2024	694,010,680	100.00%	0.56
2025	727,009,747	100.00%	0.56

Source: Coryell Appraisal District

**CITY OF GATESVILLE, TEXAS**

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS  
(UNAUDITED)

<b>Fiscal Year Ended 9/30</b>	<b>Tax Year</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Adjustments to Levy in Subsequent Years</b>	<b>Adjusted Taxes Levied for the Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>	
					<b>Amount</b>	<b>Percentage of Levy</b>
2016	2015	\$ 1,501,787	\$ -	\$ 1,501,787	\$ 1,471,751	98.00%
2017	2016	1,793,876	-	1,793,876	1,757,998	98.00%
2018	2017	2,031,320	-	2,031,320	1,990,694	98.00%
2019	2018	2,328,130	-	2,328,130	2,281,567	98.00%
2020	2019	2,407,587	-	2,407,587	2,359,435	98.00%
2021	2020	2,407,587	-	2,407,587	2,359,435	98.00%
2022	2021	2,480,131	-	2,480,131	2,430,528	98.00%
2023	2022	2,347,180	-	2,347,180	2,300,236	98.00%

**TABLE 6**

<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>		<b>Outstanding Delinquent Taxes</b>	<b>Ratio of Delinquent Taxes to Adjusted Levy</b>
	<b>Total Tax Amount</b>	<b>Percentage of Levy</b>		
\$ 22,404	\$ 1,494,155	99.49%	\$ 7,632	0.51%
34,377	1,792,375	99.92%	1,501	0.08%
37,925	2,028,619	99.87%	2,701	0.13%
42,850	2,324,417	99.84%	3,713	0.16%
40,755	2,400,190	99.69%	7,397	0.31%
37,884	2,397,319	99.57%	10,268	0.43%
37,554	2,468,082	99.51%	12,049	0.49%
26,266	2,326,502	99.12%	20,678	0.88%

PROPERTY TAX RATES  
 DIRECT AND OVERLAPPING  
 (Per \$100 Assessed Value)  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)

Fiscal Year	City Direct Rates			Overlapping Tax Rates			
	General	Debt Service	Total Direct Rate	School District	Hospital District	County	Total
2016	0.401	0.059	0.460	1.310	0.300	0.494	2.564
2017	0.382	0.128	0.510	1.400	0.310	0.545	2.765
2018	0.407	0.153	0.560	1.230	0.300	0.545	2.635
2019	0.402	0.158	0.560	1.150	0.310	0.545	2.565
2020	0.396	0.165	0.560	1.130	0.310	0.531	2.531
2021	0.521	0.039	0.560	1.040	0.300	0.483	2.383
2022	0.526	0.034	0.560	1.020	0.400	0.400	2.380
2023	0.510	0.050	0.560	0.830	0.370	0.373	2.133
2024	0.507	0.053	0.560	0.900	0.370	0.448	2.278
2025	0.508	0.052	0.560	0.897	0.370	0.530	2.357

Notes:

Ad Valorem Tax Limitation. The City of , Texas, has the power to levy taxes to the extent of the constitutional limit permitted by the State of Texas. The constitutional limitation is \$2.50 per hundred dollars valuation for all purposes. This limitation is \$1.50 per hundred dollars valuation purposes in the City Charter.

Due Date of Current Taxes. Full payment of taxes is due on or before January 31st. No provision is made for partial payments.

Penalties for Delinquents. Failure to make full payments before February 1st causes the tax to become delinquent immediately. Delinquent taxes are subject to a penalty in accordance with the State Property Tax Code 33.01.

Delinquent Tax Collections. A tax lien is placed on property on which the taxes have not been paid. The Tax Collector sends tax statements followed by demand letters from the attorney's office setting a final date for payment. If payment is not made by the final date, theinstigates legal procedures.

**CITY OF GATESVILLE, TEXAS**

**TABLE 8**

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR  
(UNAUDITED)

Taxpayer	Type of Business	2025		
		Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Wal-Mart Stores Texas LP	Retail Sales	\$ 13,419,480	1	2.35%
Heil Trailers International	Manufacturing	10,410,470	2	1.83%
Matus Construction Group LLC	Construction	10,264,180	3	1.80%
RBK Group Inc & ABR Group LLC	Property Management	6,938,390	4	1.22%
Texas New Mexico Power	Electric Utility	6,632,300	5	1.16%
Spectrum Gulf Coast LLC	Communications	6,562,160	6	1.15%
TTG Utilities LP	Utility	6,462,200	7	1.13%
Gatesville NH Realty LTD	Skilled Healthcare Facility	6,042,570	8	1.06%
Gilchrist Real Estate Holdings LLC	Real Estate	5,875,000	9	1.03%
Martin Industrial Storage LLC	Storage	5,368,249	10	0.94%
	Totals	<u>\$ 77,974,999</u>		<u>13.67%</u>

Source: Coryell Appraisal District

Note: Information from nine years ago is unavailable.

