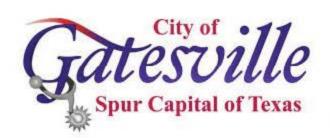
ANNUAL FINANCIAL REPORT

of the

City of Gatesville, Texas

For the Year Ended September 30, 2023



City of Gatesville, Texas ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2023

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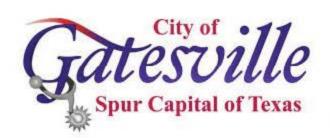
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INDEPENDENT AUDITOR'S REPORT

To the City Council 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 (City) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 the Notes to the Financial Statements, during the year ended September 30, 2023, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription Based Information Technology Arrangements. 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 74-82 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 management's discussion and analysis and 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 nonmajor fund financial statements on pages 84-87 and schedule of expenditures of federal awards on pages 96-97, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2024, 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 City's internal control over financial reporting and compliance.

Tom Bean, TX March 26, 2024

Vail + Park, P.C.



MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2023

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, 2023.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources as of September 30, 2023, by \$25,408,334 (net position). Of this amount \$19,080,560 is the net investment in capital assets, \$2,158,538 is restricted for debt service, \$1,466,897 is restricted for capital projects, \$605,688 is restricted for special purposes and \$114,907 is restricted for public safety, and \$1,981,744 is unrestricted.
- As of the close of the current fiscal year, the City's governmental activities reported combined ending net position of \$7,626,964. This is an increase of \$382,245 (or 5%) from the prior year's net position of \$7,244,719.
- As of September 30, 2023, unassigned fund balance for the General Fund was \$2,410,848. This is a decrease of \$412,689 (or 15%) from the prior years unassigned fund balance of \$2,823,537.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2023

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS September 30, 2023

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 \$25,408,334 as of September 30, 2023.

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.

	Governmen	ntal Activities	Business-Type Activities		Tot	tals	
	2023	2022	2023	2022	2023	2022	
Assets							
Current and other assets	\$ 5,134,693	\$ 5,949,625	\$ 16,250,425	\$ 14,882,573	\$ 21,385,118	\$ 20,832,198	
Capital assets	6,826,108	6,559,379	26,824,699	26,225,174	33,650,807	32,784,553	
Total Assets	11,960,801	12,509,004	43,075,124	41,107,747	55,035,925	53,616,751	
Deferred Outflows of Resources	1,538,250	445,866	1,113,370	756,151	2,651,620	1,202,017	
Liabilities							
Other liabilities	1,253,622	2,567,736	5,184,031	4,131,806	6,437,653	6,699,542	
Long-term liabilities	4,498,043	2,137,370	21,180,904	21,931,773	25,678,947	24,069,143	
Total Liabilities	5,751,665	4,705,106	26,364,935	26,063,579	32,116,600	30,768,685	
Deferred Inflows of Resources	120,422	1,005,045	42,189	404,607	162,611	1,409,652	
Net Position							
Net investment in capital assets	4,954,075	4,998,073	14,126,485	11,526,159	19,080,560	16,524,232	
Restricted	2,219,946	1,262,777	2,126,084	1,924,255	4,346,030	3,187,032	
Unrestricted	452,943	983,869	1,528,801	1,945,298	1,981,744	2,929,167	
Total Net Position	\$ 7,626,964	\$ 7,244,719	\$ 17,781,370	\$ 15,395,712	\$ 25,408,334	\$ 22,640,431	

As of September 30, 2023, 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS September 30, 2023

	 Government	al Act	tivities	Business Typ			ctivities	Totals			
	 2023		2022		2023		2022		2023		2022
Revenue											
Program revenue											
Charges for services	\$ 760,704	\$	642,270	\$	9,465,087	\$	8,965,682	\$	10,225,791	\$	9,607,952
Operating grants and contributions	67,218		54,479		-		8,500		67,218		62,979
Capital grants and contributions	11,982		121,729		977,873		-		989,855		121,729
General Revenue											
Property taxes	3,030,239		2,508,573		-		-		3,030,239		2,508,573
Sales taxes	2,946,402		2,673,007		-		-		2,946,402		2,673,007
Franchise taxes	853,812		857,673		-		-		853,812		857,673
Hotel/motel taxes	319,368		170,989		-		-		319,368		170,989
Other taxes	13,451		14,129		-		-		13,451		14,129
Investment income	101,367		17,099		444,100		28,270		545,467		45,369
Other revenues	 75,038		267,090		81,643		230,732		156,681		497,822
Total revenue	 8,179,581		7,327,038		10,968,703		9,233,184		19,148,284		16,560,222
Expenses											
General government	1,169,360		878,588		-		-		1,169,360		878,588
Public safety	3,232,335		2,961,746		-		-		3,232,335		2,961,746
Public works	1,675,564		1,658,534		-		-		1,675,564		1,658,534
Culture and recreation	1,820,161		1,560,654		-		-		1,820,161		1,560,654
Water and Sewer	-		-		8,419,665		7,305,609		8,419,665		7,305,609
Airport	-		-		70,750		85,860		70,750		85,860
Interest and fiscal charges	104,193		59,400						104,193		59,400
Total expenses	8,001,613		7,118,922		8,490,415		7,391,469		16,492,028		14,510,391
Change in Net Position Before Transfers	177,968		208,116		2,478,288		1,841,715		2,656,256		2,049,831
Transfers	92,630		503,934		(92,630)		(503,934)		-		-
Gain (loss) on disposal of asset	 111,647		15,887						111,647		15,887
Total	204,277		519,821		(92,630)		(503,934)		111,647		-
Change in Net Position	382,245		727,937		2,385,658		1,337,781		2,767,903		2,049,831
Net position - Beginning	 7,244,719		6,516,782		15,395,712		14,057,931		22,640,431		20,574,713
Net position September 30	\$ 7,626,964	\$	7,244,719	\$	17,781,370	\$	15,395,712	\$	25,408,334	\$	22,640,431

Governmental Activities:

Revenues from governmental activities when compared to the prior year had an increase of \$852,543 (12%). This increase is a result of an increase of \$521,666 in property tax revenue, as well as a \$273,395 increase in sales tax revenue. Expenses in governmental activities increased by \$882,691 (12%) from the prior year with the largest increase of \$290,772 in general government. The largest expense category is public safety with expenses in the amount of \$3,232,335 in fiscal year 2023.

Business-type Activities:

Revenues from business-type activities increased by \$1,735,519 (19%) from the prior year. This increase is due to a \$977,873 (100%) increase in capital grants and contributions related to the recognition of revenue related to the CSLFRF funds and a \$499,405 (6%) increase in charges for services. Expenses increased by \$1,098,946 from the prior year. This 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS September 30, 2023

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,688,743. Approximately 52% (percent) of this total amount (\$2,441,136) 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 \$139,157 due in part to charges for services, intergovernmental and interest revenue exceeding budgeted amounts by \$97,155. General Fund actual expenditures exceeded final budgeted amounts by \$390,796 due to the implementation of GASB No. 96 and adjustments for GASB No. 87. Management will monitor actual expenditures to ensure the budget is amended appropriately.

CAPITAL ASSETS

Governmental capital assets increased by \$266,729 from fiscal year 2022 to 2023 due to the implementation of GASB 96 for subscription based information technology arrangements (SBITA). Business-type capital assets increased by \$599,525 due significant additions for the Lover's Lane project. As required, the City implemented GASB 96 during the fiscal year, creating a new asset class for SBITA assets and the related accumulated amortization. The table below presents the City's capital assets as of September 30, 2023, as well as the previous fiscal year-end.

_	Governmental Activities		Business-Type Activities				Totals				
	2023		2022		2023	2022		2023		2022	
Land	\$ 636,543	\$	636,543	\$	300,339	\$	300,339	\$	936,882	\$	936,882
Construction in progress	84,846		84,846		3,366,974		1,501,511		3,451,820		1,586,357
Buildings and improvements	5,049,826		4,364,888		59,313,105		59,132,109		64,362,931		63,496,997
Improvements other than buildings	4,722,182		4,700,328		-		-		4,722,182		4,700,328
Machinery and equipment	4,737,402		4,690,591		5,790,096		5,538,175		10,527,498		10,228,766
Right to use - vehicles & equipment	575,765		611,826		295,094		256,345		870,859		868,171
SBITA assets	155,560		-		-		-		155,560		-
Less: accumulated depreciation	(8,806,847)		(8,299,359)		(42,072,546)		(40,411,090)		(50,879,393)		(48,710,449)
Less: accumulated amortization	(329,169)		(230,284)		(168,363)		(92,215)		(497,532)		
Total Capital Assets, Net	\$ 6,826,108	\$	6,559,379	\$	26,824,699	\$	26,225,174	\$	33,650,807	\$	33,107,052

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had total debt of \$28,378,543. Total debt of the City increased by \$1,674,442 due to an increase in net pension liability of \$3,096,738. Additional information on the City's long-term debt can be found below and within the notes section of this report.

	Governmen	tal A	ctivities	Business-Ty	pe Activities	Totals			
	2023		2022	2023	2022		2023	2022	
General obligation	\$ 840,000	\$	325,000	\$ 12,655,000	\$ 13,700,000	\$	13,495,000	\$ 14,025,000	
Revenue bonds payable	-		-	8,100,000	8,575,000		8,100,000	8,575,000	
Notes payable	607,417		793,840	664,492	708,339		1,271,909	1,502,179	
Total Debt Payable	1,447,417		1,118,840	21,419,492	22,983,339		22,866,909	24,102,179	
Right to use lease liability	283,109		442,466	193,745	191,633		476,854	634,099	
Subscription liability	141,507		-	-	-		141,507	-	
Compensated absences	195,312		232,241	98,157	95,865		293,469	328,106	
Net pension liability	2,997,753		761,082	1,153,824	293,757		4,151,577	1,054,839	
Total OPEB liability	323,654		421,998	124,573	162,880		448,227	584,878	
Total Long Term Liabilities	\$ 5,388,752	\$	2,976,627	\$ 22,989,791	\$ 23,727,474	\$	28,378,543	\$ 26,704,101	

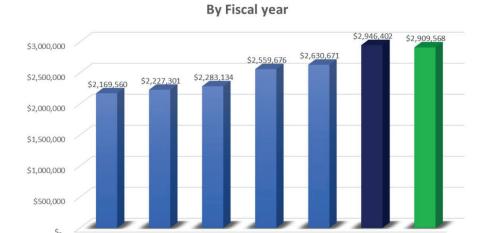
MANAGEMENT'S DISCUSSION AND ANALYSIS September 30, 2023

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

Annual sales tax allocations saw an increase of 11.5% in FY 2023 over FY 2022. 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 2023 budget for sales tax collections was \$2.6M. The fiscal year ended with collections exceeding budget by \$333,475, or 12.8%.

