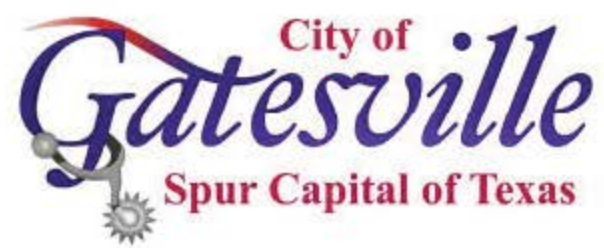


ANNUAL FINANCIAL REPORT

of the

City of Gatesville, Texas

For the Year Ended September 30, 2022



City of Gatesville, Texas
ANNUAL FINANCIAL REPORT
 For the Year Ended September 30, 2022

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION:	
Independent Auditor's Report.....	1-3
Management's Discussion and Analysis.....	5-11
 Basic Financial Statements:	
 Government-wide Financial Statements:	
Statement of Net Position.....	14-15
Statement of Activities.....	16-17
 Governmental Funds Financial Statements:	
Balance Sheet - Governmental Funds.....	18-19
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position.....	21
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	22-23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	24
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund.....	25
 Proprietary Fund Financial Statements:	
Statement of Net Position - Proprietary Funds.....	26-27
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds.....	28
Statement of Cash Flows - Proprietary Funds.....	29
 Fiduciary Fund:	
Statement of Fiduciary Net Position Fiduciary Fund.....	30
Statement of Changes in Fiduciary Net Position Fiduciary Fund.....	31
 Notes to the Financial Statements	 33-72
 Required Supplementary Information:	
Schedule of Changes in the City's Net Pension Liability and Related Ratios - Texas Municipal Retirement System (TMRS) Last Ten Measured Years.....	74-75
Schedule of Contributions to Pension Plan - Texas Municipal Retirement System (TMRS) Last Ten Fiscal Years.....	76-77
Schedule of Changes in Total OPEB Liability and Related Ratios - Texas Municipal Retirement System (TMRS) Last Ten Measured Years.....	78
Schedule of OPEB Contributions - Texas Municipal Retirement System (TMRS) Last Ten Fiscal Years.....	79

City of Gatesville, Texas
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2022

TABLE OF CONTENTS

Required Supplementary Information (Continued):

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

Combining Fund Statements:

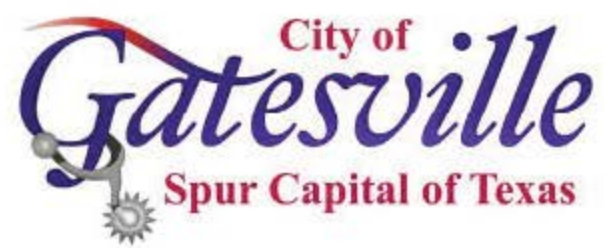
Nonmajor Governmental Funds:

Combining Balance Sheet - Nonmajor Governmental Funds.....	84-85
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds.....	86-87

COMPLIANCE SECTION:

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	91-92
Schedule of Audit Findings and Responses.....	93
Schedule of Prior Year Audit Findings and Responses.....	94

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gatesville, Texas (the City), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gatesville, Texas, as of September 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City 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

As discussed in Note I to the basic financial statements, during the year ended September 30, 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. 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's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-11, and the required supplementary information as listed in the table of contents on pages 74-81 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining financial statements on pages 84-87, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Vail + Park, P.C.

Tom Bean, Texas
April 25, 2023



City of Gatesville, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2022

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, 2022.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources as of September 30, 2022, by \$22,640,431 (net position). Of this amount \$16,524,232 is the net investment in capital assets, \$1,946,261 is restricted for debt service, \$792,479 is restricted for capital projects, \$349,590 is restricted for special purposes and \$98,702 is restricted for public safety, and \$2,929,167 is unrestricted.
- As of the close of the current fiscal year, the City's governmental activities reported combined ending net position of \$7,244,719. This is an increase of \$727,937 (or 11%) from the prior years restated net position of \$6,516,782.
- As of September 30, 2022, unassigned fund balance for the General Fund was \$2,823,537. This is an increase of \$702,031 (or 33%) from the prior years unassigned fund balance of \$2,121,506.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

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

City of Gatesville, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2022

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

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

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

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

A Budgetary Comparison Schedule has been provided for the General Fund to demonstrate compliance with the annual appropriated budget. Data for the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these 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, fitness center, and airport operations.

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

Notes to the Financial Statements:

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

City of Gatesville, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2022

Other Information:

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$22,640,431 as of September 30, 2022.

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	
	2022	2021	2022	2021	2022	2021
Assets						
Current and other assets	\$ 5,949,625	\$ 5,485,934	\$ 14,882,573	\$ 13,642,486	\$ 20,832,198	\$ 19,128,420
Capital assets	6,559,379	6,280,935	26,225,174	26,681,800	32,784,553	32,962,735
Total Assets	12,509,004	11,766,869	41,107,747	40,324,286	53,616,751	52,091,155
Deferred Outflows of Resources	445,866	367,498	756,151	850,716	1,202,017	1,218,214
Liabilities						
Other liabilities	2,567,736	2,451,828	4,131,806	2,350,923	6,699,542	4,802,751
Long-term liabilities	2,137,370	3,003,443	21,931,773	23,917,370	24,069,143	26,920,813
Total Liabilities	4,705,106	5,455,271	26,063,579	26,268,293	30,768,685	31,723,564
Deferred Inflows of Resources	1,005,045	649,434	404,607	360,327	1,409,652	1,009,761
Net Position						
Net investment in capital assets	4,998,073	4,383,633	11,526,159	10,422,669	16,524,232	14,806,302
Restricted	1,262,777	468,470	1,924,255	1,915,257	3,187,032	2,383,727
Unrestricted	983,869	1,177,559	1,945,298	2,208,456	2,929,167	3,386,015
Total Net Position	\$ 7,244,719	\$ 6,029,662	\$ 15,395,712	\$ 14,546,382	\$ 22,640,431	\$ 20,576,044

As of September 30, 2022, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business type activities.

City of Gatesville, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2022

	Governmental Activities		Business Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Revenue						
Program revenue						
Charges for services	\$ 642,270	\$ 477,734	\$ 8,965,682	\$ 8,490,393	\$ 9,607,952	\$ 8,968,127
Operating grants and contributions	54,479	726,275	8,500	-	62,979	726,275
Capital grants and contributions	121,729	-	-	-	121,729	-
General Revenue						
Property taxes	2,508,573	2,611,759	-	-	2,508,573	2,611,759
Sales taxes	2,673,007	2,590,953	-	-	2,673,007	2,590,953
Franchise taxes	857,673	354,065	-	-	857,673	354,065
Hotel/motel taxes	170,989	102,497	-	-	170,989	102,497
Other taxes	14,129	14,601	-	-	14,129	14,601
Investment income	17,099	5,846	28,270	13,508	45,369	19,354
Other revenues	267,090	326,036	230,732	284,313	497,822	610,349
Total revenue	7,327,038	7,209,766	9,233,184	8,788,214	16,560,222	15,997,980
Expenses						
General government	878,588	879,171	-	-	878,588	879,171
Public safety	2,961,746	2,754,671	-	-	2,961,746	2,754,671
Public works	1,658,534	1,366,801	-	-	1,658,534	1,366,801
Culture and recreation	1,560,654	946,966	-	-	1,560,654	946,966
Water and Sewer	-	-	7,305,609	7,114,048	7,305,609	7,114,048
Airport	-	-	85,860	83,590	85,860	83,590
Interest and fiscal charges	59,400	88,796	-	-	59,400	88,796
Total expenses	7,118,922	6,036,405	7,391,469	7,197,638	14,510,391	13,234,043
Change in Net Position Before Transfers	208,116	1,173,361	1,841,715	1,590,576	2,049,831	2,763,937
Transfers	503,934	290,857	(503,934)	(290,857)	-	-
Gain (loss) on disposal of asset	15,887	45,996	-	-	15,887	45,996
Total	519,821	336,853	(503,934)	(290,857)	15,887	-
Change in Net Position	727,937	1,510,214	1,337,781	1,299,719	2,065,718	2,763,937
Net position - Beginning, as Restated	6,516,782	4,519,448	14,057,931	13,246,663	20,574,713	17,766,111
Net position September 30	\$ 7,244,719	\$ 6,029,662	\$ 15,395,712	\$ 14,546,382	\$ 22,640,431	\$ 20,576,044

Governmental Activities:

Revenues from governmental activities when compared to the prior year had an increase of \$117,272. This increase is a result of an increase of \$82,054 in sales tax revenue, as well as a \$121,729 increase in capital grants and contributions. Expenses in governmental activities increased by \$1,082,517 from the prior year with the largest increase of \$613,688 in culture and recreation.

Business-type Activities:

Revenues from business-type activities increased by \$444,970 from the prior year. This increase is due to a \$475,289 increase in charges for services. Expenses increased by \$193,831 from the prior year. This slight increase is due to an increase in water and sewer expenses for services provided.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

City of Gatesville, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2022

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,113,975. Approximately 69% (percent) of this total amount (\$2,823,537) constitutes unassigned fund balance.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund actual revenue exceeded budgeted amounts by \$542,223 due in large part to sales tax actual revenue exceeding budgeted amounts by \$223,007. General Fund actual expenditures were under final budgeted amounts by \$31,820.

CAPITAL ASSETS

Governmental capital assets increased by \$278,444 from fiscal year 2021 to 2022 due to the assets related to the fitness center being transferred from business-type activities to governmental activities. Business-type capital assets decreased by \$456,626 due the transfer of the fitness center assets noted above. As required, the City implemented GASB 87 during the fiscal year, creating a new asset class for right to use assets and the related accumulated amortization. The table below presents the City's capital assets as of September 30, 2022, as well as the previous fiscal year-end.

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Land	\$ 636,543	\$ 636,543	\$ 300,339	\$ 300,339	\$ 936,882	\$ 936,882
Construction in progress	84,846	48,716	1,501,511	1,385,780	1,586,357	1,434,496
Buildings and improvements	4,364,888	3,268,188	59,132,109	58,711,541	63,496,997	61,979,729
Improvements other than buildings	4,700,328	4,654,647	-	-	4,700,328	4,654,647
Machinery and equipment	4,690,591	5,164,521	5,538,175	5,898,037	10,228,766	11,062,558
Right to use - vehicles & equipment	611,826	-	256,345	-	868,171	-
Less: accumulated depreciation	(8,299,359)	(7,491,680)	(40,411,090)	(39,613,897)	(48,710,449)	(47,105,577)
Less: accumulated amortization	(230,284)	-	(92,215)	-	(322,499)	-
Total Assets	\$ 6,559,379	\$ 6,280,935	\$ 26,225,174	\$ 26,681,800	\$ 32,784,553	\$ 32,962,735

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had total debt of \$26,070,002. Total debt of the City decreased by \$3,145,732 due to principal payments in the current year. Additional information on the City's long-term debt can be found below and within the notes section of this report.