**CITY OF GATESVILLE, TEXAS**

RATIO OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS  
(UNAUDITED)

Fiscal Year	Governmental Activities			
	Bonds	Notes Payable	Leases	SBITAs
2016	\$ 1,225,000	\$ 425,488	\$ -	\$ -
2017	1,085,000	476,041	158,370	-
2018	940,000	403,616	233,105	-
2019	790,000	552,614	1,034,167	-
2020	640,000	447,696	1,153,948	-
2021	485,000	338,993	1,073,309	-
2022	325,000	793,840	442,466	-
2023	840,000	607,417	283,109	141,507
2024	575,000	1,172,476	230,765	96,183
2025	295,000	1,037,481	126,237	49,019

**TABLE 9**

Business-type Activities			Total Primary Government	Total Debt Per Capita	Debt as % of Personal Income
General & Revenue Bonds	Leases	Notes Payable			
\$ 15,170,000	\$ -	\$ 180,000	\$ 16,820,488	1,356	3.57%
14,900,000	110,948	949,000	16,730,359	1,358	3.56%
14,105,000	162,909	924,125	15,844,630	1,295	3.43%
23,480,000	137,963	872,910	25,994,744	2,096	4.98%
24,950,000	129,619	819,915	27,321,263	1,693	3.72%
23,770,000	79,421	765,079	25,746,723	1,594	3.36%
22,275,000	191,634	708,339	34,374,890	2,132	4.58%
20,755,000	193,745	664,492	23,485,270	1,431	2.61%
19,220,000	172,576	862,971	22,329,971	1,363	2.38%
17,640,000	114,594	754,587	20,016,918	1,240	1.97%

**CITY OF GATESVILLE, TEXAS**

RATIOS OF GENERAL BONDED DEBT  
TO ASSESSED VALUE AND NET GENERAL  
BONDED DEBT PER CAPITA

LAST TEN FISCAL YEARS  
(UNAUDITED)

<u>Fiscal Year</u>	<u>Population<sup>1</sup></u>	<u>Assessed Value (In Thousands)<sup>2</sup></u>	<u>Gross Bonded Debt<sup>3</sup></u>	<u>Less Debt Service Funds with Restriction<sup>4</sup></u>
2016	12,403	\$ 353,096	\$ 11,590,000	\$ 165,294
2017	12,320	362,210	10,880,000	167,174
2018	12,237	376,760	15,045,000	168,944
2019	12,401	391,001	14,270,000	790,000
2020	16,135	400,533	16,065,000	167,319
2021	16,155	419,139	15,205,000	168,870
2022	16,126	485,075	14,025,000	22,006
2023	16,409	547,843	13,495,000	32,454
2024	16,388	694,011	12,170,000	42,889
2025	16,148	727,010	10,790,000	80,358

(1) Source: Municipal Advisory Council

(2) Table 5

(3) Table 9 - Amount does not include Revenue Bonds.

(4) Amount available for repayment of General Obligation Bonds

**TABLE 10**

	<u>Net Bonded Debt</u>	<u>Bonded Debt to Assessed Value</u>	<u>Bonded Debt Per Capita</u>
\$	11,424,706	3.24%	921
	10,712,826	2.96%	870
	14,876,056	3.95%	1,216
	13,480,000	3.45%	1,087
	15,897,681	3.97%	985
	15,036,130	3.59%	931
	14,002,994	2.89%	868
	13,462,546	2.46%	820
	12,127,111	1.75%	740
	10,709,642	1.47%	663

**CITY OF GATESVILLE, TEXAS**

**TABLE 11**

DIRECT AND OVERLAPPING GOVERNMENTAL DEBT

AS OF SEPTEMBER 30, 2025  
(UNAUDITED)