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).



2017-18

2018-19

2019-20

Total Sales Tax Collections

2020-21

2021-22

2022-23

Budget 23-24

MANAGEMENT'S DISCUSSION AND ANALYSIS September 30, 2023

A Retail water rate study was completed in 2022 to ensure rates adequately fund current operating and maintenance costs, as well as infrastructure projects in the 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 was effective April of 2023.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Michael Halsema, 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, 2023

	Primary Government							
	Governmental Activities		Business-Type Activities			Total		
Assets								
Current assets:								
Cash and cash equivalents	\$	4,644,555	\$	4,697,258	\$	9,341,813		
Receivables, (net)		838,459		1,129,436		1,967,895		
Internal balances		(1,459,896)		1,459,896		-		
Inventories		27,661		211,400		239,061		
Restricted assets:								
Cash and cash equivalents		1,083,914		8,752,435		9,836,349		
Total Current Assets		5,134,693		16,250,425		21,385,118		
Capital assets:								
Non-depreciable		721,389		3,667,313		4,388,702		
Depreciable/amortizable (net)		6,104,719		23,157,386		29,262,105		
Total Capital Assets		6,826,108		26,824,699		33,650,807		
Total Noncurrent Assets		6,826,108		26,824,699		33,650,807		
Total Assets		11,960,801		43,075,124		55,035,925		
Deferred Outflows of Resources								
Deferred outflows - pension		1,518,245		584,367		2,102,612		
Deferred outflows - OPEB		20,005		7,700		27,705		
Deferred charges on refunding		_		521,303		521,303		
Total Deferred Outflows of Resources	\$	1,538,250	\$	1,113,370	\$	2,651,620		

City of Gatesville, Texas
STATEMENT OF NET POSITION (Page 2 of 2) As of September 30, 2023

Part Part	,		Prima	ry Governmen	nt			
Current liabilities:						Total		
Accounts payable \$ 170,078 \$ 855,928 \$ 1,026,006 Accrued liabilities and other payables 164,332 - 164,332 Unearned revenue - 2,185,739 2,185,739 Customer deposits - 296,276 296,276 Accrued interest payable 28,503 37,201 65,704 Due within one year: - 1,595,235 2,069,962 Subscription liability 45,323 - 45,323 Right-to-use lease liability 175,347 1115,495 290,842 Accrued compensated absences 195,312 98,157 293,469 Accrued compensated absences 195,312 98,157 293,469 Noncurrent liabilities: 1,253,622 5,184,031 6,437,653 Noncurrent liabilities: 972,690 19,824,257 20,796,947 Subscription liability 96,184 - 96,184 Right-to-use lease liability 107,762 78,250 186,012 Net pension liability 2,997,753 1,153,824 4,151,577	Liabilities				•			
Accrued liabilities and other payables 164,332 Uncarned revenue - 2,185,739 2,185,739 Customer deposits - 296,276 296,276 Accrued interest payable 28,503 37,201 65,704 Due within one year: Bonds and notes payable 474,727 1,595,235 2,069,962 Subscription liability 45,323 - 43,323 Right-to-use lease liability 175,347 115,495 290,842 Accrued compensated absences 195,312 98,157 293,469 Total Current Liabilities 1,253,622 5,184,031 6,437,653	Current liabilities:							
Unearned revenue 2,185,739 2,185,739 Customer deposits 296,276 296,276 Accrued interest payable 28,503 37,201 65,704 Due within one year: 8 37,201 65,704 Bonds and notes payable 474,727 1,595,235 2,069,962 Subscription liability 45,323 - 45,323 Right-to-use lease liability 175,347 115,495 293,469 Accrued compensated absences 195,312 98,157 293,469 Total Current Liabilities: Due in more than one year: Bonds and notes payable 972,690 19,824,257 20,796,947 Subscription liability 96,184 - 96,184 Right-to-use lease liability 107,762 78,250 186,012 Net pension liability 2,997,753 1,153,824 4,151,577 Total OPEB liability 323,654 124,573 448,227 Total Noncurrent Liabilities 4,498,043 21,180,904 25,678,947 Total Deferred Inflows of Resources<	Accounts payable	\$ 170,078	\$	855,928	\$	1,026,006		
Customer deposits - 296,276 296,276 Accrued interest payable 28,503 37,201 65,704 Due within one year: 37,201 65,704 Bonds and notes payable 474,727 1,595,235 2,069,962 Subscription liability 45,323 - 45,323 Right-to-use lease liability 175,347 115,495 290,842 Accrued compensated absences 195,312 98,157 293,469 Total Current Liabilities 1,253,622 5,184,031 6,437,653 Noncurrent Liabilities: Due in more than one year: Bonds and notes payable 972,690 19,824,257 20,796,947 Subscription liability 96,184 - 96,184 Right-to-use lease liability 107,762 78,250 186,012 Net pension liability 2,997,753 1,153,824 4,151,577 Total OPEB liability 32,3564 124,573 448,227 Total Noncurrent Liabilities 4,498,043 21,180,904 25,678,947 <td>Accrued liabilities and other payables</td> <td>164,332</td> <td></td> <td>-</td> <td></td> <td>164,332</td>	Accrued liabilities and other payables	164,332		-		164,332		
Accrued interest payable 28,503 37,201 65,704 Due within one year: 8474,727 1,595,235 2,069,962 Subscription liability 45,323 - 45,323 Right-to-use lease liability 175,347 115,495 290,842 Accrued compensated absences 195,312 98,157 293,469 Total Current Liabilities Due in more than one year: Bonds and notes payable 972,690 19,824,257 20,796,947 Subscription liability 96,184 - 96,184 Right-to-use lease liability 107,762 78,250 186,012 Net pension liability 2,997,753 1,153,824 4,151,577 Total OPEB liability 323,654 124,573 448,227 Total Noncurrent Liabilities 5,751,665 26,364,935 32,116,600 Deferred Inflows of Resources Deferred lease inflows - OPEB 109,613 42,189 151,802 Deferred lease inflows - OPEB 10,809 - 10,809 <td <="" colspan="2" td=""><td>Unearned revenue</td><td>-</td><td></td><td>2,185,739</td><td></td><td>2,185,739</td></td>	<td>Unearned revenue</td> <td>-</td> <td></td> <td>2,185,739</td> <td></td> <td>2,185,739</td>		Unearned revenue	-		2,185,739		2,185,739
Due within one year: Bonds and notes payable 474,727 1,595,235 2,069,962 Subscription liability 45,323 - 45,323 Right-to-use lease liability 175,347 115,495 290,842 Accrued compensated absences 195,312 98,157 293,469 Total Current Liabilities 1,253,622 5,184,031 6,437,653 Noncurrent liabilities: Due in more than one year: Bonds and notes payable 972,690 19,824,257 20,796,947 Subscription liability 96,184 - 96,184 Right-to-use lease liability 107,762 78,250 186,012 Net pension liability 2,997,753 1,153,824 4,151,577 Total OPEB liability 323,654 124,573 448,227 Total Noncurrent Liabilities 4,498,043 21,180,904 25,678,947 Total Liabilities 5,751,665 26,364,935 32,116,600 Deferred Inflows of Resources Deferred lease inflows 0,000 - 10,809 Total Deferred Inflows of Resources 120,422 42,189 162,611 Net Position Net investment in capital assets 4,954,075 14,126,485 19,080,560 Restricted for: Deb service 32,454 2,126,084 2,158,538 Capital projects 1,466,897 - 1,466,897 Special purposes 605,688 - 605,688 Public safety 114,907 - 114,907 Unrestricted 452,943 1,528,801 1,981,744	Customer deposits	-		296,276		296,276		
Bonds and notes payable 474,727 1,595,235 2,069,962 Subscription liability 45,323 - 45,323 Right-to-use lease liability 175,347 115,495 290,842 Accrued compensated absences 195,312 98,157 293,469 Total Current Liabilities Noncurrent liabilities: Due in more than one year: Bonds and notes payable 972,690 19,824,257 20,796,947 Subscription liability 96,184 - 96,184 Right-to-use lease liability 107,762 78,250 186,012 Net pension liability 2,997,753 1,153,824 4,151,577 Total OPEB liabilities 323,654 124,573 448,227 Total Noncurrent Liabilities 4,498,043 21,180,904 25,678,947 Total Deferred Inflows of Resources 10,809 - 10,809 Deferred inflows - OPEB 109,613 42,189 151,802 Deferred lease inflows 10,809 - 10,809 Total Deferred Inflows of Resour	Accrued interest payable	28,503		37,201		65,704		
Subscription liability 45,323 - 45,323 Right-to-use lease liability 175,347 115,495 290,842 Accrued compensated absences 195,312 98,157 293,469 Total Current Liabilities 1,253,622 5,184,031 6,437,653 Noncurrent liabilities: Due in more than one year: 8 8 20,796,947 Subscription liability 96,184 - 96,184 Right-to-use lease liability 107,762 78,250 186,012 Net pension liability 2,997,753 1,153,824 4,151,577 Total OPEB liability 323,654 124,573 448,227 Total Noncurrent Liabilities 4,498,043 21,180,904 25,678,947 Total Inflows of Resources 10,809 - 10,809 Deferred Inflows - OPEB 109,613 42,189 151,802 Deferred lease inflows 10,809 - 10,809 Total Deferred Inflows of Resources 120,422 42,189 162,611 Net Position	Due within one year:							
Subscription liability 45,323 - 45,323 Right-to-use lease liability 175,347 115,495 290,842 Accrued compensated absences 195,312 98,157 293,469 Total Current Liabilities 1,253,622 5,184,031 6,437,653 Noncurrent liabilities: Due in more than one year: 8 8 20,796,947 Subscription liability 96,184 - 96,184 Right-to-use lease liability 107,762 78,250 186,012 Net pension liability 2,997,753 1,153,824 4,151,577 Total OPEB liability 323,654 124,573 448,227 Total Noncurrent Liabilities 4,498,043 21,180,904 25,678,947 Total Inflows of Resources 10,809 - 10,809 Deferred Inflows - OPEB 109,613 42,189 151,802 Deferred lease inflows 10,809 - 10,809 Total Deferred Inflows of Resources 120,422 42,189 162,611 Net Position	•	474,727		1,595,235		2,069,962		
Right-to-use lease liability 175,347 115,495 290,842 Accrued compensated absences 195,312 98,157 293,469 Total Current Liabilities Noncurrent liabilities: Due in more than one year: Bonds and notes payable 972,690 19,824,257 20,796,947 Subscription liability 96,184 - 96,184 Right-to-use lease liability 107,762 78,250 186,012 Net pension liability 2,997,753 1,153,824 4,151,577 Total OPEB liability 323,654 124,573 448,227 Total Noncurrent Liabilities 4,498,043 21,180,904 25,678,947 Total Liabilities 5,751,665 26,364,935 32,116,600 Deferred Inflows of Resources Deferred Inflows of Resources Deferred lease inflows 10,809 - 10,809 Total Deferred Inflows of Resources 120,422 42,189 162,611 Net investment in capital assets 4,954,075 14,126,4		45,323		-				
Noncurrent liabilities	*	-		115,495		*		
Noncurrent liabilities	,	-						
Noncurrent liabilities: Due in more than one year: Bonds and notes payable 972,690 19,824,257 20,796,947 Subscription liability 96,184 - 96,184 Right-to-use lease liability 107,762 78,250 186,012 Net pension liability 2,997,753 1,153,824 4,151,577 Total OPEB liability 323,654 124,573 448,227 Total Noncurrent Liabilities 4,498,043 21,180,904 25,678,947 Total Liabilities 5,751,665 26,364,935 32,116,600 Deferred Inflows of Resources Deferred inflows - OPEB 109,613 42,189 151,802 Deferred lease inflows 10,809 - 10,809 Total Deferred Inflows of Resources 120,422 42,189 162,611 Net Position Net investment in capital assets 4,954,075 14,126,485 19,080,560 Restricted for: Debt service 32,454 2,126,084 2,158,538 Capital projects 1,466,897 - 1,466,897 Special purposes 605,688 - 605,688 Public safety 114,907 - 114,907 Unrestricted 452,943 1,528,801 1,981,744	· · · · · · · · · · · · · · · · · · ·							
Deferred inflows - OPEB 109,613 42,189 151,802 Deferred lease inflows 10,809 - 10,809 Total Deferred Inflows of Resources 120,422 42,189 162,611 Net Position Net investment in capital assets 4,954,075 14,126,485 19,080,560 Restricted for: 32,454 2,126,084 2,158,538 Capital projects 1,466,897 - 1,466,897 Special purposes 605,688 - 605,688 Public safety 114,907 - 114,907 Unrestricted 452,943 1,528,801 1,981,744	Due in more than one year: Bonds and notes payable Subscription liability Right-to-use lease liability Net pension liability Total OPEB liability Total Noncurrent Liabilities	96,184 107,762 2,997,753 323,654 4,498,043		78,250 1,153,824 124,573 21,180,904		96,184 186,012 4,151,577 448,227 25,678,947		
Deferred inflows - OPEB 109,613 42,189 151,802 Deferred lease inflows 10,809 - 10,809 Total Deferred Inflows of Resources 120,422 42,189 162,611 Net Position Net investment in capital assets 4,954,075 14,126,485 19,080,560 Restricted for: 32,454 2,126,084 2,158,538 Capital projects 1,466,897 - 1,466,897 Special purposes 605,688 - 605,688 Public safety 114,907 - 114,907 Unrestricted 452,943 1,528,801 1,981,744								
Deferred lease inflows 10,809 - 10,809 Total Deferred Inflows of Resources 120,422 42,189 162,611 Net Position Net investment in capital assets 4,954,075 14,126,485 19,080,560 Restricted for: 32,454 2,126,084 2,158,538 Capital projects 1,466,897 - 1,466,897 Special purposes 605,688 - 605,688 Public safety 114,907 - 114,907 Unrestricted 452,943 1,528,801 1,981,744		100 612		42 190		151 002		
Net Position Net investment in capital assets 4,954,075 14,126,485 19,080,560 Restricted for: 32,454 2,126,084 2,158,538 Capital projects 1,466,897 - 1,466,897 Special purposes 605,688 - 605,688 Public safety 114,907 - 114,907 Unrestricted 452,943 1,528,801 1,981,744		-		42,189				
Net Position Net investment in capital assets 4,954,075 14,126,485 19,080,560 Restricted for: Debt service 32,454 2,126,084 2,158,538 Capital projects 1,466,897 - 1,466,897 Special purposes 605,688 - 605,688 Public safety 114,907 - 114,907 Unrestricted 452,943 1,528,801 1,981,744	·			42 190				
Net investment in capital assets 4,954,075 14,126,485 19,080,560 Restricted for: Debt service 32,454 2,126,084 2,158,538 Capital projects 1,466,897 - 1,466,897 Special purposes 605,688 - 605,688 Public safety 114,907 - 114,907 Unrestricted 452,943 1,528,801 1,981,744	Total Deferred filllows of Resources	120,422		42,189	•	102,011		
Restricted for: Debt service 32,454 2,126,084 2,158,538 Capital projects 1,466,897 - 1,466,897 Special purposes 605,688 - 605,688 Public safety 114,907 - 114,907 Unrestricted 452,943 1,528,801 1,981,744	Net Position							
Debt service 32,454 2,126,084 2,158,538 Capital projects 1,466,897 - 1,466,897 Special purposes 605,688 - 605,688 Public safety 114,907 - 114,907 Unrestricted 452,943 1,528,801 1,981,744	Net investment in capital assets	4,954,075		14,126,485		19,080,560		
Capital projects 1,466,897 - 1,466,897 Special purposes 605,688 - 605,688 Public safety 114,907 - 114,907 Unrestricted 452,943 1,528,801 1,981,744	Restricted for:							
Capital projects 1,466,897 - 1,466,897 Special purposes 605,688 - 605,688 Public safety 114,907 - 114,907 Unrestricted 452,943 1,528,801 1,981,744	Debt service	32,454		2,126,084		2,158,538		
Special purposes 605,688 - 605,688 Public safety 114,907 - 114,907 Unrestricted 452,943 1,528,801 1,981,744	Capital projects	1,466,897		-				
Public safety 114,907 - 114,907 Unrestricted 452,943 1,528,801 1,981,744				_				
Unrestricted 452,943 1,528,801 1,981,744				_				
	· ·			1,528.801		*		
	·	\$	\$		\$			