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
General obligation	\$ 325,000	\$ 485,000	\$ 13,700,000	\$ 14,720,000	\$ 14,025,000	\$ 15,205,000
Revenue bonds payable	-	-	8,575,000	9,050,000	8,575,000	9,050,000
Notes payable	793,840	1,412,302	708,339	844,500	1,502,179	2,256,802
Total Debt Payable	1,118,840	1,897,302	22,983,339	24,614,500	24,102,179	26,511,802
Right to use lease liability	442,466	-	191,633	-	-	-
Compensated absences	232,241	129,915	95,865	65,139	328,106	195,054
Net pension liability	761,082	1,267,198	293,757	703,081	1,054,839	1,970,279
Total OPEB liability	421,998	346,404	162,880	192,195	584,878	538,599
Total Long Term Liabilities	\$ 2,976,627	\$ 3,640,819	\$ 23,727,474	\$ 25,574,915	\$ 26,070,002	\$ 29,215,734

City of Gatesville, Texas

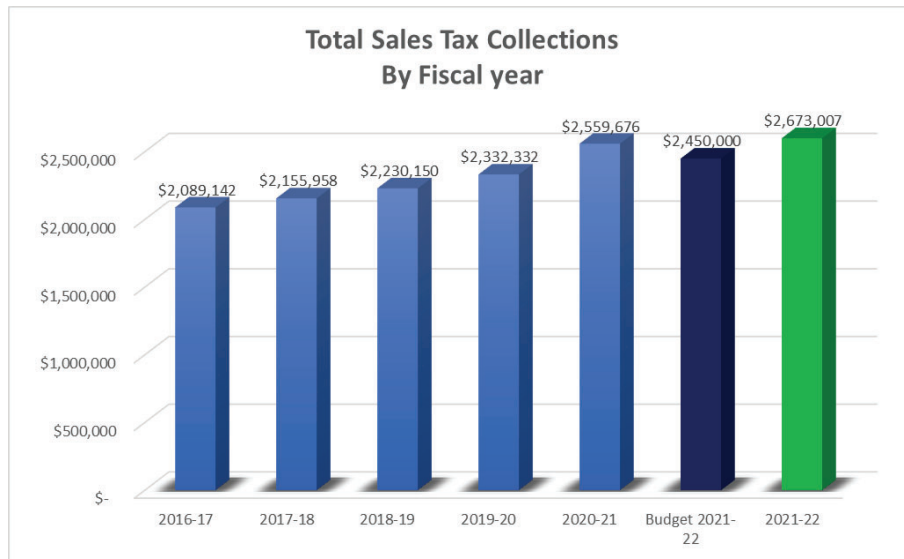
MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2022

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 15,826. 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 1.8% from 2014-2015. 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 2012 the prisons in Gatesville employed 2,497 people (29 percent resided in Gatesville). Additionally in 2016 there were 8,055 incarcerated individuals (5,180 females/2,785 males) in Gatesville totaling over half the population of the City. 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 Hood will continue to shape opportunities for Gatesville's economy in the near- to mid-term.

Annual sales tax allocations saw an increase of 3.2 percent in FY 2022 over FY 2021. 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 2022 budget for sales tax collections was \$2.45M. The fiscal year ended with collections exceeding budget by \$223,007, or 9.1%.



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).

City of Gatesville, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2022

While not a significant economic impact on Gatesville's economy, worldwide strategic uncertainty is impacting Reserve Component (Army National Guard and US Army Reserve) mobilizations at North Fort Hood which are projected at the current time to remain steady compared to FY 2021. As major decision point regarding mobilization occur, the adopted budget will be adjusted (if necessary) to account for any changes. The largest impact are water sales and sewer revenues, with little change in sales, or hotel/motel occupancy taxes.

A Retail water rate study was completed to ensure rates adequately fund current operating and maintenance costs, as well as infrastructure projects in the 5-year Capital Improvement Plan (CIP). The rate study included restructuring rates from a flat volumetric rate to a tiered, or block rate structure. As consumption increases, rates increase incrementally to encourage conservation. Sewer rates were adjusted to adequately fund operating and CIP projects. The new rate structure is effective April of 2023.

REQUEST FOR INFORMATION

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



**BASIC FINANCIAL
STATEMENTS**

City of Gatesville, Texas
STATEMENT OF NET POSITION (PAGE 1 OF 2)
As of September 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 3,680,387	\$ 4,944,933	\$ 8,625,320
Receivables, (net)	816,762	1,151,106	1,967,868
Inventories	27,661	211,400	239,061
Restricted assets:			
Cash and cash equivalents	1,424,815	8,575,134	9,999,949
Total Current Assets	5,949,625	14,882,573	20,832,198
Capital assets:			
Non-depreciable	721,389	1,801,850	2,523,239
Depreciable (net of accumulated depreciation)	5,456,448	24,259,194	29,715,642
Right to use assets (net of accumulated amortization)	381,542	164,130	545,672
Total Capital Assets	6,559,379	26,225,174	32,784,553
Total Noncurrent Assets	6,559,379	26,225,174	32,784,553
Total Assets	12,509,004	41,107,747	53,616,751
Deferred Outflows of Resources			
Deferred outflows - pension	395,526	152,661	548,187
Deferred outflows - OPEB	50,340	19,430	69,770
Deferred charges on refunding	-	584,060	584,060
Total Deferred Outflows of Resources	\$ 445,866	\$ 756,151	\$ 1,202,017

See Notes to Financial Statements.

City of Gatesville, Texas
STATEMENT OF NET POSITION (PAGE 2 OF 2)
As of September 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current liabilities:			
Accounts payable	\$ 181,214	\$ 462,161	\$ 643,375
Accrued liabilities and other payables	130,918	-	130,918
Unearned revenue	1,414,668	1,539,839	2,954,507
Customer deposits	-	294,663	294,663
Accrued interest payable	1,679	39,442	41,121
Due within one year:			
Bonds, notes, and leases payable	607,016	1,699,836	2,306,852
Accrued compensated absences	232,241	95,865	328,106
Total Current Liabilities	<u>2,567,736</u>	<u>4,131,806</u>	<u>6,699,542</u>
Noncurrent liabilities:			
Due in more than one year:			
Bonds, notes, and leases payable	954,290	21,475,136	22,429,426
Net pension liability	761,082	293,757	1,054,839
Total OPEB liability	421,998	162,880	584,878
Total Noncurrent Liabilities	<u>2,137,370</u>	<u>21,931,773</u>	<u>24,069,143</u>
Total Liabilities	<u>4,705,106</u>	<u>26,063,579</u>	<u>30,768,685</u>
Deferred Inflows of Resources			
Deferred inflows - pension	941,641	363,447	1,305,088
Deferred inflows - OPEB	48,896	18,873	67,769
Deferred lease inflows	14,508	22,287	36,795
Total Deferred Inflows of Resources	<u>1,005,045</u>	<u>404,607</u>	<u>1,409,652</u>
Net Position			
Net investment in capital assets	4,998,073	11,526,159	16,524,232
Restricted for:			
Debt service	22,006	1,924,255	1,946,261
Capital projects	792,479	-	792,479
Special purposes	349,590	-	349,590
Public safety	98,702	-	98,702
Unrestricted	983,869	1,945,298	2,929,167
Total Net Position	<u>\$ 7,244,719</u>	<u>\$ 15,395,712</u>	<u>\$ 22,640,431</u>

See Notes to Financial Statements.

City of Gatesville, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public safety	\$ 2,961,746	\$ 136,565	\$ 21,584	\$ -
Public works	1,658,534	-	-	121,729
General government	878,588	106,736	-	-
Culture and recreation	1,560,654	398,969	32,895	-
Interest and fiscal charges	59,400	-	-	-
Total Governmental Activities	7,118,922	642,270	54,479	121,729
Business-Type Activities:				
Water and sewer	7,305,609	8,914,410	8,500	-
Municipal airport	85,860	51,272	-	-
Total Business-Type Activities	7,391,469	8,965,682	8,500	-
Total Primary Government	\$ 14,510,391	\$ 9,607,952	\$ 62,979	\$ 121,729

General Revenues:

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

Transfers in (out)

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning, as Restated

Net Position - Ending

See Notes to Financial Statements.

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

Governmental Activities	Business-Type Activities	Total
\$ (2,803,597)		\$ (2,803,597)
(1,536,805)		(1,536,805)
(771,852)		(771,852)
(1,128,790)		(1,128,790)
(59,400)		(59,400)
<u>(6,300,444)</u>		<u>(6,300,444)</u>
-	\$ 1,617,301	1,617,301
-	(34,588)	(34,588)
-	1,582,713	1,582,713
<u>(6,300,444)</u>	<u>1,582,713</u>	<u>(4,717,731)</u>
2,508,573	-	2,508,573
2,673,007	-	2,673,007
857,673	-	857,673
14,129	-	14,129
170,989	-	170,989
17,099	28,270	45,369
267,090	230,732	497,822
15,887	-	15,887
503,934	(503,934)	-
<u>7,028,381</u>	<u>(244,932)</u>	<u>6,783,449</u>
727,937	1,337,781	2,065,718
6,516,782	14,057,931	20,574,713
<u>\$ 7,244,719</u>	<u>\$ 15,395,712</u>	<u>\$ 22,640,431</u>

City of Gatesville, Texas
BALANCE SHEET - GOVERNMENTAL FUNDS
As of September 30, 2022

	General Fund	Nonmajor Debt Service Fund
Assets		
Cash and cash equivalents	\$ 2,055,748	\$ 22,006
Receivables, net:		
Property taxes	116,225	4,217
Sales taxes	476,137	-
Leases	14,508	-
Other	205,675	-
Due from other funds	-	-
Inventories	27,661	-
Restricted assets:		
Cash and cash equivalents	-	-
Total Assets	2,895,954	26,223
Liabilities		
Accounts payable	174,187	-
Accrued liabilities and other payables	130,918	-
Deferred revenue - federal grants	-	-
Due to other funds	11,945	-
Total Liabilities	317,050	-
Deferred Inflows of Resources		
Unavailable revenue - property taxes	60,515	4,217
Unavailable revenue - fines	29,610	-
Unavailable revenue - leases	14,508	-
Total Deferred Inflows of Resources	104,633	4,217
Fund Balances		
Nonspendable	27,661	-
Restricted for:		
Debt service	-	22,006
Capital projects	-	-
Special purposes	-	-
Public safety	-	-
Unassigned	2,446,610	-
Total Fund Balances	2,474,271	22,006
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,895,954	\$ 26,223

See Notes to Financial Statements.