Jurisdiction	Net General Obligation Bonded Debt Outstanding	Percentage Applicable to City of Gatesville	Amount Applicable to City of Gatesville
Direct:			
	\$ <u>1,507,737</u>	100.00%	\$ <u>1,507,737</u>
Total direct debt	<u>1,507,737</u>		<u>1,507,737</u>
Overlapping:			
Gatesville Independent School District	17,500,000	45.23%	7,915,250
Coryell County	<u>5,980,000</u>	14.60%	<u>873,080</u>
Total overlapping debt	<u>23,480,000</u>		<u>8,788,330</u>
Total direct and overlapping debt	<u>\$ 24,987,737</u>		<u>\$ 10,296,067</u>
Ratio of direct and overlapping bonded debt to taxable assessed valuation			3.02%
Per capita direct and overlapping bonded debt			\$ 1,297.89

Source: Municipal Advisory Council Report

LEGAL DEBT MARGIN INFORMATION

AS OF SEPTEMBER 30, 2025  
(UNAUDITED)

No direct funded debt limitation is imposed on the City under current state law or the City's Home rule

The City Charter empowers the City Council, under the provisions of the Texas Constitution, Article II, Section 5, to levy, assess and collect an annual tax upon taxable property within the City. The Charter further states the tax is not to exceed a total of one dollar and fifty cents (\$1.50) on the one hundred dollars (\$100.00) assessed valuation of said property. No provisions are made limiting the amount of this tax rate that can be used for debt service. The City may issue only those bonds and amounts approved by the voters of the City.

**CITY OF GATESVILLE, TEXAS**

**TABLE 13**

REVENUE BOND COVERAGE  
WATER AND SEWER BONDS

LAST TEN FISCAL YEARS  
(UNAUDITED)

Fiscal Year	Gross Revenue	Direct Operating Expenses <sup>1</sup>	Net Revenue Available for Debt Service	Debt Service <sup>2</sup> Total	Coverage <sup>3</sup>
2016	\$ 9,175,278	\$ 5,636,145	\$ 3,539,133	\$ 437,880	8.08
2017	9,000,546	7,624,215	1,376,331	291,340	4.72
2018	8,477,491	5,637,650	2,839,841	139,100	20.42
2019	8,094,867	5,253,885	2,840,982	29,430	96.53
2020	9,199,183	6,961,574	2,237,609	675,181	3.31
2021	8,476,836	6,926,800	2,880,282	700,375	4.11
2022	8,950,338	7,412,115	2,840,864	697,840	4.07
2023	10,825,795	8,846,693	2,561,808	698,965	3.67
2024	12,372,252	10,570,240	1,802,012	736,651	2.45
2025	10,387,570	6,322,307	4,065,263	562,226	7.23

Notes:

- (1) Total operating expenses exclusive of depreciation.
- (2) Revenue bonded debt only
- (3) Based on current debt service as opposed to maximum annual debt service as specified in the bond ordinances.

**CITY OF GATESVILLE, TEXAS**

**TABLE 14**

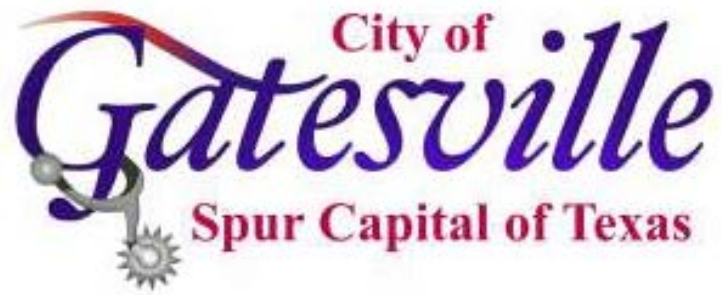
DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS  
(UNAUDITED)

<u>Fiscal Year</u>	<u>Population<sup>1</sup></u>	<u>Median Income<sup>2</sup></u>	<u>Per Capita Income<sup>3</sup></u>	<u>Personal Income<sup>2</sup></u>	<u>School Enrollment<sup>4</sup></u>	<u>Unemployment Rate<sup>5</sup></u>
2016	12,403	\$ 37,984	\$ 14,089	\$ 174,746,125	2,830	4.6%
2017	12,320	38,165	14,156	174,403,858	2,800	4.3%
2018	12,237	37,800	14,021	171,572,181	2,760	3.8%
2019	12,401	42,122	15,624	319,658,671	2,720	3.5%
2020	16,135	45,495	16,875	272,278,125	2,700	6.5%
2021	16,155	47,480	17,611	284,510,163	2,650	5.0%
2022	16,126	46,536	17,261	278,352,944	2,670	4.4%
2023	16,409	54,802	20,327	333,548,226	2,690	4.2%
2024	16,388	57,217	21,223	347,801,260	2,689	4.4%
2025	16,148	62,809	23,297	376,201,681	2,700	4.4%

Sources:

- (1) Municipal Advisory Council of Texas
- (2) Census.gov
- (3) City staff calculation based on family median income for 2.696 members per family.
- (4) Gatesville Independent School District
- (5) Texas Workforce Commission



**CITY OF GATESVILLE, TEXAS**

**TABLE 15**

PRINCIPAL EMPLOYERS

CURRENT YEAR  
(UNAUDITED)

Employer	Type of Business	2025	
		Employees	Percentage of Total City Employment
Texas Department of Criminal Justice (TDCJ)	State Government / Corrections	2,500	45.50%
Coryell Health	Healthcare / Hospital	350	6.40%
Gatesville ISD	Public Education	300	5.50%
Kalyn Siebert (Heil Trailer)	Manufacturing	250	4.50%
Coryell County	County Government	200	3.60%
Walmart Supercenter	Retail	225	4.10%
Laerdal Medical	Manufacturing	150	2.70%
H-E-B	Retail (Grocery)	150	2.70%
City of Gatesville	Municipal Government	100	1.80%
Central Texas College	Higher Education	<u>100</u>	<u>1.80%</u>
	Totals	<u>4,325</u>	<u>78.60%</u>
	Total City Employment	5,500	<b>A</b>

**A** - Estimate

Note: Information from nine years ago is unavailable.

**CITY OF GATESVILLE, TEXAS**

FULLTIME EQUIVALENT CITY GOVERNMENT EMPLOYEES  
BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS  
(UNAUDITED)

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
General government				
Administration	N/A	N/A	N/A	N/A
Public safety				
Police & animal control	N/A	N/A	N/A	N/A
Municipal court	N/A	N/A	N/A	N/A
Code compliance	N/A	N/A	N/A	N/A
Planning and development	N/A	N/A	N/A	N/A
Public works				
Streets and drainage	N/A	N/A	N/A	N/A
Fleet services	N/A	N/A	N/A	N/A
Culture and recreation				
Park maintenance and recreation	N/A	N/A	N/A	N/A
Swimming pool	N/A	N/A	N/A	N/A
Fitness center	N/A	N/A	N/A	N/A
Fort Hood rec management	N/A	N/A	N/A	N/A
Civic Center	N/A	N/A	N/A	N/A
Library	N/A	N/A	N/A	N/A
Water distribution	N/A	N/A	N/A	N/A
Water production	N/A	N/A	N/A	N/A
Wastewater	N/A	N/A	N/A	N/A

Totals

N/A - The information prior to 2024 is not available.

**TABLE 16**

<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
N/A	N/A	N/A	N/A	7.00	7.00
N/A	N/A	N/A	N/A	29.00	32.00
N/A	N/A	N/A	N/A	2.00	1.00
N/A	N/A	N/A	N/A	1.00	2.00
N/A	N/A	N/A	N/A	1.00	2.50
N/A	N/A	N/A	N/A	8.00	9.00
N/A	N/A	N/A	N/A	1.00	1.00
N/A	N/A	N/A	N/A	7.00	7.50
N/A	N/A	N/A	N/A	2.00	2.00
N/A	N/A	N/A	N/A	4.50	4.50
N/A	N/A	N/A	N/A	5.00	5.00
N/A	N/A	N/A	N/A	1.00	1.00
N/A	N/A	N/A	N/A	4.50	4.50
N/A	N/A	N/A	N/A	11.00	11.00
N/A	N/A	N/A	N/A	5.00	7.00
N/A	N/A	N/A	N/A	6.50	9.00
				<u>95.50</u>	<u>106.00</u>

**GATESVILLE, TEXAS**

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS  
(UNAUDITED)

	<b>Fiscal Year</b>			
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Public safety				
Police department				
Calls for service	14,225	13,291	13,291	13,014
Traffic citations	1,563	1,212	1,212	1,436
Criminal offenses	1,312	444	527	574
Number of accidents	127	115	126	137
Municipal Court				
Warnings	3,830	2,788	5,256	7,212
Citations	3,938	3,688	3,055	3,998
Closed Warrants	490	529	412	551
Culture and recreation				
Library				
Annual circulation	71,618	71,303	63,064	62,402
Annual patron visits	56,000	56,990	54,990	57,620
Parks				
Number of league participants	7,325	3,974	3,315	3,112
Water production and distribution				
Number of water customers	3,220	3,286	3,325	3,322
Wastewater operations				
Number of wastewater customers	2,915	2,951	2,997	3,034
Effluent MG per Year	1,094	967	943	917

Note: Indicators are not available for the general government and economic development functions.