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2023

			Program Revenues									
Functions/Programs		Expenses		Charges for Services	Gr	perating ants and tributions	Capital Grants and Contribution					
Primary Government:				_								
Governmental Activities:												
Public safety	\$	3,232,335	\$	194,927	\$	7,801	\$	-				
Public works		1,675,564		-		-		11,982				
General government		1,169,360		130,631		30,871		-				
Culture and recreation		1,820,161		435,146		28,546		-				
Interest and fiscal charges		104,193		-		-		-				
Total Governmental Activities		8,001,613		760,704		67,218		11,982				
Business-Type Activities:												
Water and sewer		8,419,665		9,403,913		-		977,873				
Municipal airport		70,750		142,817		-		-				
Total Business-Type Activities		8,490,415		9,546,730		-		977,873				
Total Primary Government	\$	16,492,028	\$	10,307,434	\$	67,218	\$	989,855				

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 Net Position - Ending

Net (Expense) Revenue and Changes in Net Position

	Primary Government											
G	overnmental Activities	В	usiness-Type Activities	Total								
\$	(3,029,607)			\$	(3,029,607)							
	(1,663,582)				(1,663,582)							
	(1,007,858)				(1,007,858)							
	(1,356,469)				(1,356,469)							
	(104,193)				(104,193)							
	(7,161,709)				(7,161,709)							
	_	\$	1,962,121		1,962,121							
	_	Ψ	72,067		72,067							
	_		2,034,188		2,034,188							
	(7,161,709)		2,034,188		(5,127,521)							
	3,030,239		-		3,030,239							
	2,946,402		-		2,946,402							
	853,812		-		853,812							
	13,451		-		13,451							
	319,368		-		319,368							
	101,367		444,100		545,467							
	75,038		-		75,038							
	111,647		-		111,647							
	92,630		(92,630)		-							
	7,543,954		351,470		7,895,424							
	382,245		2,385,658		2,767,903							
	7,244,719		15,395,712		22,640,431							
\$	7,626,964	\$	17,781,370	\$	25,408,334							

BALANCE SHEET - GOVERNMENTAL FUNDS
As of September 30, 2023

	General Fund		Cap	oital Projects Fund
Assets				
Cash and cash equivalents	\$	2,052,587	\$	1,466,897
Receivables, net:				
Property taxes		127,872		-
Sales taxes		489,064		-
Leases		10,990		-
Other		210,533		-
Inventories		27,661		-
Restricted assets:				
Cash and cash equivalents				
Total Assets		2,918,707		1,466,897
Liabilities				
Accounts payable		159,098		_
Accrued liabilities and other payables		164,332		_
Due to other funds		45,228		_
Total Liabilities		368,658	•	
		200,020	-	
Deferred Inflows of Resources				
Unavailable revenue - property taxes		65,778		-
Unavailable revenue - fines		34,953		-
Unavailable revenue - leases		10,809		-
Total Deferred Inflows of Resources		111,540		-
Fund Balances				
Nonspendable		27,661		_
Restricted for:		27,001		_
Debt service		_		_
Capital projects		_		1,466,897
Special purposes		_		1,400,077
Public safety		_		_
Unassigned		2,410,848		_
Total Fund Balances		2,438,509	-	1,466,897
Town I and Dutanees			-	1,100,027
Total Liabilities, Deferred Inflows of				
Resources, and Fund Balances	\$	2,918,707	\$	1,466,897

Deb	onmajor ot Service Fund		Nonmajor overnmental Funds	Total Governmental Funds			
\$	32,454	\$	1,092,617	\$	4,644,555		
	_		-		127,872		
	-		-		489,064		
	-		-		10,990		
	-		-		210,533		
	-		-		27,661		
			1,083,914		1,083,914		
	32,454		2,176,531		6,594,589		
	-		10,980		170,078		
	-		-		164,332		
	-		1,414,668		1,459,896		
	-		1,425,648		1,794,306		
	-		-		65,778		
	-		-		34,953		
	-		-		10,809		
	-	•	-	•	111,540		
	-		-		27,661		
	32,454		-		32,454		
	-		-		1,466,897		
	-		605,688		605,688		
	-		114,907		114,907		
			30,288		2,441,136		
	32,454		750,883		4,688,743		
\$	32,454	\$	2,176,531	\$	6,594,589		



RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION September 30, 2023

Fund Balances - Total Governmental Funds	\$ 4,688,743
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.	6,826,108
Other long-term assets are not available to pay for current-period expenditures, and therefore, are unavailable in the governmental funds.	
Property taxes receivables Fines receivable	65,778 34,953
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	1,518,245
OPEB amounts	(89,608)
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	(28,503)
Accrued compensated absences	(195,312)
Non-current debt due in one year	(695,397)
Non-current debt due in more than one year	(1,176,636)
Net pension and total OPEB liability	(3,321,407)
Net Position of Governmental Activities - Statement of Net Position	\$ 7,626,964