Nonmajor Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 792,479	\$ 810,154	\$ 3,680,387
-	-	120,442
-	-	476,137
-	-	14,508
-	-	205,675
-	11,945	11,945
-	-	27,661
-	1,424,815	1,424,815
<u>792,479</u>	<u>2,246,914</u>	<u>5,961,570</u>
-	7,027	181,214
-	-	130,918
-	1,414,668	1,414,668
-	-	11,945
<u>-</u>	<u>1,421,695</u>	<u>1,738,745</u>
-	-	64,732
-	-	29,610
<u>-</u>	<u>-</u>	<u>14,508</u>
<u>-</u>	<u>-</u>	<u>108,850</u>
-	-	27,661
-	-	22,006
792,479	-	792,479
-	349,590	349,590
-	98,702	98,702
<u>-</u>	<u>376,927</u>	<u>2,823,537</u>
<u>792,479</u>	<u>825,219</u>	<u>4,113,975</u>
<u>\$ 792,479</u>	<u>\$ 2,246,914</u>	<u>\$ 5,961,570</u>



City of Gatesville, Texas
*RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION*
 September 30, 2022

Fund Balances - Total Governmental Funds \$ 4,113,975

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

Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the governmental funds. 6,559,379

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

Property taxes receivables 64,732
 Fines receivable 29,610

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 (546,115)
 OPEB amounts 1,444

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 (1,679)
 Accrued compensated absences (232,241)
 Non-current debt due in one year (607,016)
 Non-current debt due in more than one year (954,290)
 Net pension and total OPEB liability (1,183,080)

Net Position of Governmental Activities - Statement of Net Position \$ 7,244,719

See Notes to Financial Statements.

City of Gatesville, Texas

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

For the Year Ended September 30, 2022

	General Fund	Nonmajor Debt Service Fund
Revenues		
Taxes:		
Property	\$ 2,351,313	\$ 190,876
Sales	2,673,007	-
Franchise	857,673	-
Hotel/motel	-	-
Liquor	14,129	-
Charges for services	450,966	-
Grants	-	-
Court fines	120,263	-
Donations	-	-
Intergovernmental	245,028	-
Miscellaneous	22,062	-
Licenses, permits and fees	40,422	-
Interest revenue	8,395	-
Total Revenues	6,783,258	190,876
Expenditures		
Current operating:		
Public safety	2,722,918	-
General government	849,991	-
Culture and recreation	1,095,784	-
Public works	1,372,961	-
Fitness center	257,278	-
Debt Service:		
Principal retirement	329,412	160,000
Interest and fiscal charges	45,334	8,870
Capital outlay	158,448	-
Total Expenditures	6,832,126	168,870
Excess (Deficiency) of Revenues Over (Under) Expenditures	(48,868)	22,006
Other Financing Sources (Uses)		
Transfers in	625,663	-
Transfers out	(497,092)	-
Leases issued	51,255	-
Proceeds from the sale of capital assets	26,588	-
Total Other Financing Sources (Uses)	206,414	-
Net Change in Fund Balances	157,546	22,006
Fund Balances - Beginning, as Restated	2,316,725	-
Fund Balances - Ending	\$ 2,474,271	\$ 22,006

See Notes to Financial Statements.

Nonmajor Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 2,542,189
-	-	2,673,007
-	-	857,673
-	170,989	170,989
-	-	14,129
-	18,500	469,466
-	130,767	130,767
-	20,224	140,487
-	45,441	45,441
-	-	245,028
-	-	22,062
-	-	40,422
978	7,726	17,099
<u>978</u>	<u>393,647</u>	<u>7,368,759</u>
-	12,667	2,735,585
-	6,406	856,397
-	54,243	1,150,027
-	-	1,372,961
-	-	257,278
-	49,788	539,200
-	5,249	59,453
208,499	36,130	403,077
<u>208,499</u>	<u>164,483</u>	<u>7,373,978</u>
(207,521)	229,164	(5,219)
500,000	-	1,125,663
-	(124,637)	(621,729)
-	-	51,255
-	-	26,588
<u>500,000</u>	<u>(124,637)</u>	<u>581,777</u>
292,479	104,527	576,558
<u>500,000</u>	<u>720,692</u>	<u>3,537,417</u>
<u>\$ 792,479</u>	<u>\$ 825,219</u>	<u>\$ 4,113,975</u>

City of Gatesville, Texas

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

For the Year Ended September 30, 2022

Net Change in Fund Balances - Total Governmental Funds \$ 576,558

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

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

Capital outlays	403,077
Depreciation and amortization expense	(753,001)

In the governmental fund financial statements, the proceeds from the sale of assets are shown as an increase in financial resources. In the government-wide financial statements, the gain or loss is calculated and reported.	(10,701)
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Revenues in the SOA that do not provide current financial resources are not reported as revenues in the governmental funds.	(41,721)
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The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, the amounts are deferred and amortized in the SOA. The following amounts are the net effect of these differences in the treatment of long-term debt and related items:

Net changes in certificates, bonds & notes	487,998
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Some expenses reported in the SOA do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Accrued interest	266
Pension and OPEB expense	167,787
Accrued compensated absences	(102,326)

Net Position of Governmental Activities - Statement of Activities	\$ 727,937
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See Notes to Financial Statements.

City of Gatesville, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended September 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes:				
Property	\$ 2,241,823	\$ 2,241,823	\$ 2,351,313	\$ 109,490
Sales	2,450,000	2,450,000	2,673,007	223,007
Franchise	757,787	757,787	857,673	99,886
Liquor	15,000	15,000	14,129	(871)
Charges for services	317,000	317,000	450,966	133,966
Court fines	148,000	148,000	120,263	(27,737)
Intergovernmental	247,225	247,225	245,028	(2,197)
Miscellaneous	20,000	20,000	22,062	2,062
Licenses, permits and fees	36,200	36,200	40,422	4,222
Interest revenue	8,000	8,000	8,395	395
Total Revenues	6,241,035	6,241,035	6,783,258	542,223
Expenditures				
Current operating:				
Public safety	2,747,259	2,747,259	2,722,918	24,341
General government	943,715	943,715	849,991	93,724
Culture and recreation	1,183,263	1,183,263	1,095,784	87,479
Public works	1,270,925	1,270,925	1,372,961	(102,036)
Fitness center	274,606	274,606	257,278	17,328
Debt Service:				
Principal retirement	328,728	328,728	329,412	(684)
Interest and fiscal charges	42,450	42,450	45,334	(2,884)
Capital outlay	73,000	73,000	158,448	(85,448)
Total Expenditures	6,863,946	6,863,946	6,832,126	31,820
Excess of Revenues Over (Under) Expenditures				
	(622,911)	(622,911)	(48,868)	574,043
Other Financing Sources (Uses)				
Transfers in	653,353	653,353	625,663	(27,690)
Transfers out	-	(500,000)	(497,092)	2,908
Leases issued	-	-	51,255	51,255
Proceeds from the sale of assets	50,000	50,000	26,588	(23,412)
Total Other Financing Sources (Uses)	703,353	203,353	206,414	3,061
Net Change in Fund Balances	80,442	(419,558)	157,546	\$ 577,104
Fund Balances - Beginning, as Restated	2,316,725	2,316,725	2,316,725	
Fund Balances, Ending	\$ 2,397,167	\$ 1,897,167	\$ 2,474,271	

City of Gatesville, Texas
STATEMENT OF NET POSITION (PAGE 1 OF 2)
PROPRIETARY FUNDS
As of September 30, 2022

	Water and Sewer Fund	Nonmajor Municipal Airport	Total Enterprise Funds
Assets			
Current assets:			
Cash and cash equivalents	\$ 4,814,493	\$ 130,440	\$ 4,944,933
Receivables, net	1,128,724	22,382	1,151,106
Inventories	211,400	-	211,400
Restricted assets:			
Cash and cash equivalents	8,575,134	-	8,575,134
Total Current Assets	14,729,751	152,822	14,882,573
Capital Assets			
Non-depreciable	1,785,850	16,000	1,801,850
Depreciable (net of accumulated depreciation)	23,535,536	723,658	24,259,194
Right to use asset (net of accumulated amortization)	164,130	-	164,130
Total Capital Assets (net)	25,485,516	739,658	26,225,174
Total Assets	40,215,267	892,480	41,107,747
Deferred Outflows of Resources			
Deferred charges on bond refunding	584,060	-	584,060
Deferred outflows - pension	152,661	-	152,661
Deferred outflows - OPEB	19,430	-	19,430
Total Deferred Outflows of Resources	\$ 756,151	\$ -	\$ 756,151

See Notes to Financial Statements.

City of Gatesville, Texas
STATEMENT OF NET POSITION (PAGE 2 OF 2)
PROPRIETARY FUNDS
As of September 30, 2022

	Water and Sewer Fund	Nonmajor Municipal Airport	Total Enterprise Funds
Liabilities			
Current liabilities:			
Accounts payable and other current liabilities	\$ 460,508	\$ 1,653	\$ 462,161
Accrued interest payable	39,442	-	39,442
Utility customer deposits	294,663	-	294,663
Notes and leases payable - current	179,836	-	179,836
Bonds payable - current	1,520,000	-	1,520,000
Deferred revenue - grants	1,539,839	-	1,539,839
Compensated absences payable - current	95,865	-	95,865
Total Current Liabilities	4,130,153	1,653	4,131,806
Noncurrent Liabilities			
Notes and leases payable	720,136	-	720,136
Bonds payable	20,755,000	-	20,755,000
Total OPEB liability	162,880	-	162,880
Net pension liability	293,757	-	293,757
Total Noncurrent Liabilities	21,931,773	-	21,931,773
Total Liabilities	26,061,926	1,653	26,063,579
Deferred Inflows of Resources			
Deferred inflows - pension	363,447	-	363,447
Deferred inflows - OPEB	18,873	-	18,873
Deferred inflows - leases	-	22,287	22,287
Total Deferred Inflows of Resources	382,320	22,287	404,607
Net Position			
Net Investment in Capital Assets	10,786,501	739,658	11,526,159
Restricted for:			
Debt service	1,924,255	-	1,924,255
Unrestricted	1,816,416	128,882	1,945,298
Total Net Position	\$ 14,527,172	\$ 868,540	\$ 15,395,712

See Notes to Financial Statements.

City of Gatesville, Texas

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

For the Year Ended September 30, 2022

	Water and Sewer Fund	Nonmajor Municipal Airport	Total Enterprise Funds
Operating Revenues			
Charges for sales and services:			
Water sales	\$ 8,442,406	\$ -	\$ 8,442,406
Municipal airport	-	51,272	51,272
Grants and contributions	8,500	-	8,500
Other income	472,004	-	472,004
Total Operating Revenues	8,922,910	51,272	8,974,182
Operating Expenses			
Salaries and wages	1,194,106	-	1,194,106
Other purchased services	1,298,506	6,451	1,304,957
Supplies and maintenance	1,212,549	48,666	1,261,215
Utilities	823,747	-	823,747
Miscellaneous	535,101	-	535,101
Depreciation and amortization	1,727,713	30,743	1,758,456
Total Operating Expenses	6,791,722	85,860	6,877,582
Operating Income (Loss)	2,131,188	(34,588)	2,096,600
Non-Operating Revenues (Expenses)			
Interest revenue	27,428	842	28,270
Proceeds from insurance claim	-	230,732	230,732
Interest and fiscal charges	(513,887)	-	(513,887)
Total Non-Operating Revenues (Expenses)	(486,459)	231,574	(254,885)
Income (Loss) Before Transfers	1,644,729	196,986	1,841,715
Transfers in	617,923	-	617,923
Transfers out	(1,121,857)	-	(1,121,857)
Changes in Net Position	1,140,795	196,986	1,337,781
Net Position - Beginning, as Restated	13,386,377	671,554	14,057,931
Net Position - Ending	\$ 14,527,172	\$ 868,540	\$ 15,395,712

See Notes to Financial Statements.