**TABLE 17**

<b>Fiscal Year</b>					
<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
13,957	19,272	20,354	23,713	22,237	24,420
1,235	1,273	857	3,597	784	1,061
394	379	296	386	566	455
135	157	142	166	133	148
4,472	3,821	2,818	3,970	7,786	6,859
3,742	3,814	3,101	3,949	2,531	2,722
381	268	230	466	524	237
29,240	29,825	36,231	40,606	43,672	17,066
29,200	40,000	42,500	43,070	44,703	45,000
1,290	2,232	3,146	2,200	3,850	1,100
3,471	3,479	4,179	3,514	3,572	3,603
3,141	3,147	3,685	3,202	3,229	3,256
906	784	727	771	878	834

**GATESVILLE, TEXAS**

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

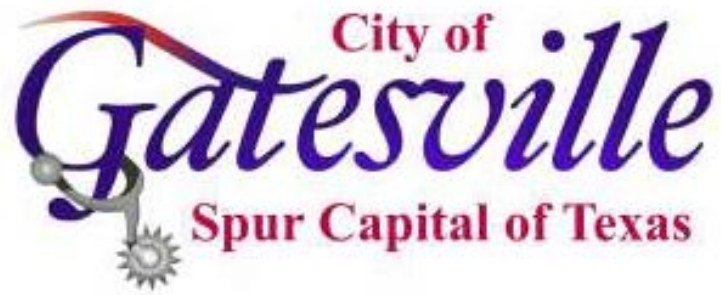
LAST TEN FISCAL YEARS  
(UNAUDITED)

	Fiscal Year			
	2016	2017	2018	2019
Public safety				
Police department				
Stations	1	1	1	1
Patrol cars	20	20	20	20
Culture and recreation				
Library	1	1	1	1
Volumes	44,793	44,284	45,837	46,283
Parks and recreation				
Acreage	203	203	203	203
Playgrounds	7	7	7	7
Picnic areas	30	30	30	30
Baseball/softball diamonds	8	8	8	8
Soccer/football fields	1	1	1	1
Water production and distribution				
Water plants	1	1	1	1
Water Production Capacity (MGD)	11.5	11.5	11.5	11.5
Water mains (miles)	18	18	18	18
Wastewater operations				
Wastewater plants	2	2	2	2
Combined Sewer treatment capacity (MGD)	11.29	11.29	11.29	11.29
Airports				
Runway length (Feet)	3,400	3,400	3,400	3,400

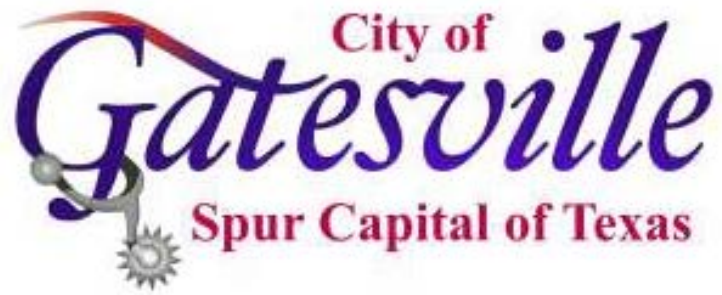
Note: Indicators are not available for the general government, public health and economic development functions.

**TABLE 18**

<b>Fiscal Year</b>						
<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	
1 20	1 20	1 20	1 20	1 20	1 21	1 22
1 47,034	1 46,938	1 48,928	1 45,839	1 44,577	1 44,577	1 16,500
203 7 30 8 1	203 7 30 8 1	203 7 30 8 1	203 7 30 12 1	203 7 30 12 1	203 7 30 12 1	203 7 30 12 1
1 11.5 18	1 11.5 18	1 11.5 18	1 11.5 18	1 11.5 18	1 11.5 18	1 11.5 18
2 11.29	2 11.29	2 11.29	2 11.29	2 11.29	2 11.29	2 11.29
1 3,400	1 3,400	1 3,400	1 3,400	1 3,400	1 3,400	1 3,400



## **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**

Honorable Mayor  
and Members of 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 (*Government Auditing Standards*), the 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, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Gatesville, Texas’ basic financial statements, and have issued our report thereon dated March 24, 2026.

***Report on Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City of Gatesville, Texas’ 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.

**OFFICE LOCATIONS**

**TEXAS** | Waco | Temple | Hillsboro | Houston  
**NEW MEXICO** | Albuquerque

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Gatesville, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 City of Gatesville, Texas' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Pattillo, Brown & Hill, L.L.P.*

Waco, Texas  
March 24, 2026