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

For the Year Ended September 30, 2023

Revenues	General Fund	Сар	pital Projects Fund		Nonmajor Debt Service Fund		
Taxes:							
Property	\$ 2,839,332	\$	-	\$	189,861		
Sales	2,946,402		-		-		
Franchise	853,812		-		-		
Hotel/motel	-		-		-		
Liquor	13,451		_		_		
Charges for services	503,902		_		_		
Grants	_		_		_		
Court fines	167,267		_		_		
Donations			_		_		
Intergovernmental	35,582		_		_		
Miscellaneous	39,455		_		_		
Licenses, permits and fees	44,749		_		_		
Interest revenue	32,171		1,210		_		
Total Revenues	7,476,123		1,210	-	189,861		
Total Revenues	7,170,123		1,210		107,001		
Expenditures Current operating:							
Public safety	2,854,195		-		-		
General government	1,071,158		-		-		
Culture and recreation	1,324,123		_		_		
Public works	1,422,328		_		_		
Fitness center	259,080		_		_		
Debt Service:							
Principal retirement	383,685		_		160,000		
Interest and fiscal charges	29,395		25,000		19,413		
Capital outlay	277,698		706,792		-		
Total Expenditures	7,621,662		731,792		179,413		
Total Expenditures	7,021,002		731,772		177,113		
Excess (Deficiency) of Revenues							
Over (Under) Expenditures	(145,539)		(730,582)		10,448		
Over (Onder) Expenditures	(143,339)		(730,382)		10,446		
Other Financing Sources (Uses)							
Transfers in	502 107		720,000				
Transfers out	503,107		730,000		-		
Bond proceeds	(730,000)		675.000		-		
*	-		675,000		-		
Leases issued	230,887		-		-		
Proceeds from the sale of capital assets	105,783		1 405 000				
Total Other Financing Sources (Uses)	109,777		1,405,000				
Net Change in Fund Balances	(35,762)		674,418		10,448		
Fund Balances - Beginning	2,474,271		792,479		22,006		
Fund Balances - Ending	\$ 2,438,509	\$	1,466,897	\$	32,454		

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 3,029,193 2,946,402 853,812
319,368	319,368
517,500	13,451
19,500	523,402
14,053	14,053
19,943	187,210
65,147	65,147
-	35,582
-	39,455
-	44,749
67,986	101,367
505,997	8,173,191
21,776	2,875,971
21,791	1,092,949
71,253	1,395,376
-	1,422,328
-	259,080
51,476	595,161
3,560	77,368
160.056	984,490
169,856	8,702,723
336,141	(529,532)
-	1,233,107
(410,477)	(1,140,477)
-	675,000
-	230,887
	105,783
(410,477)	1,104,300
(74,336)	574,768
825,219	4,113,975
\$ 750,883	\$ 4,688,743

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, 2023

Net Change in Fund Balances - Total Governmental Funds	\$	574,768
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 ar allocated over their estimated useful lives and reported as depreciation expense.	re	
Capital outlays		984,490
Depreciation and amortization expense		(723,625)
In the governmental fund financial statements, the proceeds from the sale of assets are shown as an increase if financial resources. In the government-wide financial statements, the gain or loss is calculated and reported.	n	5,864
Revenues in the SOA that do not provide current financial resources are not reported as revenues in the governmental funds.		6,389
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:	nt O, l;	
Net changes in certificates, bonds & notes		(310,727)
Some expenses reported in the SOA do not require the use of current financial resources and, therefore, are no reported as expenditures in the governmental funds.	ot	
Accrued interest		(26,824)
Pension and OPEB expense		(165,019)
Accrued compensated absences		36,929
Net Position of Governmental Activities - Statement of Activities	\$	382,245

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended September 30, 2023

Budgeted Amounts Positive (Negation of State of	
Revenues Taxes:	3,802 3,598) 2,024) 1,549) 7,402
	3,598) 2,024) 1,549) 7,402
Property \$ 2,590,530 \$ 2,815,530 \$ 2,839,332 \$ 2.	3,598) 2,024) 1,549) 7,402
* *	2,024) 1,549) 7,402
Sales $2,600,000$ $2,950,000$ $2,946,402$ (3)	1,549) 7,402
Franchise 765,836 865,836 853,812 (12)	7,402
Liquor 15,000 15,000 13,451 (
Charges for services 391,500 466,500 503,902 3'	9,267
Court fines 158,000 158,000 167,267	,
Intergovernmental - 35,582 3:	5,582
Miscellaneous 21,500 21,500 39,455 1	7,955
Licenses, permits and fees 36,600 44,749	8,149
Interest revenue 8,000 8,000 32,171 24	4,171
Total Revenues 6,586,966 7,336,966 7,476,123 139	9,157
Evandituus	
Expenditures Compart or a retire or	
Current operating: Public safety 2,844,250 2,844,250 2,854,195 (9)	0.045)
·	9,945) 1,366)
	4,736
	4,730 5,082)
	7,385)
Debt Service: 251,095 251,095 259,080 (7,363)
	6,617)
	5,939)
	9,198)
	0,796
7,230,000 7,021,002 (33)	3,770)
Excess of Revenues	
Over (Under) Expenditures (643,900) 106,100 (145,539) (25	1,639)
Other Financing Sources (Uses)	
	8,057)
Transfers out - (730,000) (730,000)	-
	0,887
	5,783
	8,613
(00,000)	- ,
Net Change in Fund Balances 27,264 47,264 (35,762) \$ (85)	3,026)
Fund Balances - Beginning 2,474,271 2,474,271 2,474,271	
Fund Balances, Ending \$ 2,501,535 \$ 2,521,535 \$ 2,438,509	

City of Gatesville, Texas
STATEMENT OF NET POSITION (Page 1 of 2) PROPRIETARY FUNDS As of September 30, 2023

	Water and Sewer Fund		Nonmajor Municipal Airport		Total Enterprise Funds		
Assets				_			
Current assets:							
Cash and cash equivalents	\$	4,572,454	\$	124,804	\$	4,697,258	
Receivables, net		1,129,161		275		1,129,436	
Due from other funds		1,459,896		-		1,459,896	
Inventories Restricted assets:		211,400		-		211,400	
Cash and cash equivalents		8,752,435		-		8,752,435	
Total Current Assets		16,125,346		125,079		16,250,425	
Capital Assets							
Non-depreciable		3,651,313		16,000		3,667,313	
Depreciable/Amortizable (net)		22,357,667		799,719		23,157,386	
Total Capital Assets (net)		26,008,980		815,719		26,824,699	
Total Assets		42,134,326		940,798	,	43,075,124	
Deferred Outflows of Resources							
Deferred charges on bond refunding		521,303		-		521,303	
Deferred outflows - pension		584,367		-		584,367	
Deferred outflows - OPEB		7,700		-		7,700	
Total Deferred Outflows of Resources	\$	1,113,370	\$	-	\$	1,113,370	

City of Gatesville, Texas
STATEMENT OF NET POSITION (Page 2 of 2) PROPRIETARY FUNDS As of September 30, 2023

Liabilities	Water and Sewer Municipal Fund Airport		[unicipal	Total Enterprise Funds		
Current liabilities:						
Accounts payable and other current liabilities	\$	855,828	\$	100	\$	855,928
Accrued interest payable	*	37,201	4	-	-	37,201
Utility customer deposits		296,276		_		296,276
Right-to-use lease liability - current		115,495		_		115,495
Bonds and notes payable - current		1,595,235		-		1,595,235
Deferred revenue - grants		2,185,739		-		2,185,739
Compensated absences payable - current		98,157		-		98,157
Total Current Liabilities		5,183,931		100		5,184,031
Noncurrent Liabilities Right-to-use lease liability		78,250		-		78,250
Bonds and notes payable		19,824,257		-		19,824,257
Total OPEB liability		124,573		-		124,573
Net pension liability		1,153,824		-		1,153,824
Total Noncurrent Liabilities		21,180,904		_		21,180,904
Total Liabilities		26,364,835		100		26,364,935
Deferred Inflows of Resources		45.400				42.400
Deferred inflows - OPEB		42,189				42,189
Total Deferred Inflows of Resources		42,189				42,189
Net Position		12.210.50		015510		11126107
Net Investment in Capital Assets		13,310,766		815,719		14,126,485
Restricted for:						
Debt service		2,126,084		-		2,126,084
Unrestricted	Φ.	1,403,822		124,979		1,528,801
Total Net Position	\$	16,840,672	\$	940,698	\$	17,781,370

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

For the Year Ended September 30, 2023

	Water and Sewer Fund		M	onmajor Iunicipal Airport	Total Enterprise Funds
Operating Revenues					
Charges for sales and services:					
Water sales	\$	8,917,088	\$	-	\$ 8,917,088
Municipal airport		-		61,174	61,174
Grants and contributions		977,873		-	977,873
Other income		486,825		81,643	 568,468
Total Operating Revenues		10,381,786		142,817	 10,524,603
Operating Expenses					
Salaries and wages		1,797,242		-	1,797,242
Other purchased services		1,967,599		6,956	1,974,555
Supplies and maintenance		1,139,170		22,854	1,162,024
Utilities		796,920		-	796,920
Miscellaneous		506,953		-	506,953
Depreciation and amortization		1,712,324		40,940	 1,753,264
Total Operating Expenses		7,920,208		70,750	7,990,958
Operating Income (Loss)		2,461,578		72,067	2,533,645
Non-Operating Revenues (Expenses)					
Interest revenue		444,009		91	444,100
Interest and fiscal charges		(499,457)		-	(499,457)
Total Non-Operating Revenues (Expenses)		(55,448)		91	(55,357)
Income (Loss) Before Transfers		2,406,130		72,158	2,478,288
Transfers in		590,557		-	590,557
Transfers out		(683,187)			 (683,187)
Changes in Net Position		2,313,500		72,158	2,385,658
Net Position - Beginning		14,527,172		868,540	 15,395,712
Net Position - Ending	\$	16,840,672	\$	940,698	\$ 17,781,370

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Year Ended September 30, 2023