City of Gatesville, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2022

	Water and Sewer Fund	Nonmajor Municipal Airport Fund	Totals
Cash Flows from Operating Activities			
Cash received from customers	\$ 8,337,874	\$ 28,890	\$ 8,366,764
Cash payments to employees for services	(839,993)	(22,287)	(862,280)
Cash payments to other suppliers for goods and services	(3,986,826)	(34,777)	(4,021,603)
Net Cash Provided (Used) by Operating Activities	<u>3,511,055</u>	<u>(28,174)</u>	<u>3,482,881</u>
Cash Flows from Non-capital Financing Activities			
Transfers in from other funds	617,923	-	617,923
Transfers out to other funds	(1,121,857)	-	(1,121,857)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(503,934)</u>	<u>-</u>	<u>(503,934)</u>
Cash Flows from Capital and Related Financing Activities			
Proceeds from claim on insurance	-	230,732	230,732
Principal paid on capital debt	(1,644,145)	-	(1,644,145)
Interest paid on capital debt	(677,315)	-	(677,315)
Acquisition and construction of capital assets	(950,516)	(470,766)	(1,421,282)
Capital grants	1,539,839	-	1,539,839
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,732,137)</u>	<u>(240,034)</u>	<u>(1,972,171)</u>
Cash Flows from Investing Activities			
Interest and dividends on investments	27,428	841	28,269
Net Cash Provided (Used) by Investing Activities	<u>27,428</u>	<u>841</u>	<u>28,269</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,302,412	(267,367)	759,240
Cash and Cash Equivalents at Beginning of Year	12,087,215	397,807	12,485,022
Cash and Cash Equivalents at End of Year	<u>\$ 13,389,627</u>	<u>\$ 130,440</u>	<u>\$ 13,244,262</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ 2,131,188	\$ (34,588)	\$ 2,096,600
Adjustment to reconcile operating income to net cash			
Provided (used) by operating activities:			
Depreciation and amortization	1,727,713	30,743	1,758,456
Change in Assets and Liabilities:			
Decrease (increase) in receivables	(108,453)	(22,382)	(130,835)
Decrease (increase) in inventories	(74,207)	-	(74,207)
Decrease (increase) in pension and OPEB related deferred outflows of resources	31,807	-	31,807
Increase (decrease) in accounts payable	185,006	(24,234)	160,772
Increase (decrease) in accrued compensated absences	30,726	-	30,726
Increase (decrease) in utility customer deposits	3,921	-	3,921
Increase (decrease) in total OPEB obligation	(29,315)	-	(29,315)
Increase (decrease) in net pension obligation	(409,324)	-	(409,324)
Increase (decrease) in pension and OPEB related deferred inflows of resources	21,993	22,287	44,280
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,511,055</u>	<u>\$ (28,174)</u>	<u>\$ 3,482,881</u>
Noncash disclosures:			
Amortization of deferred charges on refunding	\$ 62,757	\$ -	\$ 62,757

City of Gatesville, Texas

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUND

As of September 30, 2022

	Fireman's Fund
Assets	
Cash and cash equivalents	\$ -
Total Assets	-
Liabilities	
Accounts payable	-
Due to beneficiaries'	92
Total Liabilities	92
Net Position	
Restricted for:	
Other	-
Unassigned	(92)
Total Net Position	\$ (92)

See Notes to Financial Statements.

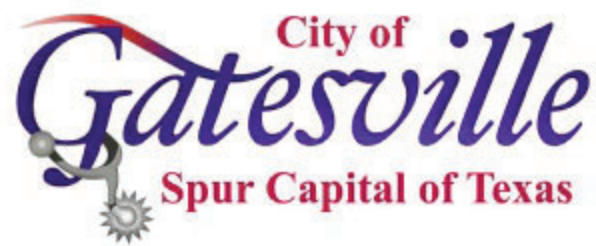
City of Gatesville, Texas

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUND

For the Year Ended September 30, 2022

	Fireman's Fund
Additions	
Investment earnings	\$ -
Miscellaneous	627
Total Additions	<u>627</u>
Deductions	
Retirement payments	251
Total Deductions	<u>251</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	376
Net increase (decrease) in fiduciary net position	376
Net Position - Beginning	<u>(468)</u>
Net Position- Ending	<u>\$ (92)</u>

See Notes to Financial Statements.



City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

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. Upcoming and Newly Implemented Accounting Pronouncements

The GASB has issued the following statements:

GASB Statement No. 87, Leases, will increase the usefulness of government financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The City has implemented this statement in the current fiscal year.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

GASB Statement No. 91, Conduit Debt Obligations, will provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. The adoption of GASB Statement No. 91 has no impact on the City's financial statements.

GASB Statement No. 92, Omnibus 2020, establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, post-employment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. The requirements of this Statement are effective for various reporting periods beginning after June 15, 2021. The City is currently evaluating the impact of this Statement.

GASB Statement No. 93, Replacement of Interbank Offered Rates, provides exceptions to the existing provisions for hedge accounting termination and lease modifications to ease the accounting requirements related to the transition away from interbank offered rates. It also identifies appropriate benchmark interest rates for hedging derivative instruments. Some requirements of this Statement will take effect for reporting periods ending after December 31, 2021, while other requirements are effective beginning with fiscal years that end June 30, 2022. The adoption of GASB Statement No. 93 has no impact on the City's financial statements.

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements improves financial reporting by addressing these relationships and availability payment arrangements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The City is currently evaluating the impact of this Statement.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA), provides guidance on the accounting and financial reporting of contractual arrangements. It defines SBITA; establishes that a SBITA results in a right-to-use subscription asset; provides capitalization criteria; and requires note disclosures. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. The City is currently evaluating the impact of this Statement.

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which potential component unit does not have a governing board and the primary government performs the duties that governing board typically would perform; mitigate costs associated with the reporting of certain defined contribution pension, OPEB and benefit plans other than pension or OPEB plans; and enhance the relevance, consistency and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

through those plans. The requirements of this Statement related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. The City is currently evaluating the impact of this Statement for the requirements effective in fiscal year 2022.

GASB Statement No. 98, The Annual Comprehensive Financial Report, establishes the term annual comprehensive financial report and its acronym ACFR. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. The City has implemented this Statement.

D. Basis of Presentation – Government-Wide Financial Statements

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

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

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

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

E. Basis of Presentation – Fund Financial Statements

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

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

General Fund

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

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

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.

Debt Service Fund

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

Nonmajor Special Revenue Funds

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than an expendable trust or major capital projects) that are restricted to expenditures for specified purposes. These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. These nonmajor special revenue funds include Municipal Court Security Fund, the Donations Fund, the Public Safety Fund, the Hotel Occupancy Tax Fund, Cemetery Maintenance Fund, and the Grant Fund.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

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

Water and Sewer Fund

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

Airport Fund

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

Additionally, the City reports the following fund types:

Fiduciary Fund

The Fiduciary Fund type accounts for assets held by the City as an agent on behalf of others. Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. The City has one Agency Fund: Fireman's Fund.

F. Measurement Focus and Basis of Accounting

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

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

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

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 expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered measurable and available only when cash is received by the government.

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

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

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

G. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the General Fund. The Capital Projects Fund is appropriated on a project-length basis.

Other Special Revenue Funds do not have appropriated budgets since other means control the use of these resources (i.e. grant awards and city council resolutions) and sometimes span a period of more than one fiscal year.

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 departments require the approval of the governing council. The legal level of budgetary control is the department level.

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

1. *Cash and cash equivalents*

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

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

2. *Investments*

The City is authorized to make investments in accordance with "The Public Funds Investment Act of 1987". The City is also authorized by the Interlocal Cooperation Act, Articles 4413(32c) and 4413(43c), Vernon's Texas Civil Statutes, as amended, to invest in shares of a public funds investment pool. The City's investment policy authorizes certain investments that may be purchased by the City. Investments for the City are reported at fair value (generally based on quoted market prices) except for the position in TexPool and TexSTAR. In accordance with state law, TexPool and TexSTAR operate in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, TexPool and TexSTAR, qualify as 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

TexPool is subject to regulatory oversight by the State Comptroller, although it is not registered with the SEC while TexSTAR is subject to regulatory oversight by JP Morgan Chase, Inc. and First Southwest Asset Management, Inc.

3. *Receivables and payables*

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

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.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

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:

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

6. Leases

Lessee

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

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

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

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.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

7. *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.

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, in accordance with GASB Statement No. 68. Accounting and Financial Reporting for Pensions and GASB No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

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.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

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 a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) 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 resolution authorized the finance division to assign fund balance.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

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

I. Revenues and Expenditures/Expenses

1. Program revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property taxes

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

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

3. Compensated absences

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

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

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 recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

J. *Long-Term Obligations*

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

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

II. *DETAILED NOTES ON ALL FUNDS*

A. *Cash Deposits with Financial Institutions*

Deposits - Custodial credit risk for deposits is the risk in the event of a bank failure, the City's deposits may not be returned, or the City will not be able to recover collateral securities in the possession of an outside party. State statutes require all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities having a market value of not less than the principal amount of the deposits. The City's deposits were fully insured or collateralized with securities held by the City or its agent in the City's name or the pledging financial institution's trust department or agent in the City's name on September 30, 2022.

On September 30, 2022, the City had carrying amounts of demand deposits of \$18,625,269, while the bank balance was \$18,772,859. Included in the balance is \$8,575,134 held in escrow by a third party.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

Of the remaining bank balances, \$250,000 was covered by federal depository insurance. Collateral for the bank balances over the federal depository insurance amount consisted of securities with a fair market value of \$8,566,902 on September 30, 2022.