	Wa	ter and Sewer Fund	N	Ionmajor Iunicipal rport Fund		Totals
Cash Flows from Operating Activities				F		
Cash received from customers	\$	8,918,264	\$	142,637	\$	9,060,901
Cash payments to employees for services	•	(1,861,187)	-	-	*	(1,861,187)
Cash payments to other suppliers for goods and services		(4,571,455)		(31,363)		(4,602,818)
Cash payments between funds		1,459,896		(31,303)		1,459,896
Net Cash Provided (Used) by Operating Activities		3,945,518		111,274		4,056,792
(casa, a, a paramagana a magana a mag		2,5 12,0 23				.,
Cash Flows from Non-capital Financing Activities						
Transfers in from other funds		590,557		_		590,557
Transfers out to other funds		(683,187)		_		(683,187)
Net Cash Provided (Used) by Non-Capital Financing Activities		(92,630)		_		(92,630)
		(=,==)				(>=,==)
Cash Flows from Capital and Related Financing Activities						
Principal paid on capital debt		(1,637,964)		_		(1,637,964)
Interest paid on capital debt		(542,292)		_		(542,292)
Acquisition and construction of capital assets		(2,181,379)		(117,000)		(2,298,379)
Net Cash Provided (Used) by Capital and Related Financing Activities		(4,361,635)		(117,000)		(4,478,635)
gg		(1,501,050)		(117,000)		(1,170,000)
Cash Flows from Investing Activities						
Interest and dividends on investments		444,009		90		444,099
Net Cash Provided (Used) by Investing Activities		444,009		90		444,099
1,00 Cash 110 (Laca (Cood) by 111 (Cood)		,				,
Net Increase (Decrease) in Cash and Cash Equivalents		(64,738)		(5,636)		(70,374)
Cash and Cash Equivalents at Beginning of Year		13,389,627		130,440		13,520,067
Cash and Cash Equivalents at End of Year	\$	13,324,889	\$	124,804	\$	13,449,693
•				:		
Reconciliation of Operating Income (Loss) to Net Cash						
Provided (Used) by Operating Activities						
Operating income (loss)	\$	2,461,578	\$	72,067	\$	2,533,645
Adjustment to reconcile operating income to net cash						
Provided (used) by operating activities:						
Depreciation and amortization		1,712,324		40,940		1,753,264
Change in Assets and Liabilities:						
Decrease (increase) in receivables		(437)		22,107		21,670
Decrease (increase) in inventories		-		-		-
Decrease (increase) in due from other funds		(1,459,896)		-		(1,459,896)
Decrease (increase) in pension and OPEB related deferred outflows		(419,976)		-		(419,976)
Increase (decrease) in accounts payable		395,320		(1,553)		393,767
Increase (decrease) in accrued compensated absences		2,292		-		2,292
Increase (decrease) in utility customer deposits		1,613		-		1,613
Increase (decrease) in unearned revenue		771,071		-		771,071
Increase (decrease) in total OPEB obligation		(38,307)		-		(38,307)
Increase (decrease) in net pension obligation		860,067		-		860,067
Increase (decrease) in pension and OPEB related deferred inflows		(340,131)		(22,287)		(362,418)
Net Cash Provided (Used) by Operating Activities	\$	3,945,518	\$	111,274	\$	4,056,792
. , , , , , , , , , , , , , , , , , , ,				<u> </u>	-	<u> </u>
Noncash disclosures:						
Amortization of deferred charges on refunding	\$	62,757	\$	-	\$	62,757



NOTES TO THE FINANCIAL STATEMENTS For the Year Ended September 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

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

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

B. Financial Reporting Entity

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

C. GASB Pronouncements Implemented by the City

The GASB has issued the following statements:

GASB Statement No. 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 requirements of this Statement have no impact on the City's financial statements.

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended September 30, 2023

GASB Statement No. 96, Subscription-Based Information Technology Arrangements (GASB 96), provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITA's) for government end users. This statement 1) defines a SBITA; 2) establishes that a SBITA results in a right-to-use subscription asset; 3) provides capitalization criteria for outlays other than subscription payments; and 4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. The City has implemented this Statement in fiscal year 2023.

GASB Statement No. 99, *Omnibus 2022*, enhances the comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement related to extension of use of London Interbank Offered Rate (LIBOR). Accounting for Supplemental Nutrition Assistance Program (SNAP) distributions, disclosures of nonmonetary transaction, pledges of future revenues by pledging governments, clarification of certain provisions in Statement No. 34, as amended and terminology updates related to Statements No. 53 and 63 were implemented in the prior fiscal year. All other requirements of this Statement have been implemented in fiscal year 2023.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

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

E. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. 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.

Capital Projects Fund

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

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

Debt Service Fund

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

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.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

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.

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

Water and Sewer Fund

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

Airport Fund

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

F. Measurement Focus and Basis of Accounting

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues available if they are collected within 60 days of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

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

G. Budgetary Information

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

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

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.

Excess of Expenditures Over Appropriations

During fiscal year 2023, the General Fund exceeded appropriations at the legal level of control in the amount of \$390,796. The City has put policies and procedures in place to ensure future compliance.

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

1. Cash and cash equivalents

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

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

2. Investments

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

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended September 30, 2023

3. Receivables and payables

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

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

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

4. Inventories and prepaid items

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

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

5. Capital assets

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

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.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

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.

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended September 30, 2023

7. Subscription-Based Information Technology Arrangements (SBITAs)

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

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

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

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

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

8. 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.

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended September 30, 2023

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

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

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

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

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

10. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reports pension and OPEB amounts that arise from differences in expected versus actual experience and projected versus actual earnings. Also, the City has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting under this category. According to the item, unavailable revenue is reported only in the governmental funds balance sheet.

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended September 30, 2023

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

11. Net position and fund balance flow assumptions

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

12. Fund balance policies

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

Non-spendable fund balance - amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

Restricted fund balance – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance - amounts that can be used only for the specific purposes determined by formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by the adoption of 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

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

I. Revenues and Expenditures/Expenses

1. Program revenues

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

2. Property taxes

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

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

3. Compensated absences

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended September 30, 2023

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, 2023.

On September 30, 2023, the City had carrying amounts of demand deposits of \$19,178,162, while the bank balance was \$19,156,038. Included in the balance is \$8,752,435 held in escrow by a third party. Of the remaining bank balances, \$250,000 was covered by federal depository insurance. Collateral for the bank balances over the federal depository insurance amount consisted of securities with a fair market value of \$10,055,000 on September 30, 2023.

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended September 30, 2023

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.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

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, 2023:

	C	Carrying	Fair		Rating Standard	Weighted Average
		Amount	Value		& Poors	Maturity
Primary Government						
Cash	\$ 4	4,276,831				
Restricted cash	Ģ	9,836,349				
Investments not subject to categorization:						
Government sponsored investment pool (TexPool)		441,213	\$ 441,21	3	AAAm	26 days
Restricted government sponsored investment pool (TexStar)		4,623,769	\$ 4,623,76	59	AAAm	40 days
Total Cash and Cash Equivalents	\$ 19	9,178,162				

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.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

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, 2023, 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, 2023:

	General	Water and		Total Primary
	Fund	Sewer Fund	Airport Fund	Government
Receivables:				
Property tax	\$127,872	\$ -	\$ -	\$ 127,872
Sales tax	489,064	-	-	489,064
Other	245,485	1,712,976	275	1,958,736
Leases	10,990	-	-	10,990
Gross Receivables	\$ 873,411	\$1,712,976	\$ 275	\$ 2,586,662
Less: Allowance	(34,952)	(583,815)		(618,767)
Net Total Receivables	\$838,459	\$1,129,161	\$ 275	\$ 1,967,895

The composition of internal balances as of September 30, 2023 is as follows:

	Due	From	Due To		Internal		
	Othe	r Funds	Other Funds			Balances	
Governmental Funds:							
General	\$	-	\$	(45,228)	\$	(45,228)	
Grant			(]	1,414,668)		(1,414,668)	
	\$	-	\$(1	1,459,896)	\$	(1,459,896)	
Proprietary Funds:							
Water and Sewer	\$1,4	59,896	\$		\$	1,459,896	
	\$1,4	59,896	\$	-	\$	1,459,896	

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

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.

D. Interfund Transfers

Following is a summary of transfers to/from other funds for the year ended September 30, 2023:

Other Funds Other Funds Net	Γransfers
Governmental Funds:	
General \$ 730,000 \$ 503,107	
Capital Projects - 730,000	
Nonmajor 410,477 -	
\$1,140,477 \$ 1,233,107 \$	92,630
Proprietary Funds:	
Water and Sewer \$ 683,187 \$ 590,557	
\$ 683,187 \$ 590,557 \$	(92,630)

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.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

E. Capital Assets

Capital assets activity for the governmental activities for the year ended September 30, 2023 are as follows:

	Balance 9/30/2022			Balance 9/30/2023
GOVERNMENTAL ACTIVITIES:				
Capital assets, not being depreciated:				
Land	\$ 636,543	\$ -	\$ -	\$ 636,543
Construction in progress	84,846	-	-	84,846
Total capital assets not being depreciated	721,389	-	-	721,389
Capital assets, being depreciated/amortized:				
Buildings and improvements	4,364,888	-	-	4,364,888
Improvements other than buildings	4,700,328	706,792	-	5,407,120
Machinery and equipment	4,690,591	46,811	-	4,737,402
Right to use - vehicles and equipment	611,826	75,326	(111,387)	575,765
SBITA assets	-	155,560	-	155,560
Total capital assets being depreciated/amortized	14,367,633	984,489	(111,387)	15,240,735
Less accumulated depreciation/amortization for:				
Buildings and improvements	(1,940,430)	(108,677)	-	(2,049,107)
Improvements other than buildings	(2,912,385)	(168,274)	-	(3,080,659)
Machinery and equipment	(3,446,544)	(230,537)	-	(3,677,081)
Right to use - vehicles and equipment	(230,284)	(207,527)	116,829	(320,982)
SBITA assets	-	(8,187)	-	(8,187)
Total accumulated depreciation/amortization	(8,529,643)	(723,202)	116,829	(9,136,016)
Total capital assets being depreciated/amortized, net	5,837,990	261,287	5,442	6,104,719
Governmental activities capital assets, net	\$ 6,559,379	\$ 261,287	\$ 5,442	\$ 6,826,108

Depreciation and amortization expense was charged to functions/programs of governmental activities for the year ended September 30, 2023 as follows:

Governmental activities:

General government and administration	\$ 61,417
Public safety	279,852
Culture and recreation	150,564
Public works	231,369
Total depreciation expense	\$ 723,202

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

Capital asset activity for business-type activities for the year ended September 30, 2023 are as follows:

	Balance 9/30/2022	Additions	Retirements	Balance 9/30/2023
BUSINESS-TYPE ACTIVITIES:				
Capital assets, not being depreciated:				
Land	\$ 300,339	\$ -	\$ -	\$ 300,339
Construction in progress	1,501,511	1,916,722	(51,259)	3,366,974
Total capital assets not being depreciated	1,801,850	1,916,722	(51,259)	3,667,313
Capital assets, being depreciated/amortized:				
Buildings and improvements	59,132,109	180,996	-	59,313,105
Machinery and equipment	5,538,175	251,921	-	5,790,096
Right to use - vehicles and equipment	254,023	49,473	(8,402)	295,094
Total capital assets being depreciated/amortized	64,926,629	482,390	(8,402)	65,398,295
Less accumulated depreciation/amortization for:				
Buildings and improvements	(35,595,788)	(1,554,948)	-	(37,150,736)
Machinery and equipment	(4,815,302)	(106,508)	-	(4,921,810)
Right to use - vehicles and equipment	(92,214)	(91,808)	15,659	(168,363)
Total accumulated depreciation/amortization	(40,503,305)	(1,753,264)	15,659	(42,240,909)
Total capital assets being depreciated, net	24,423,324	(1,270,874)	7,257	23,157,386
Business-type activities capital assets, net	\$ 26,225,174	\$ 645,848	\$ (44,002)	\$ 26,824,699

Depreciation and amortization expense was charged to functions/programs of the business-type activities for the year ended September 30, 2023 as follows:

	activities:	

Water and sewer	\$1,712,324
Municipal airport	40,940
Total depreciation expense	\$1,753,264

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.

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended September 30, 2023

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, 2023:

Description	September 30, 2022		1 /		1 /		Retirements		September 30, 2023		Due Within One Year		Long-Term Portion	
Governmental activities:														
Bonds payable	\$	325,000	\$	675,000	\$	(160,000)	\$	840,000	\$	265,000	\$	575,000		
Notes payable		793,840		-		(186,423)		607,417		209,727		397,690		
Total long-term debt		1,118,840		675,000		(346,423)		1,447,417		474,727		972,690		
Right to use lease liability		442,466		75,326		(234,683)		283,109	-	175,347		107,762		
Subscription liability		-		155,561		(14,054)		141,507		45,323		96,184		
Compensated absences		232,241		195,312		(232,241)		195,312		195,312		-		
Net pension liability		761,082		2,236,671		-		2,997,753		-		2,997,753		
Total OPEB liability		421,998		-		(98,344)		323,654		-		323,654		
Total long-term liabilities	\$	2,976,627	\$	3,337,870	\$	(925,745)	\$	5,388,752	\$	890,709	\$	4,498,043		

The following is a summary of changes in long-term debt for business-type activities for the year ended September 30, 2023:

Description Description	September 30,		<i>'</i>		Retirements	September 30, 2023		· · · · · · · · · · · · · · · · · · ·		Long-Term Portion	
Business-type activities:											
Bonds payable	\$	13,700,000	\$	-	\$(1,045,000)	\$	12,655,000	\$	1,060,000	\$	11,595,000
Revenue bonds		8,575,000		-	(475,000)		8,100,000		475,000		7,625,000
Notes payable		708,339		-	(43,847)		664,492		60,235		604,257
Total long-term debt		22,983,339		-	(1,563,847)		21,419,492		1,595,235		19,824,257
Right to use lease liability		191,634		76,231	(74,120)		193,745		115,495		78,250
Compensated absences		95,865		98,157	(95,865)		98,157		98,157		-
Net pension liability		293,757		860,067	-		1,153,824		-		1,153,824
Total OPEB liability		162,880		-	(38,307)		124,573		-		124,573
Total long-term liabilities	\$	23,727,474	\$ 1,	,034,455	\$(1,772,139)	\$	22,989,791	\$	1,808,887	\$	21,180,904

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

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, 2023:

Purpose	 0		Year of Final Inter Issue Maturity Ra		vernmental Activities		ss- Type vities
General obligation bonds							
Infrastructure	\$ 1,500,000	2014	2024	2.19%	\$ 165,000	\$	-
Refunding	4,975,000	2017	2036	1.75 - 4.25%	-	3,8	30,000
Refunding	2,570,000	2020	2035	2.00 - 4.00%	-	2,2	10,000
Refunding	6,150,000	2021	2036	4.25 - 5.10%	-	5,4	15,000
-					165,000	11,4	55,000
Combination bonds							_
Infrastructure	2,410,000	2020	2027	1.35%	 -	1,2	00,000
					-	1,2	00,000
Revenue bonds							
Infrastructure	10,000,000	2019	2039	0.16 - 1.47%	 -		00,000
					 	8,1	00,000
Tax Notes							
Tax Notes	675,000	2023	2029	3.55-3.85%	 675,000		
					 675,000		-
			Total I	Bonds Payable	840,000	20,7	55,000
Notes payable							
Building Improvements	460,025	2014	2024	3.40%	54,871		-
Equipment	220,620	2019	2025	3.00%	77,930		-
Energy Savings	949,000	2018	2033	3.42%	-	6	64,492
Equipment	652,049	2019	2025	3.12%	344,248		-
Equipment	231,850	2018	2033	3.86%	99,225		-
Equipment	\$ 80,250	2018	2033	3.07%	31,143		-
			Total	Notes Payable	607,417	6	64,492
				Total Debt	\$ 1,447,417	\$ 21,4	19,492

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

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

		Governmenta	ıl Ac	tivities	Business-type Activities		
Year	F	Principal		nterest	Principal		Interest
2024	\$	265,000	\$	24,945	\$ 1,535,000	\$	386,190
2025		105,000		19,473	1,580,000		366,121
2026		110,000		15,575	1,625,000		342,916
2027		115,000		11,440	1,535,000		316,743
2028		120,000		7,063	1,330,000		290,386
2029-2033		125,000		2,406	7,100,000	1	1,063,737
2034-2038		-		-	5,500,000		307,596
2039		-		-	550,000		8,085
	\$	840,000	\$	80,901	\$ 20,755,000	\$ 3	3,081,774

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

		Governmenta	ıl Ac	tivities	I	Business-type	e Activities		
Year	I	Principal	Interest		P	Principal		Interest	
2024	\$	209,727	\$	24,659	\$	60,235	\$	22,021	
2025		135,038		16,307		62,328		19,929	
2026		262,652		1,711		64,493		17,763	
2027		-		-		66,734		15,523	
2028		-		-		69,052		13,204	
2029-2033		-				341,650		28,503	
	\$	607,417	\$	42,677	\$	664,492	\$	116,943	

Right-to-Use Lease Liability

The City has entered into multiple lease agreements as the lessee. The leases allow the right-touse 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:

		L	iability at	Lease Term			
Description	Interest Rates	Commencement		nencement in Years		Ending Balance	
Governmental Activities							
Leased vehicles	2.75%	\$	492,772	2.0	\$	242,551	
Leased equipment	0.480%-2.75%		59,425	1.0-4.0		40,558	
Total G	overnmental Activities				\$	283,109	
Business-type Activities							
Leased vehicles	2.75%	\$	226,602	2.0	\$	193,745	
Total B	Business-type Activities				\$	193,745	

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended September 30, 2023

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

		Governmenta	ıl Act	ivities	I	Business-type Activities			
Year	F	Principal	Interest		Principal		I	nterest	
2024	\$	175,347	\$	4,041	\$	115,495	\$	7,143	
2025		75,917		792		30,208		4,618	
2026		19,255		82		15,277		3,297	
2027		10,072		81		20,860		2,015	
2028		2,518		78		11,906		358	
	\$	283,109	\$	5,073	\$	193,745	\$	17,430	

The value of the right to use assets for governmental activities as of September 30, 2023 was \$575,765 and had accumulated amortization of \$320,982. For business-type activities, the value of the right to use assets as of September 30, 2023, was \$295,094 and had accumulated amortization of \$168,363.

Subscription Based Information Technology Arrangements (SBITA)

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

Description	Interest Rates	Liability at nmencement	SBITA Term in Years	Endi	ing Balance
Governmental Activities					
Software	2.90-3.27%	\$ 155,561	3.0	\$	141,507
	Total Governmental Activities			\$	141,507

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

		Governmental Activities					
Year	F	Principal	I1	nterest			
2024	\$	45,323	\$	1,183			
2025		53,244		633			
2026		42,940		421			
	\$	141,507	\$	2,237			

The value of the subscription assets as of the end of the current fiscal year was \$155,560 and had accumulated amortization of \$8,187.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

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 \$521,303 for the year ended September 30, 2023.

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:

			Ca	ıpital	Nor	n-Major				
	G	General	Pre	ojects	Deb	t Service	No	on-Major		
		Fund	I	Fund		Fund		Funds		Total
Fund Balances (Deficit):										
Nonspendable:										
Inventory	\$	27,661	\$	-	\$	-	\$	-	\$	27,661
Restricted:										
Debt Service		-		-		32,454		-		32,454
Municipal Court Security		-		-		-		78,681		78,681
Donations		-		-		-		44,557		44,557
Public Safety		-		-		-		36,226		36,226
Motel Occupancy		-		-		-		502,396		502,396
Cemetery Maintenance		-		-		-		58,735		58,735
Capital Projects		-	1,4	166,897		-		-	1	,466,897
Unassigned	\$2,	410,848		-				30,288	2	,441,136
	\$2,	438,509	\$1,4	66,897	\$	32,454	\$	750,883	\$4	,688,743

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.

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended September 30, 2023

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

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, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	59
Inactive employees entitled to but not yet receiving benefits	46
Active employees	80
Total	185

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 14.24% and 14.99% in the calendar years 202 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2023, were \$687,895 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation
Salary Increases
Investment Rate of Return

2.5% per year 3.50% to 11.50%, including inflation 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.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

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

		Long-Term
		Expected Real
	Target	Rate of Return
Asset Class	Allocation	(Arithmetic)
Global Equity	35.0%	7.70%
Core Fixed Income	6.0%	4.90%
Non-Core Fixed Income	20.0%	8.70%
Other Public and Private Markets	12.0%	8.10%
Real Estate	12.0%	5.80%
Hedge Funds	5.0%	6.90%
Private Equity	10.0%	11.80%
Total	100.0%	

Discount Rate:

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

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

Changes in the Net Pension Liability:

	Increase (Decrease)			
	Total Pension Plan Fiduciary Net Pen			
	Liability	Net Position	Liability	
	(a)	(b)	(c)	
Balance at 12/31/2021	\$23,036,870	\$21,982,031	\$ 1,054,839	
Changes for the year:				
Service cost	745,199	-	745,199	
Interest	1,542,723	-	1,542,723	
Change of benefit terms including substantively automatic				
status	-	-	-	
Difference between expected and actual experience	133,470	-	133,470	
Change in assumptions	-	-	-	
Contributions - employer	-	617,980	(617,980)	
Contributions - employee	-	309,211	(309,211)	
Net investment income	-	(1,605,219)	1,605,219	
Benefit payments, including refunds of employee				
contributions	(1,108,627)	(1,108,627)	-	
Amortization of prior year assets	-	-	-	
Administrative expense	-	(13,885)	13,885	
Other changes		16,567	(16,567)	
Net changes	1,312,765	(1,783,973)	3,096,738	
Balance at 12/31/2022	\$ 24,349,635	\$20,198,058	\$ 4,151,577	

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%	Current	1%
	Decrease	Discount Rate	Increase
	5.75%	6.75%	7.75%
	_		
Net Pension Liability	\$ 7,612,619	\$ 4,151,577	\$ 1,329,337

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.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

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

For the year ended September 30, 2023, the City recognized pension expense of \$905,120. At September 30, 2023, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

			eferred ows) of
F	Resources	Resources	
\$	202,331	\$	-
	11,032		-
	1,399,128		-
	490,121		
\$	2,102,612	\$	
	0	11,032 1,399,128 490,121	Outflows of Resources (Infl. Resources) \$ 202,331 11,032 \$ 11,032 1,399,128 490,121 490,121

The \$490,121 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:

D - C - 1

	1	Jeierrea
	Outfl	ow (Inflow)
Year Ended September 30:	of l	Resources
2024	\$	114,152
2025		459,501
2026		418,106
2027		620,732
2028		-
Thereafter		
	\$	1,612,491

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.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

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, 2023, was \$15,581 which equaled the required contributions.