B. Investments

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

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

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

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

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

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

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

The City did not engage in repurchase or reverse repurchase agreement transactions during the year. The City's investments were as follows on September 30, 2022:

	Carrying Amount	Fair Value	Rating Standard & Poors	Weighted Average Maturity
Primary Government				
Cash	\$ 6,779,668			
Restricted cash	9,999,949			
Investments not subject to categorization:				
Government sponsored investment pool (TexPool)	420,837	\$ 420,837	AAAm	25 days
Restricted government sponsored investment pool (TexStar)	1,424,815	\$ 1,424,815	AAAm	41 days
Total Cash and Cash Equivalents	<u>\$ 18,625,269</u>			

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

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

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

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

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

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, 2022, 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 and Interfund Receivables and Payables

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

Following is the detail of receivables of the government’s individual major and non-major funds, including the applicable allowances for uncollectible accounts, as of September 30, 2022:

	General Fund	Debt Service Fund	Water and Sewer Fund	Airport Fund	Total Primary Government
Receivables:					
Property tax	\$ 116,225	\$ 4,217	\$ -	\$ -	\$ 120,442
Sales tax	476,137	-	-	-	476,137
Other	235,284	-	1,528,571	-	1,763,855
Leases	14,508	-	-	22,382	36,890
Gross Receivables	<u>\$ 842,154</u>	<u>\$ 4,217</u>	<u>\$ 1,528,571</u>	<u>\$ 22,382</u>	<u>\$ 2,397,324</u>
Less: Allowance	<u>(29,609)</u>	<u>-</u>	<u>(399,847)</u>	<u>-</u>	<u>(429,456)</u>
Net Total Receivables	<u><u>\$ 812,545</u></u>	<u><u>\$ 4,217</u></u>	<u><u>\$ 1,128,724</u></u>	<u><u>\$ 22,382</u></u>	<u><u>\$ 1,967,868</u></u>

The composition of internal balances as of September 30, 2022 is as follows:

	Due From Other Funds	Due To Other Funds	Internal Balances
Governmental Funds:			
General	\$ -	\$ (11,945)	\$ (11,945)
Cemetery Maintenance	11,945	-	11,945
	<u>\$ 11,945</u>	<u>\$ (11,945)</u>	<u>\$ -</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenses occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended September 30, 2022

D. Interfund Transfers

Following is a summary of transfers to/from other funds for the year ended September 30, 2022:

	Transfers To Other Funds	Transfers From Other Funds	Net Transfers
Governmental Funds:			
General	\$ 497,092	\$ 625,663	
Capital Projects	-	500,000	
Nonmajor	124,637	-	
	\$ 621,729	\$ 1,125,663	\$ 503,934
 Proprietary Funds:			
Water and Sewer	\$1,121,857	\$ 617,923	
	\$1,121,857	\$ 617,923	\$ (503,934)

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

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

E. Capital Assets

Capital assets activity for the governmental activities for the year ended September 30, 2022 are as follows:

	Balance 9/30/2021	Additions	Retirements	Transfers & Adjustments	Balance 9/30/2022
GOVERNMENTAL ACTIVITIES:					
Capital assets, not being depreciated:					
Land	\$ 636,543	\$ -	\$ -	\$ -	\$ 636,543
Construction in progress	48,716	36,130	-	-	84,846
Total capital assets not being depreciated	<u>685,259</u>	<u>36,130</u>	<u>-</u>	<u>-</u>	<u>721,389</u>
Capital assets, being depreciated/amortized:					
Buildings and improvements	3,268,188	-	-	1,096,700	4,364,888
Improvements other than buildings	4,654,647	26,551	-	19,130	4,700,328
Machinery and equipment	5,164,522	289,141	(16,051)	(747,021)	4,690,591
Right to use - vehicles and equipment	-	611,826	-	-	611,826
Total capital assets being depreciated/amortized	<u>13,087,357</u>	<u>927,518</u>	<u>(16,051)</u>	<u>368,809</u>	<u>14,367,633</u>
Less accumulated depreciation/amortization for:					
Buildings and improvements	(1,231,817)	(108,677)	-	(599,936)	(1,940,430)
Improvements other than buildings	(2,752,732)	(151,268)	-	(8,385)	(2,912,385)
Machinery and equipment	(3,507,132)	(262,772)	5,350	318,010	(3,446,544)
Right to use - vehicles and equipment	-	(230,284)	-	-	(230,284)
Total accumulated depreciation/amortization	<u>(7,491,681)</u>	<u>(753,001)</u>	<u>5,350</u>	<u>(290,311)</u>	<u>(8,529,643)</u>
Total capital assets being depreciated/amortized, net	<u>5,595,676</u>	<u>174,517</u>	<u>(10,701)</u>	<u>78,498</u>	<u>5,837,990</u>
Governmental activities capital assets, net	<u>\$ 6,280,935</u>	<u>\$ 210,647</u>	<u>\$ (10,701)</u>	<u>\$ 78,498</u>	<u>\$ 6,559,379</u>

Depreciation and amortization expense was charged to functions/programs of governmental activities for the year ended September 30, 2022 as follows:

Governmental activities:	
General government and administration	\$ 29,963
Public safety	265,046
Culture and recreation	161,087
Public works	296,905
Total depreciation expense	<u>\$ 753,001</u>

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

Capital asset activity for business-type activities for the year ended September 30, 2022 are as follows:

	Balance 9/30/2021	Additions	Retirements	Transfers	Balance 9/30/2022
BUSINESS-TYPE ACTIVITIES:					
Capital assets, not being depreciated:					
Land	\$ 300,339	\$ -	\$ -	\$ -	\$ 300,339
Construction in progress	1,385,780	499,283	(383,552)	-	1,501,511
Total capital assets not being depreciated	<u>1,686,119</u>	<u>499,283</u>	<u>(383,552)</u>	<u>-</u>	<u>1,801,850</u>
Capital assets, being depreciated/amortized:					
Buildings and improvements	58,711,540	1,152,847	-	(732,278)	59,132,109
Machinery and equipment	5,898,037	10,500	(46,035)	(324,327)	5,538,175
Right to use - vehicles and equipment	-	292,775	(36,430)	-	256,345
Total capital assets being depreciated/amortized	<u>64,609,577</u>	<u>1,456,122</u>	<u>(82,465)</u>	<u>(1,056,605)</u>	<u>64,926,629</u>
Less accumulated depreciation/amortization for:					
Buildings and improvements	(34,627,243)	(1,576,866)	-	608,321	(35,595,788)
Machinery and equipment	(4,986,653)	(89,564)	41,620	219,295	(4,815,302)
Right to use - vehicles and equipment	-	(98,823)	6,608	-	(92,215)
Total accumulated depreciation/amortization	<u>(39,613,896)</u>	<u>(1,765,253)</u>	<u>48,228</u>	<u>827,616</u>	<u>(40,503,305)</u>
Total capital assets being depreciated, net	<u>24,995,681</u>	<u>(309,131)</u>	<u>(34,237)</u>	<u>(228,989)</u>	<u>24,423,324</u>
Business-type activities capital assets, net	<u>\$ 26,681,800</u>	<u>\$ 190,152</u>	<u>\$ (417,789)</u>	<u>\$ (228,989)</u>	<u>\$ 26,225,174</u>

Depreciation and amortization expense was charged to functions/programs of the business-type activities for the year ended September 30, 2022 as follows:

Business-type activities:	
Water and sewer	\$ 1,734,510
Municipal airport	<u>30,743</u>
Total depreciation expense	<u>\$ 1,765,253</u>

F. Risk Management

The City is a member of the Texas Municipal League's Intergovernmental Risk Pool ("Pool"). The Pool was created for providing coverage against risks that are inherent in operating a political subdivision. The City pays annual premiums to the Pool for liability, aviation, automobile, property, and workers' compensation coverage. The City's agreement with the Pool provides that the Pool will be self-sustaining through member premiums and will provide through commercial companies' reinsurance contracts.

The Pool agrees to handle all liability, property and workers' compensation claims and provide any defense as necessary. The Pool makes available to the City loss control services to assist the City in following a plan of loss control that may result in reduced losses.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

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

G. Long-term Liabilities

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

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

The following is a summary of changes in long-term debt for governmental activities for the year ended September 30, 2022:

Description	September 30, 2021	Additions	Retirements	September 30, 2022	Due Within One Year	Long-Term Portion
Governmental activities:						
Bonds payable	\$ 485,000	\$ -	\$ (160,000)	\$ 325,000	\$ 160,000	\$ 165,000
Notes payable	1,004,879	-	(211,039)	793,840	186,423	607,417
Total long-term debt	1,489,879	-	(371,039)	1,118,840	346,423	772,417
Right to use lease liability	-	606,879	(164,413)	442,466	260,593	181,873
Compensated absences	129,915	232,241	(129,915)	232,241	232,241	-
Net pension liability	1,267,198	-	(506,116)	761,082	-	761,082
Total OPEB liability	346,404	75,594	-	421,998	-	421,998
Total long-term liabilities	\$ 3,233,396	\$ 914,714	\$(1,171,483)	\$ 2,976,627	\$ 839,257	\$ 2,137,370

The following is a summary of changes in long-term debt for business-type activities for the year ended September 30, 2022:

Description	September 30, 2021	Additions	Retirements	September 30, 2022	Due Within One Year	Long-Term Portion
Business-type activities:						
Bonds payable	\$ 14,720,000	\$ -	\$(1,020,000)	\$ 13,700,000	\$ 1,045,000	\$ 12,655,000
Revenue bonds	9,050,000	-	(475,000)	8,575,000	475,000	8,100,000
Notes payable	765,079	-	(56,740)	708,339	58,711	649,628
Total long-term debt	24,535,079	-	(1,551,740)	22,983,339	1,578,711	21,404,628
Right to use lease liability	-	284,037	(92,404)	191,633	121,125	70,508
Compensated absences	65,139	95,865	(65,139)	95,865	95,865	-
Net pension liability	703,081	-	(409,324)	293,757	-	293,757
Total OPEB liability	192,195	-	(29,315)	162,880	-	162,880
Total long-term liabilities	\$ 25,495,494	\$ 379,902	\$(2,147,922)	\$ 23,727,474	\$ 1,795,701	\$ 21,931,773

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

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

Long-term debt of the City is comprised of the following individual issues at September 30, 2022:

<u>Purpose</u>	<u>Original Amount</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>
General obligation bonds						
Infrastructure	1,500,000	2014	2024	2.19%	\$ 325,000	\$ -
Refunding	4,975,000	2017	2036	1.75 - 4.25%	-	4,060,000
Refunding	2,570,000	2020	2035	2.00 - 4.00%	-	2,335,000
Refunding	6,150,000	2021	2036	4.25 - 5.10%	-	5,785,000
					<u>325,000</u>	<u>12,180,000</u>
Combination bonds						
Infrastructure	2,410,000	2020	2027	1.35%	-	1,520,000
					<u>-</u>	<u>1,520,000</u>
Revenue bonds						
Infrastructure	10,000,000	2019	2039	0.16 - 1.47%	-	8,575,000
					<u>-</u>	<u>8,575,000</u>
				Total Bonds Payable	<u>325,000</u>	<u>22,275,000</u>
Notes payable						
Building Improvements	460,025	2014	2024	3.40%	106,347	-
Equipment	220,620	2019	2025	3.00%	115,203	-
Energy Savings	949,000	2018	2033	3.42%	-	708,339
Equipment	652,049	2019	2025	3.12%	405,301	-
Equipment	231,850	2018	2033	3.86%	125,894	-
Equipment	80,250	2018	2033	3.07%	41,095	-
				Total Notes Payable	<u>793,840</u>	<u>708,339</u>
				Total Debt	<u>\$ 1,118,840</u>	<u>\$ 22,983,339</u>

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

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

Year	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 160,000	\$ 5,366	\$ 1,520,000	\$ 404,255
2024	165,000	1,807	1,535,000	386,190
2025	-	-	1,580,000	366,121
2026	-	-	1,625,000	342,916
2027	-	-	1,535,000	316,743
2028-2032	-	-	6,950,000	1,198,593
2033-2037	-	-	6,440,000	447,320
2038-2039	-	-	1,090,000	23,892
	<u>\$ 325,000</u>	<u>\$ 7,173</u>	<u>\$ 22,275,000</u>	<u>\$ 3,486,030</u>