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

	Total SDB	
	Contribution	Retiree Portion of SDB
Plan/ Calendar Year	(Rate)	Contribution (Rate)
2022	0.25%	0.14%
2023	0.37%	0.16%

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	41
Inactive employees entitled to but not yet receiving benefits	13
Active employees	80
Total	134

Total OPEB Liability

The City's Total OPEB Liability (TOL) was measured as of December 31, 2022 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total OPEB Liability in the December 31, 2022 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 4.05% 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 4.05% and was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

Changes in Total OPEB Liability:

Liability Balance at 12/31/2021 \$ 322,484
Polonos et 12/21/2021 \$ 222.494
Darance at 12/31/2021 \$ 322,484
Changes for the year:
Service cost 18,553
Interest on Total OPEB Liability 6,048
Change of benefit terms -
Difference between expected and actual
experience 2,494
Changes of assumptions or other inputs (110,855)
Benefit payments (6,183)
Net changes(89,943)
Balance at 12/31/2022 \$ 232,541

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.05%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (3.05%) or 1 percentage-point higher (5.05%) than the current rate:

		1%		Current	1%
	Ι	Decrease	Disc	count Rate	Increase
		3.05%		4.05%	5.05%
Total OPEB					
Liability	\$	275,288	\$	232,541	\$ 198,905

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended September 30, 2023

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$15,581. At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outlows/Inflows of Resources	Outflows of (Inflo			Deferred of of esources
Changes of assumptions	\$	-	\$	(58,352)
Differences in expected and actual experience		-		(17,789)
Contributions made subsequent to measurement date		12,404		-
	\$	12,404	\$	(76,141)

The \$12,404 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:

Def	Terred Outflows
((Inflows) of
	Resources
\$	(12,261)
	(17,912)
	(16,869)
	(19,428)
	(9,671)
\$	(76,141)
	(

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.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

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, 2022 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, 2022, 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, 2022, 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	4.05%
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 pruir to age 50.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

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:

Total OPEB
Liability
\$ 262,394
21,855
4,812
-
(367)
(49,419)
(23,589)
(46,708)
\$ 215,686

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

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

The following presents the total OPEB liability of the City related to the healthcare plan, calculated using the discount rate of 4.05%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (3.05%) or 1 percentage-point higher (5.05%) than the current rate:

	1%		(Current	1%			
	Decrease		Discount Rate		Increase			
	3.05%			4.05%	5.05%			
Total OPEB								
Liability	\$	236,460	\$	215,686	\$	197,232		

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:

	Current							
	1% Healthcar			thcare Cost		1%		
	Decrease		Tr	Trend Rate		ncrease		
Total OPEB								
Liability	\$	190,776	\$	215,686	\$	245,735		

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

For the year ended September 30, 2023, the City recognized OPEB expenses related to the healthcare plan of \$27,083. At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outlows/Inflows of Resources	Ou	eferred tflows of esources	Deferred (Inflows) of Resources		
Changes of assumptions	\$	-	\$	(66,546)	
Differences in expected and actual experience		-		(9,115)	
Contributions made subsequent to measurement date		15,301		-	
	\$	15,301	\$	(75,661)	

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended September 30, 2023

The \$15,301 contributions made after the measurement date of the total OPEB liability but before the end of the City's reporting period will be recognized as a reduction of the total OPEB liability in the subsequent fiscal period. The other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Deferred Outflow				
	(Iı	nflows) of			
Year Ended September 30:	R	lesources			
2024	\$	(16,118)			
2025		(16,118)			
2026		(17,230)			
2027		(15,712)			
2028		(751)			
Thereafter		(9,732)			
	\$	(75,661)			

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 Outflow	s of F	Resources -	OPE	ZB	
Contributions Subsequent to the Measu	reme	nt Date			
	<u>-</u>	<u>rmrs</u>	<u>City</u>	Funded	<u>Total</u>
Governmental Activities	\$	8,957	\$	11,048	
Business-type Activities		3,447		4,253	
Total	\$	12,404	\$	15,301	\$ 27,705
Total Deferred Outflows of Resources OPEB	3 Liab	oilities			\$ 27,705
Total OPEB Liabilities	r	ΓMRS	City	/ Funded	Total
Governmental Activities	-	(167,912)		155,742)	
Business-type Activities	7	(64,629)	+ ((59,944)	
Total	\$	(232,541)	\$ (215,686)	\$ (448,227)

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

Deferred Inflows of Resources - OPEB

Changes in Actuarial Assumptions					
		TMRS	<u>Cit</u>	y Funded	Total
Governmental Activities	\$	(42,135)	\$	(48,051)	\$ _
Business-type Activities		(16,217)		(18,495)	
Total	\$	(58,352)	\$	(66,546)	\$ (124,898)
Differences Between Expected and Actu	al Ec	onomic Ex TMRS		ence y Funded	<u>Total</u>
Differences Between Expected and Actual Governmental Activities	al Ec				<u>Total</u>
		TMRS	Cit	y Funded	<u>Total</u>
Governmental Activities		TMRS (12,845)	Cit	y Funded (6,582)	\$ <u>Total</u> (26,904)

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.

F. Subsequent Events

Management has evaluated all events or transactions that occurred after September 30, 2023, 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 October 12, 2023, the City entered into a lease purchase agreement with First Security Finance, Inc. for the acquisition and installation of a lighting system in the amount of \$781,000. The lease purchase agreement has an interest rate of 5.21%. The lease purchase agreement requires annual payments of principal and interest, beginning on October 1, 2024 and maturing on October 1, 2033. The first principal and interest payments will be due in FY 2025 in the amount of \$62,575 and \$39,447, respectively.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

On February 23, 2024 the City entered into a finance contract with Government Capital Corporation in the amount of \$195,000 for the purchase of a VacCon Sewer Machine. The finance contract has an interest rate of 5.706%. The finance contract requires annual payments of principal and interest, beginning on February 23, 2025 and ending on February 23, 2029. The first principal and interest payments will be due in FY25 in the amount of \$35,492 and \$11,349, respectively.



REQUIRED SUPPLEMENTARY INFORMATION

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	 12/31/2022		12/31/2021		12/31/2020		12/31/2019	
Total Pension Liability								
Service cost	\$ 745,199	\$	697,922	\$	690,093	\$	619,680	
Interest on total pension liability	1,542,723		1,440,672		1,381,511		1,316,406	
Difference between expected and actual experience	133,470		391,475		(277,563)		(232,325)	
Change in assumptions	-		-		-		104,908	
Benefit payments/refunds of contributions	(1,108,627)		(975,056)		(867,941)		(890,753)	
Net change in total pension liability	1,312,765		1,555,013		926,100		917,916	
Total pension liability, beginning	 23,036,870		21,481,857		20,555,757		19,637,841	
Total pension liability, ending (a)	\$ 24,349,635	\$	23,036,870	\$	21,481,857	\$	20,555,757	
Plan Fiduciary Net Position								
Employer contributions	\$ 617,980	\$	618,036	\$	622,620	\$	572,510	
Employee contributions	309,211		294,305		292,767		266,284	
Net investment income	(1,605,219)		2,544,857		1,374,403		2,433,349	
Benefit payments/refunds of contributions	(1,108,627)		(975,056)		(867,941)		(890,753)	
Administrative expenses	(13,885)		(11,769)		(8,890)		(13,742)	
Other	16,567		80		(347)		(413)	
Net change in plan fiduciary net position	(1,783,973)		2,470,453		1,412,612		2,367,235	
Plan fiduciary net position, beginning	21,982,031		19,511,578		18,098,966		15,731,731	
Plan fiduciary net position, ending (b)	\$ 20,198,058	\$	21,982,031	\$	19,511,578	\$	18,098,966	
Net pension liability/(asset) ending = (a) - (b)	\$ 4,151,577	\$	1,054,839	\$	1,970,279	\$	2,456,791	
Plan fiduciary net position as a % of total pension liability	82.95%		95.42%		90.83%		88.05%	
Covered payroll	\$ 4,417,302	\$	4,204,352	\$	4,182,380	\$	3,804,052	
Net pension liability as a % of covered payroll	93.98%		25.09%		47.11%		64.58%	

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.

12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014	
\$ 603,610 1,256,097	\$ 594,731 1,196,570	\$ 574,521 1,130,444	\$ 578,197 1,115,252	\$ 506,716 1,029,818	
(92,837)	(150,538)	(92,529)	(214,116)	264,700	
-	-	-	16,497	-	
(872,133)	(654,499)	(631,309)	(726,384)	(506,596)	
894,737	986,264	981,127	769,446	1,294,638	
18,743,104	17,756,840	16,775,713	16,006,267	14,711,629	
\$ 19,637,841	\$ 18,743,104	\$ 17,756,840	\$ 16,775,713	\$ 16,006,267	
\$ 564,950	\$ 549,367	\$ 551,291	\$ 548,786	\$ 527,696	
255,303	250,037	242,706	245,328	236,938	
(487,950)	1,966,183	888,332	19,281	693,519	
(872,133)	(654,499)	(631,309)	(726,384)	(506,596)	
(9,426)	(10,186)	(10,030)	(11,743)	(7,240)	
(492)	(515)	(540)	(579)	(595)	
(549,748)	2,100,387	1,040,450	74,689	943,722	
16,281,479	14,181,092	13,140,642	13,065,953	12,122,231	
\$ 15,731,731	\$ 16,281,479	\$ 14,181,092	\$ 13,140,642	\$ 13,065,953	
0.006110	.	A. 2.555.54 0	A 2 (25 05)	Φ 2040214	
\$ 3,906,110	\$ 2,461,625	\$ 3,575,748	\$ 3,635,071	\$ 2,940,314	
80.11%	86.87%	79.86%	78.33%	81.63%	
\$ 3,647,188	\$ 3,571,960	\$ 3,467,235	\$ 3,485,215	\$ 3,384,835	
107.10%	68.92%	103.13%	104.30%	86.87%	

SCHEDULE OF CONTRIBUTIONS TO PENSION PLAN -
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)

Last Ten Fiscal Years

	9/30/2023		 9/30/2022	9/30/2021		
Actuarially determined employer contributions	\$	667,895	\$ 624,441	\$	622,060	
Contributions in relation to the actuarially						
determined contribution		667,895	624,441		622,060	
Contribution deficiency (excess)		_	_		-	
Annual covered payroll	\$	4,623,115	\$ 4,358,178	\$	4,471,335	
Employer contributions as a percentage of						
covered payroll		14.45%	14.33%		13.91%	

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 23 years 10 Year smoothed market; 12% soft corridor Asset Valuation Method Inflation 2.50% Salary Increases 3.50% to 11.50% including inflation Investment Rate of Return 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.