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

Year	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 186,423	\$ 31,778	\$ 58,711	\$ 23,545
2024	214,281	24,659	60,752	21,505
2025	135,038	16,307	62,862	19,394
2026	258,098	-	65,046	17,210
2027	-	-	67,306	14,951
2028-2032	-	-	353,056	37,663
2033	-	-	40,606	523
	<u>\$ 793,840</u>	<u>\$ 72,744</u>	<u>\$ 708,339</u>	<u>\$ 134,790</u>

Right-to-Use Lease Liability

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

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

Description	Interest Rates	Liability at Commencement	Lease Term in Years	Ending Balance
Governmental Activities				
Leased vehicles	2.75%	\$ 496,439	2.0	\$ 376,457
Leased equipment	0.480%-2.75%	59,425	1.0-4.0	66,009
Total Governmental Activities				<u>\$ 442,466</u>
Business-type Activities				
Leased vehicles	2.75%	\$ 150,371	2.0	\$ 191,633
Total Business-type Activities				<u>\$ 191,633</u>

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

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

Year	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 260,593	\$ 8,487	\$ 121,125	\$ 3,384
2024	108,764	2,946	28,324	1,488
2025	63,926	776	21,143	936
2026	9,183	82	8,679	470
2027	-	-	12,362	128
	<u>\$ 442,466</u>	<u>\$ 12,291</u>	<u>\$ 191,633</u>	<u>\$ 6,406</u>

The value of the right to use assets for governmental activities as of September 30, 2022 was \$611,826 and had accumulated amortization of \$230,284. For business-type activities, the value of the right to use assets as of September 30, 2022, was \$256,345 and had accumulated amortization of \$92,215.

H. Deferred Charges on Refunding

Deferred charges resulting from the issuance of Series 2017, 2020, and 2021 general obligation refunding bonds have been recorded as deferred outflows of resources and are being amortized to interest expense over the shorter of either the remaining term of the refunded debt or the refunding bonds.

Business-type activities reported deferred outflows of \$584,060 for the year ended September 30, 2022.

I. Fund Balances

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

	Non Major Funds				Total
	General Fund	Debt Service Fund	Capital Projects Fund	Non-Major Funds	
Fund Balances (Deficit):					
Nonspendable:					
Inventory	\$ 27,661	\$ -	\$ -	\$ -	\$ 27,661
Restricted:					
Debt Service	-	22,006	-	-	22,006
Municipal Court Security	-	-	-	59,886	59,886
Donations	-	-	-	39,439	39,439
Public Safety	-	-	-	38,816	38,816
Motel Occupancy	-	-	-	268,916	268,916
Cemetery Maintenance	-	-	-	41,235	41,235
Capital Projects	-	-	792,479	-	792,479
Unassigned	\$2,446,610	-	-	376,927	2,823,537
	<u>\$2,474,271</u>	<u>\$ 22,006</u>	<u>\$792,479</u>	<u>\$ 825,219</u>	<u>\$4,113,975</u>

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended September 30, 2022

J. Texas Department of Corrections Water Service Contracts

The City has an agreement to supply water and sewer disposal for the Texas Department of Corrections. The cost of water and sewer services to the Texas Department of Corrections is based on 1) charges for raw water supplied, 2) operation and maintenance charges based on volume, and 3) an allocation of total construction costs. Payments for these charges began in March of 1990, and the monthly charges for these items are as follows:

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

III. OTHER INFORMATION

A. Employee Retirement Systems and Pension Plans

Plan Description

The City participates as one of 901 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas.

TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmrs.com.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended September 30, 2022

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

Benefits Provided

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

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

Employees covered by benefit terms:

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	57
Inactive employees entitled to but not yet receiving benefits	39
<u>Active employees</u>	<u>85</u>
Total	181

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 14.97% and 14.24% in the calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2022, were \$624,441 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary Increases	3.50% to 11.50%, including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates projected on a fully generation basis by Scale UMP to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 100.0%. For disabled annuitants, the mortality tables for health retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018.

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

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

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended September 30, 2022

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.55%
Core Fixed Income	6.0%	2.00%
Non-Core Fixed Income	20.0%	5.68%
Other Public and Private Markets	12.0%	7.22%
Real Estate	12.0%	6.85%
Hedge Funds	5.0%	5.35%
Private Equity	10.0%	10.00%
Total	<u>100.0%</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.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

Changes in the Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(c)
Balance at 12/31/2020	\$21,481,857	\$ 19,511,578	\$ 1,970,279
Changes for the year:			
Service cost	697,922	-	697,922
Interest	1,440,672	-	1,440,672
Change of benefit terms including substantively automatic status	-	-	-
Difference between expected and actual experience	391,475	-	391,475
Change in assumptions	-	-	-
Contributions - employer	-	618,036	(618,036)
Contributions - employee	-	294,305	(294,305)
Net investment income	-	2,544,857	(2,544,857)
Benefit payments, including refunds of employee contributions	(975,056)	(975,056)	-
Amortization of prior year assets	-	-	-
Administrative expense	-	(11,769)	11,769
Other changes	-	81	(81)
Net changes	<u>1,555,013</u>	<u>2,470,454</u>	<u>(915,441)</u>
Balance at 12/31/2021	<u>\$ 23,036,870</u>	<u>\$ 21,982,032</u>	<u>\$ 1,054,838</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 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net Pension Liability	\$ 4,382,740	\$ 1,054,839	\$ (1,655,319)

Pension Plan Fiduciary Net Position:

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

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended September 30, 2022

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

For the year ended September 30, 2022, the City recognized pension expense of \$67,448. At September 30, 2022, the City reported deferred outflows and 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	\$ 64,928	\$ -	
Changes in actuarial assumptions	34,501	-	
Difference between projected and actual investment earnings	-	(1,305,088)	
Contributions subsequent to the measurement date	448,758	-	
Total	\$ 548,187	\$ (1,305,088)	

The \$448,758 of contributions made after the measurement date of the net pension liability but before the end of the City’s reporting period will be recognized as a reduction of the net pension liability in the subsequent fiscal period. The other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Deferred Outflow (Inflow) of Resources
Year Ended September 30:	
2023	\$ (246,110)
2024	(536,284)
2025	(190,935)
2026	(232,330)
2027	-
Thereafter	-
	\$ (1,205,659)

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.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended September 30, 2022

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, 2022, was \$4,794 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)
2021	0.27%	0.16%
2022	0.25%	0.14%

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended September 30, 2022

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	39
Inactive employees entitled to but not yet receiving benefits	11
Active employees	85
Total	135

Total OPEB Liability

The City’s Total OPEB Liability (TOL) was measured as of December 31, 2021 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total OPEB Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary Increases	3.50% to 11.50%, including inflation
Discount Rate	1.84%
Retirees' Share of Benefit-Related Costs	\$0

Salary increases were based on a service-related table. Mortality rates for service retirees were based on the RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB. Mortality rates for disabled retirees were based on the RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

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

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 1.84% and was based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2021.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

Changes in Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/2020	\$ 301,312
Changes for the year:	
Service cost	17,658
Interest on Total OPEB Liability	6,136
Change of benefit terms	-
Difference between expected and actual experience	(5,478)
Changes of assumptions or other inputs	9,583
Benefit payments	(6,727)
Net changes	21,172
Balance at 12/31/2021	\$ 322,484

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 1.84%, 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 (.84%) or 1 percentage-point higher (2.84%) than the current rate:

	1% Decrease 0.84%	Current Discount Rate 1.84%	1% Increase 2.84%
Total OPEB Liability	\$ 390,827	\$ 322,484	\$ 268,694

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended September 30, 2022

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

For the year ended September 30, 2022, the City recognized OPEB expense of \$33,874. At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows/Inflows of Resources	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Changes of assumptions	\$ 48,311	\$ -
Differences in expected and actual experience	-	(25,776)
Contributions made subsequent to measurement date	3,494	-
	<u>\$ 51,805</u>	<u>\$ (25,776)</u>

The \$3,494 contributions made after the measurement date of the total OPEB liability but before the end of the City's reporting period will be recognized as a reduction of the total OPEB liability in the subsequent fiscal period. The other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended September 30:</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2023	\$ 10,053
2024	7,477
2025	1,826
2026	2,869
2027	310
Thereafter	-
	<u>\$ 22,535</u>

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

Plan Description

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

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended September 30, 2022

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, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees and Beneficiaries	3
Inactive, Nonretired Members	-
Active Members	81
Total	84

Contributions

The full monthly premium rates for retirees as of October 1, 2021, for each plan are shown as follows:

Scott & White Plan		
Plan	Base	Buy-Up
Retiree Only	\$ 513.87	\$ 657.43
Retiree & Spouse	\$ 1,181.91	\$ 1,512.10

Actuarial Assumptions:

The Total OPEB Liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary Increases	3.50% to 11.50%, including inflation
Discount Rate	1.84%
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS).
Mortality	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables published through 2019 to account for future mortality improvements.
Health Care Trend Rates	Initial rate of 7.00% declining to an ultimate rate of 4.15% after 13 years.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

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

Termination rates based on first 10 years of service						
	Male			Female		
Age	0	4	9	0	4	9
20	30.79%	19.51%	8.60%	30.80%	20.30%	16.00%
30	25.85%	11.38%	6.55%	26.17%	13.69%	8.17%
40	26.02%	11.03%	6.08%	22.81%	13.16%	7.45%
50	21.91%	10.72%	6.09%	22.38%	9.01%	6.28%
60	21.08%	8.33%	5.79%	22.36%	8.11%	3.86%
70	21.09%	8.45%	5.81%	22.36%	8.13%	3.03%

Termination rates after first 10 years of service		
Years from retirement	Male	Female
1	1.82%	2.34%
5	3.55%	4.67%
10	4.74%	6.30%
15	5.60%	7.50%

Changes in Total OPEB Liability:

	<u>Total OPEB Liability</u>
Balance at 12/31/2020	<u>\$ 237,287</u>
Changes for the year:	
Service cost	15,920
Interest on Total OPEB Liability	4,691
Change of benefit terms	-
Difference between expected and actual experience	50,263
Changes of assumptions	(24,355)
Benefit payments	<u>(21,412)</u>
Net changes	<u>25,107</u>
Balance at 12/31/2021	<u>\$ 262,394</u>

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

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 1.84%, 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 (.84%) or 1 percentage-point higher (2.84%) than the current rate:

	1% Decrease 0.84%	Current Discount Rate 1.84%	1% Increase 2.84%
Total OPEB Liability	\$ 287,631	\$ 262,394	\$ 239,711

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

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	\$ 232,133	\$ 262,394	\$ 299,304

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

For the year ended September 30, 2022, the City recognized OPEB expenses related to the healthcare plan of \$22,609. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Changes of assumptions	\$ -	\$ (27,063)
Differences in expected and actual experience	-	(14,930)
Contributions made subsequent to measurement date	17,965	-
	\$ 17,965	\$ (41,993)

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

The \$17,965 contributions made after the measurement date of the total OPEB liability but before the end of the City’s reporting period will be recognized as a reduction of the total OPEB liability in the subsequent fiscal period. The other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30:	Deferred Outflows (Inflows) of Resources
2023	\$ (10,216)
2024	(10,216)
2025	(10,216)
2026	(11,328)
2027	(9,810)
Thereafter	9,793
	\$ (41,993)

D. Consolidated OPEB Balances for All Plans

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

Deferred Outflows of Resources - OPEB			
<u>Contributions Subsequent to the Measurement Date</u>			
	<u>TMRS</u>	<u>City Funded</u>	<u>Total</u>
Governmental Activities	\$ 2,521	\$ 12,962	
Business-type Activities	973	5,003	
Total	\$ 3,494	\$ 17,965	\$ 21,459
<u>Changes in Actuarial Assumptions</u>			
	<u>TMRS</u>	<u>City Funded</u>	<u>Total</u>
Governmental Activities	\$ 34,857	\$ -	
Business-type Activities	13,454	-	
Total	\$ 48,311	\$ -	\$ 48,311
Total Deferred Outflows of Resources			\$ 69,770
OPEB Liabilities			
<u>Total OPEB Liabilities</u>			
	<u>TMRS</u>	<u>City Funded</u>	<u>Total</u>
Governmental Activities	\$ (232,677)	\$ (189,321)	
Business-type Activities	(89,807)	(73,073)	
Total	\$ (322,484)	\$ (262,394)	\$ (584,878)

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended September 30, 2022

Deferred Inflows of Resources - OPEB

Changes in Actuarial Assumptions

	<u>TMRS</u>	<u>City Funded</u>	<u>Total</u>
Governmental Activities	\$ -	\$ (19,526)	\$ -
Business-type Activities	-	(7,537)	-
Total	<u>\$ -</u>	<u>\$ (27,063)</u>	<u>\$ (27,063)</u>

Differences Between Expected and Actual Economic Experience

	<u>TMRS</u>	<u>City Funded</u>	<u>Total</u>
Governmental Activities	\$ (18,598)	\$ (10,772)	
Business-type Activities	(7,178)	(4,158)	
Total	<u>\$ (25,776)</u>	<u>\$ (14,930)</u>	<u>\$ (40,706)</u>

Total Deferred Inflows of Resources \$ (67,769)

E. Contingent Liabilities

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

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

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.

City of Gatesville, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

F. Prior Period Adjustments

Fund balances and net position have been restated for the transfer of assets, correction of errors, and for revenues and expenses recorded in the incorrect period. The table below summarizes the effect, by fund, of these restatements:

	Beginning Balances, as Previously Reported	Prior Period Adjustment	Beginning Balances, as Restated
Governmental Activities	\$ 6,029,662	\$ 487,120	\$ 6,516,782
General Fund	\$ 2,335,107	\$ (18,382)	\$ 2,316,725
Municipal Court Security Fund	28,518	18,649	47,167
Total Governmental Funds	\$ 2,363,625	\$ 267	\$ 2,363,892
Water and Sewer Fund	\$ 13,345,839	\$ 40,538	\$ 13,386,377
Total Proprietary Funds	\$ 13,345,839	\$ 40,538	\$ 13,386,377
Fireman's Trust Fund	\$ (108)	\$ (360)	\$ (468)
Total Fiduciary Funds	\$ (108)	\$ (360)	\$ (468)

G. Subsequent Events

Management has evaluated all events or transactions that occurred after September 30, 2022, up through the date of the auditor's report date. This is the date the financial statements were available for issuance. There are no subsequent events requiring disclosure except as noted below.

On February 1, 2023 the City issued Tax Notes, Series 2023 in the amount of \$675,000. The proceeds are for financing the costs incurred for renovating the building and facilities for the City municipal court and administrative functions. The Series 2023 Tax Notes have an interest rate that varies from 3.550% to 3.850%. The Series 2023 Tax Notes require interest payments beginning September 1, 2023, through the maturity date of March 1, 2029. The first principal payments will be due in FY 2024 in the amount of \$100,000.

**REQUIRED SUPPLEMENTARY
INFORMATION**

City of Gatesville, Texas

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

Last Ten Measured Years

Measurement Date	12/31/2021	12/31/2020	12/31/2019	12/31/2018
Total Pension Liability				
Service cost	\$ 697,922	\$ 690,093	\$ 619,680	\$ 603,610
Interest on total pension liability	1,440,672	1,381,511	1,316,406	1,256,097
Difference between expected and actual experience	391,475	(277,563)	(232,325)	(92,837)
Change in assumptions	-	-	104,908	-
Benefit payments/refunds of contributions	(975,056)	(867,941)	(890,753)	(872,133)
Net change in total pension liability	1,555,013	926,100	917,916	894,737
Total pension liability, beginning	21,481,857	20,555,757	19,637,841	18,743,104
Total pension liability, ending (a)	<u>\$ 23,036,870</u>	<u>\$ 21,481,857</u>	<u>\$ 20,555,757</u>	<u>\$ 19,637,841</u>
Plan Fiduciary Net Position				
Employer contributions	\$ 618,036	\$ 622,620	\$ 572,510	\$ 564,950
Employee contributions	294,305	292,767	266,284	255,303
Net investment income	2,544,857	1,374,403	2,433,349	(487,950)
Benefit payments/refunds of contributions	(975,056)	(867,941)	(890,753)	(872,133)
Administrative expenses	(11,769)	(8,890)	(13,742)	(9,426)
Other	80	(347)	(413)	(492)
Net change in plan fiduciary net position	2,470,453	1,412,612	2,367,235	(549,748)
Plan fiduciary net position, beginning	19,511,578	18,098,966	15,731,731	16,281,479
Plan fiduciary net position, ending (b)	<u>\$ 21,982,031</u>	<u>\$ 19,511,578</u>	<u>\$ 18,098,966</u>	<u>\$ 15,731,731</u>
Net pension liability/(asset) ending = (a) - (b)	<u>\$ 1,054,839</u>	<u>\$ 1,970,279</u>	<u>\$ 2,456,791</u>	<u>\$ 3,906,110</u>
Plan fiduciary net position as a % of total pension liability	95.42%	90.83%	88.05%	80.11%
Covered payroll	\$ 4,204,352	\$ 4,182,380	\$ 3,804,052	\$ 3,647,188
Net pension liability as a % of covered payroll	25.09%	47.11%	64.58%	107.10%

Notes to Schedule:

¹ This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only available information is shown.

12/31/2017	12/31/2016	12/31/2015	12/31/2014
\$ 594,731	\$ 574,521	\$ 578,197	\$ 506,716
1,196,570	1,130,444	1,115,252	1,029,818
(150,538)	(92,529)	(214,116)	264,700
-	-	16,497	-
(654,499)	(631,309)	(726,384)	(506,596)
986,264	981,127	769,446	1,294,638
17,756,840	16,775,713	16,006,267	14,711,629
<u>\$ 18,743,104</u>	<u>\$ 17,756,840</u>	<u>\$ 16,775,713</u>	<u>\$ 16,006,267</u>
\$ 549,367	\$ 551,291	\$ 548,786	\$ 527,696
250,037	242,706	245,328	236,938
1,966,183	888,332	19,281	693,519
(654,499)	(631,309)	(726,384)	(506,596)
(10,186)	(10,030)	(11,743)	(7,240)
(515)	(540)	(579)	(595)
2,100,387	1,040,450	74,689	943,722
14,181,092	13,140,642	13,065,953	12,122,231
<u>\$ 16,281,479</u>	<u>\$ 14,181,092</u>	<u>\$ 13,140,642</u>	<u>\$ 13,065,953</u>
<u>\$ 2,461,625</u>	<u>\$ 3,575,748</u>	<u>\$ 3,635,071</u>	<u>\$ 2,940,314</u>
86.87%	79.86%	78.33%	81.63%
\$ 3,571,960	\$ 3,467,235	\$ 3,485,215	\$ 3,384,835
68.92%	103.13%	104.30%	86.87%

City of Gatesville, Texas

SCHEDULE OF CONTRIBUTIONS TO PENSION PLAN - ¹

TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)

Last Ten Fiscal Years

	<u>9/30/2022</u>	<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>
Actuarially determined employer contributions	\$ 624,441	\$ 622,060	\$ 592,104	\$ 567,742
Contributions in relation to the actuarially determined contribution	<u>624,441</u>	<u>622,060</u>	<u>592,104</u>	<u>567,742</u>
Contribution deficiency (excess)	-	-	-	-
Annual covered payroll	\$ 4,358,178	\$ 4,471,335	\$ 3,968,401	\$ 3,746,440
Employer contributions as a percentage of covered payroll	14.33%	13.91%	14.92%	15.15%

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

NOTES TO SCHEDULE OF CONTRIBUTIONS TO PENSION PLAN

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	24 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year.

<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>
\$ 558,291	\$ 548,748	\$ 570,438	\$ 547,508
<u>558,291</u>	<u>548,748</u>	<u>570,438</u>	<u>547,508</u>
\$ 3,610,241	\$ 3,540,264	\$ 3,602,812	\$ 3,317,279
15.46%	15.50%	15.83%	16.50%

City of Gatesville, Texas

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS - ¹ TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)

Last Ten Measured Years

	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017
Total OPEB liability					
Service Cost	\$ 17,658	\$ 15,057	\$ 9,891	\$ 11,306	\$ 9,644
Interest (on the Total OPEB Liability)	6,136	7,167	10,204	7,011	6,862
Effect of plan changes	-	-	-	-	-
Differences between expected and actual experience	(5,478)	(10,994)	(74,505)	61,714	-
Changes in assumptions or other inputs	9,583	38,244	39,604	(14,041)	15,105
Benefit payments	(6,727)	(2,509)	(1,902)	(2,188)	(2,143)
Net Change in Total OPEB Liability	<u>21,172</u>	<u>46,965</u>	<u>(16,708)</u>	<u>63,802</u>	<u>29,468</u>
Total OPEB Liability - Beginning	<u>301,312</u>	<u>254,347</u>	<u>271,055</u>	<u>207,253</u>	<u>177,785</u>
Total OPEB Liability - Ending (a)	<u>\$ 322,484</u>	<u>\$ 301,312</u>	<u>\$ 254,347</u>	<u>\$ 271,055</u>	<u>\$ 207,253</u>
Covered Payroll	\$ 4,204,352	\$ 4,182,380	\$ 3,804,052	\$ 3,647,188	\$ 3,571,960
Total OPEB Liability as a Percentage of Covered Payroll	7.67%	7.20%	6.69%	7.43%	5.80%

Notes to Schedule:

¹ This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only available information is shown.

City of Gatesville, Texas
SCHEDULE OF OPEB CONTRIBUTIONS - ¹
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
Last Ten Fiscal Years

	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018
Actuarially Determined Contribution	\$ 4,794	\$ 5,293	\$ 2,381	\$ 1,962	\$ 2,166
Contributions in relation to the actuarially determined contribution	4,794	5,293	2,381	1,962	2,166
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	\$ 4,358,178	\$ 4,471,335	\$ 3,968,401	\$ 3,746,440	\$ 3,610,241
Contributions as a percentage of covered payroll	0.11%	0.12%	0.06%	0.05%	0.06%

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Timing: Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Inflation	2.50%
Salary Increases	3.5% to 11.5% including inflation
Discount Rate	1.84%
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality:	
Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Disabled Retirees	2019 Municipal Retirees of Texas Mortality Table with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Other Information:

Notes: The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020. The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

City of Gatesville, Texas

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

HEALTH BENEFIT PLAN

Last Ten Measured Years

	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017
Total OPEB liability - City Funded Health Care Plan					
Service Cost	\$ 15,920	\$ 12,394	\$ 15,797	\$ 14,934	\$ 13,022
Interest (on the Total OPEB Liability)	4,691	5,847	11,893	10,445	10,721
Effect of plan changes	-	-	-	-	-
Differences between expected and actual experience	50,263	1,098	(97,835)	1,224	-
Changes in assumptions or other inputs	(24,355)	15,773	(27,351)	(13,651)	16,384
Benefit payments	(21,412)	(8,497)	(9,019)	(7,685)	(6,160)
Net Change in Total OPEB Liability	<u>25,107</u>	<u>26,615</u>	<u>(106,515)</u>	<u>5,267</u>	<u>33,967</u>
Total OPEB Liability - Beginning	<u>237,287</u>	<u>210,672</u>	<u>317,187</u>	<u>311,920</u>	<u>277,953</u>
Total OPEB Liability - Ending (a)	<u>\$ 262,394</u>	<u>\$ 237,287</u>	<u>\$ 210,672</u>	<u>\$ 317,187</u>	<u>\$ 311,920</u>
Covered Payroll	\$ 4,397,290	\$ 4,190,641	\$ 4,052,108	\$ 3,169,511	\$ 3,494,591
Total OPEB Liability as a Percentage of Covered Payroll	5.97%	5.66%	5.20%	10.01%	8.93%

Notes to Schedule:

The ending Total OPEB Liability was as of December 31, 2021.

Changes in assumptions reflect a change in the discount rate from 2.00% as of December 31, 2020, to 1.84% as of December 31, 2021.

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

a. Age adjusted premiums	\$ 45,995	(retiree contributions *1.871)
b. Retiree contributions	<u>(24,583)</u>	(data provided by City)
c. Total benefit payments	\$ 21,412	

City of Gatesville, Texas
SCHEDULE OF OPEB CONTRIBUTIONS
HEALTH BENEFIT PLAN
Last Ten Fiscal Years

	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018
Actuarially Determined Contribution	\$ 24,583	\$ 18,002	\$ 19,109	\$ 20,170	\$ 16,167
Contributions in relation to the actuarially determined contribution	<u>24,583</u>	<u>18,002</u>	<u>19,109</u>	<u>20,170</u>	<u>16,167</u>
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	\$ 4,358,178	\$ 4,471,335	\$ 3,968,401	\$ 3,746,440	\$ 3,610,241
Contributions as a percentage of covered payroll	0.56%	0.40%	0.48%	0.54%	0.45%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date: December 31, 2021

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Individual Entry-Age Normal
Discount Rate	1.84%
Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation

Demographic Assumptions Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS).

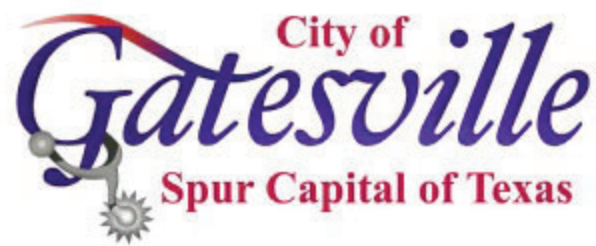
Mortality For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables published through 2019 to account for future mortality improvements.

Health Care Trend Rates Initial rate of 7.00% declining to an ultimate rate of 4.15% after 13 years.

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

Other Information:

Notes The discount rate changed from 2.00% as of December 31, 2020 to 1.84% as of December 31, 2021.



**COMBINING FUND
STATEMENTS**

City of Gatesville, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of September 30, 2022

	Municipal Court Security Fund	Donations Fund	Public Safety Fund
Assets			
Cash and cash equivalents	\$ 59,886	\$ 42,332	\$ 38,816
Due from other funds	-	-	-
Restricted assets:			
Cash and cash equivalents	-	-	-
Total Assets	<u>59,886</u>	<u>42,332</u>	<u>38,816</u>
Liabilities			
Accounts payable	-	2,893	-
Deferred revenue - federal grants	-	-	-
	<u>-</u>	<u>2,893</u>	<u>-</u>
Fund Balances			
Restricted	59,886	39,439	38,816
Unassigned	-	-	-
Total Fund Balances	<u>59,886</u>	<u>39,439</u>	<u>38,816</u>
Total Liabilities and Fund Balances	<u>\$ 59,886</u>	<u>\$ 42,332</u>	<u>\$ 38,816</u>

Motel Occupancy Fund	Cemetery Maintenance Fund	Grant Fund	Total Nonmajor Governmental Funds
\$ 273,050	\$ 29,290	\$ 366,780	\$ 810,154
-	11,945	-	11,945
-	-	1,424,815	1,424,815
<u>273,050</u>	<u>41,235</u>	<u>1,791,595</u>	<u>2,246,914</u>
4,134	-	-	7,027
-	-	1,414,668	1,414,668
<u>4,134</u>	<u>-</u>	<u>1,414,668</u>	<u>1,421,695</u>
268,916	41,235	-	448,292
-	-	376,927	376,927
<u>268,916</u>	<u>41,235</u>	<u>376,927</u>	<u>825,219</u>
<u>\$ 273,050</u>	<u>\$ 41,235</u>	<u>\$ 1,791,595</u>	<u>\$ 2,246,914</u>

City of Gatesville, Texas
*COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS*
For the Year Ended September 30, 2022

	<u>Municipal Court Security Fund</u>	<u>Donations Fund</u>	<u>Public Safety Fund</u>
Revenues			
Taxes:			
Hotel/motel	\$ -	\$ -	\$ -
Charges for services	-	-	-
Court fines	16,884	-	3,340
Grants	-	-	-
Donations	91	40,350	-
Interest income	66	-	-
Miscellaneous	-	-	-
Total Revenues	<u>17,041</u>	<u>40,350</u>	<u>3,340</u>
Expenditures			
Current:			
General government	-	-	-
Public safety	1,414	9,588	1,665
Culture and recreation	-	21,088	-
Debt Service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay	-	-	-
Total Expenditures	<u>1,414</u>	<u>30,676</u>	<u>1,665</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	15,627	9,674	1,675
Other Financing Sources (Uses)			
Transfers in		-	-
Transfers out	(2,908)	-	-
Total Other Financing Sources (Uses)	<u>(2,908)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	12,719	9,674	1,675
Beginning Fund Balances, as Restated	47,167	29,765	37,141
Ending Fund Balances	<u>\$ 59,886</u>	<u>\$ 39,439</u>	<u>\$ 38,816</u>

Motel Occupancy Fund	Cemetery Maintenance Fund	Grant Fund	Total Nonmajor Governmental Funds
\$ 170,989	\$ -	\$ -	\$ 170,989
-	18,500	-	18,500
-	-	-	20,224
-	-	130,767	130,767
5,000	-	-	45,441
550	-	7,110	7,726
-	-	-	-
<u>176,539</u>	<u>18,500</u>	<u>137,877</u>	<u>393,647</u>
-	872	5,534	6,406
-	-	-	12,667
33,155	-	-	54,243
49,788	-	-	49,788
5,249	-	-	5,249
-	-	36,130	36,130
<u>88,192</u>	<u>872</u>	<u>41,664</u>	<u>164,483</u>
88,347	17,628	96,213	229,164
-	-	-	-
-	-	(121,729)	(124,637)
<u>-</u>	<u>-</u>	<u>(121,729)</u>	<u>(124,637)</u>
88,347	17,628	(25,516)	104,527
180,569	23,607	402,443	720,692
<u>\$ 268,916</u>	<u>\$ 41,235</u>	<u>\$ 376,927</u>	<u>\$ 825,219</u>



COMPLIANCE SECTION



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

To the Mayor & City Council of
City of Gatesville, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gatesville, Texas (City), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 25, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as items 2022-001 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying Schedule of Audit Findings and Responses. The City's response was not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

Vail + Park, P.C.

Tom Bean, Texas
April 25, 2023

City of Gatesville, Texas

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

For the Year Ended September 30, 2022

FINANCIAL STATEMENT FINDINGS

Significant Deficiency

2022-001: Internal Controls over Financial Reporting

Criteria: Proper internal controls over financial reporting, including review and supervision, should be adequate to ensure that all financial balances are properly recorded in the general ledger.

Condition: We noted material adjustments to numerous balances were required that likely would have been detected by the City during the closing process, if proper internal controls, including review and supervision, were in place.

Possible Asserted

Effect: The internal control objectives are compromised and may not provide for the timely detection and correction of errors.

Cause: Internal controls were not designed and implemented to ensure that balances are properly recorded in the general ledger.

Perspective: Adequate review and supervision over the closing process should detect errors and omissions during the closing process.

Recommendation: Consider adding a layer of review for year-end closing entries designed to ensure that all financial balances are properly recorded in the general ledger. These controls should provide for adequate and timely reconciliation of the balances and include proper review and supervision. Consider hiring a consultant to assist with this process, if needed.

Management's

Response: The City agrees with this finding and will implement policies and procedures related to the closing process in order to address this moving forward.

City of Gatesville, Texas

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND RESPONSES

For the Year Ended September 30, 2022

FINANCIAL STATEMENT FINDINGS

Material Weakness

2021-001: Internal Controls over Financial Reporting

Criteria: Proper internal controls over financial reporting, including review and supervision, should be adequate to ensure that all financial balances are properly recorded in the general ledger.

Condition: The City does not have written financial policies and procedures that include internal controls over financial reporting to ensure that all financial balances are properly recorded in the general ledger. We noted material adjustments to numerous balances were required that likely would have been detected by the City during the closing process, if proper internal controls, including review and supervision, were in place.

Possible Asserted

Effect: The internal control objectives are compromised and may not provide for the timely detection and correction of errors.

Cause: Internal controls were not designed and implemented to ensure that balances are properly recorded in the general ledger.

Perspective: Written financial policies and procedures will provide a basis for proper internal controls over financial reporting.

Recommendation: Design and implement written financial policies and procedures that include internal controls over financial reporting to ensure that all financial balances are properly recorded in the general ledger. These controls should provide for adequate and timely reconciliation of the balances and include proper review and supervision. Consider hiring a consultant to assist with this process, if needed.

Status: The City implemented policies and procedures to partially correct this matter. However, this is an ongoing issue. Refer to finding 2022-001.