9	9/30/2020		9/30/2019		9/30/2018		0/30/2017	9	0/30/2016	9/30/2015		
\$	592,104	\$	567,742	\$	558,291	\$	548,748	\$	570,438	\$	547,508	
	592,104		567,742		558,291		548,748		570,438		547,508	
\$	3,968,401	\$	3,746,440	\$	3,610,241	\$	3,540,264	\$	3,602,812	\$	3,317,279	
	14.92%		15.15%		15.46%		15.50%		15.83%		16.50%	



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

Last Ten Measured Years

	12/31/2022		12/31/2021		12/31/2020		12/31/2019		12/31/2018		12/31/2017	
Total OPEB liability												,
Service Cost	\$	18,553	\$	17,658	\$	15,057	\$	9,891	\$	11,306	\$	9,644
Interest (on the Total OPEB Liability)		6,049		6,136		7,167		10,204		7,011		6,862
Effect of plan changes		-		-		-		-		-		-
Differences between expected and actual experience		2,494		(5,478)		(10,994)		(74,505)		61,714		-
Changes in assumptions or other inputs		(110,855)		9,583		38,244		39,604		(14,041)		15,105
Benefit payments		(6,184)		(6,727)		(2,509)		(1,902)		(2,188)		(2,143)
Net Change in Total OPEB Liability		(89,943)		21,172		46,965		(16,708)		63,802		29,468
Total OPEB Liability - Beginning		322,484		301,312		254,347		271,055		207,253		177,785
Total OPEB Liability - Ending (a)	\$	232,541	\$	322,484	\$	301,312	\$	254,347	\$	271,055	\$	207,253
Covered Payroll	\$	4,417,302	\$	4,204,352	\$	4,182,380	\$	3,804,052	\$	3,647,188	\$	3,571,960
Total OPEB Liability as a Percentage of Covered Payroll		5.26%		7.67%		7.20%		6.69%		7.43%		5.80%

Notes to Schedule:

The information in this schedule has been determined as of the measurement date (December 31) of the City's total OPEB liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision of GASB 75, only periods for which such

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

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS HEALTH BENEFIT PLAN Last Ten Measured Years

	12/31/2022		1	2/31/2021
Total OPEB liability - City Funded Health Care Plan				
Service Cost	\$	21,855	\$	15,920
Interest (on the Total OPEB Liability)		4,812		4,691
Effect of plan changes		-		-
Differences between expected and actual experience		(367)		50,263
Changes in assumptions or other inputs		(49,419)		(24,355)
Benefit payments		(23,589)		(21,412)
Net Change in Total OPEB Liability		(46,708)		25,107
Total OPEB Liability - Beginning		262,394		237,287
Total OPEB Liability - Ending (a)	\$	215,686	\$	262,394
Covered Payroll	\$	4,105,663	\$	4,397,290
Total OPEB Liability as a Percentage of Covered Payroll		5.25%		5.97%

Notes to Schedule:

The ending Total OPEB Liability was as of December 31, 2022.

Changes in assumptions reflect a change in the discount rate from 1.84% as of December 31, 2021, to 4.05% as of December 31, 2022.

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

F B	Г		
a. Age adjusted premiums	\$	50,672	(retiree contributions *1.871)
b. Retiree contributions		(27,083)	(data provided by City)
c. Total benefit payments	\$	23,589	

1	2/31/2020	1	2/31/2019	1	2/31/2018	1	2/31/2017	
	_							
\$	12,394	\$	15,797	\$	14,934	\$	13,022	
	5,847		11,893		10,445		10,721	
	-		-		-		-	
	1,098		(97,835)		1,224		-	
	15,773		(27,351)		(13,651)		16,384	
	(8,497)		(9,019)		(7,685)		(6,160)	
	26,615		(106,515)		5,267		33,967	
	210,672		317,187		311,920		277,953	
\$	237,287	\$	210,672	\$	317,187	\$	311,920	
\$	4,190,641	\$	4,052,108	\$	3,169,511	\$	3,494,591	
	5.66%		5.20%		10.01%		8.93%	

SCHEDULE OF OPEB CONTRIBUTIONS HEALTH BENEFIT PLAN

Last Ten Fiscal Years

	9/30/2023	9	9/30/2022		9/30/2021	9/30/2020		9/30/2019		9/30/2018	
Actuarially Determined Contribution	\$ 27,083	\$	24,583	\$	18,002	\$	19,109	\$	20,170	\$	16,167
Contributions in relation to the actuarially determined contribution	 27,083		24,583		18,002		19,109		20,170		16,167
Contribution deficiency (excess) Covered payroll Contributions as a percentage of covered	\$ 4,623,115	\$	4,358,178	\$	4,471,335	\$	3,968,401	\$	3,746,440	\$	3,610,241
payroll	0.59%		0.56%		0.40%		0.48%		0.54%		0.45%

NOTES TO SCHEDULE OF CONTRIBUTIONS

December 31, 2022 Valuation Date:

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method Individual Entry-Age Normal 4.05% as of December 31, 2022 Discount Rate

Inflation 2.50%

Salary Increases 3.50% to 11.50%, including inflation

Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the Texas Municipal Demographic Assumptions

Retirement System (TMRS).

For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a Mortality

fully generational basis using the ultimate mortality improvement rates in the MP tables published through 2019 to account for

future mortality improvements.

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

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

Other Information:

The dicount rate changed from 1.84% as of December 31, 2021 to 4.05% as of December 31, 2022. Notes

COMBINING FUND STATEMENTS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of September 30, 2023

	Municipal Court Security Fund		Donations Fund		Public Safety Fund	
Assets						
Cash and cash equivalents	\$	78,681	\$	48,744	\$	36,226
Due from other funds		-		-		-
Restricted assets:						
Cash and cash equivalents		-				
Total Assets		78,681		48,744		36,226
Liabilities						
Accounts payable		-		4,187		-
Due to other funds		-		-		-
		-		4,187		_
Fund Balances						
Restricted		78,681		44,557		36,226
Unassigned		-		-		-
Total Fund Balances		78,681		44,557		36,226
Total Liabilities and Fund Balances	\$	78,681	\$	48,744	\$	36,226

						Total		
Motel		Ce	emetery		Nonmajor			
О	Occupancy		intenance	Grant	Governmental			
	Fund		Fund	Fund	Funds			
\$	509,189	\$	58,735	\$ 361,042	\$	1,092,617		
	-		-	-		-		
	_			1,083,914		1,083,914		
	509,189		58,735	1,444,956		2,176,531		
	6,793		-	-		10,980		
	-		-	1,414,668		1,414,668		
	6,793		-	1,414,668		1,425,648		
	502,396		58,735	-		720,595		
	-		-	30,288		30,288		
	502,396		58,735	30,288		750,883		
\$	509,189	\$	58,735	\$ 1,444,956	\$	2,176,531		

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended September 30, 2023

	-	Municipal Court Security Fund		Donations Fund		lic Safety Fund
Revenues						
Taxes:						
Hotel/motel	\$	-	\$	-	\$	-
Charges for services		-		-		-
Court fines		19,943		-		-
Grants		-		-		-
Donations		116		65,031		-
Interest income		112		-		-
Total Revenues		20,171		65,031		
Expenditures						
Current:						
General government		_		_		_
Public safety		1,376		17,810		2,590
Culture and recreation		-		39,693		-
Debt Service:						
Principal retirement		_		_		-
Interest and fiscal charges		-		-		-
Total Expenditures		1,376		57,503		2,590
Excess (Deficiency) of Revenues						-
Over (Under) Expenditures		18,795		7,528		(2,590)
Other Financing Sources (Uses)						
Transfers out		_		(2,410)		_
Total Other Financing Sources (Uses)		_		(2,410)		-
Net Change in Fund Balances		18,795		5,118		(2,590)
Beginning Fund Balances		59,886		39,439		38,816
Ending Fund Balances	\$	78,681	\$	44,557	\$	36,226

Motel Occupancy Fund		Mai	emetery intenance Fund		Grant Fund	Total Nonmajor Governmental Funds		
\$	319,368	\$	_	\$	-	\$	319,368	
*	_	*	19,500	*	_	*	19,500	
	_		_		_		19,943	
	-		_		14,053		14,053	
	_		_		_		65,147	
	708		_		67,166		67,986	
	320,076		19,500		81,219		505,997	
	- 31,560 51,476 3,560 86,596		2,000 - - - 2,000		19,791 - - - - 19,791		21,791 21,776 71,253 51,476 3,560 169,856	
	233,480		17,500		61,428		336,141	
	-		-		(408,067)		(410,477)	
			-		(408,067)		(410,477)	
	233,480		17,500		(346,639)		(74,336)	
	268,916		41,235		376,927		825,219	
\$	502,396	\$	58,735	\$	30,288	\$	750,883	



COMPLIANCE SECTION





Members:
American Institute of CPAs (AICPA)
AICPA Governmental Audit Quality Center (GAQC)
AICPA Employee Benefit Plan Audit Quality Center (EBPAQC)
Texas Society of CPAs (TXCPA)

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 City Council Gatesville, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Gatesville, Texas (City), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated March 26, 2024.

Report on Internal Control over Financial Reporting

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

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

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

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Fax: 972-234-3331

Report on Compliance and Other Matters

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

Purpose of This Report

Vail + Park, P.C.

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.

Tom Bean, TX March 26, 2024



Members:
American Institute of CPAs (AICPA)
AICPA Governmental Audit Quality Center (GAQC)
AICPA Employee Benefit Plan Audit Quality Center (EBPAQC)
Texas Society of CPAs (TXCPA)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the City Council of City of Gatesville, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Gatesville's (City) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2023. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

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Fax: 972-234-3331

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance
 requirements referred to above and performing such other procedures as we considered
 necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Tom Bean, TX

Vail + Park, P.C.

March 26, 2024

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2023

Federal Grantor/Pass Through Agency/Federal Program	Federal Assistance Listing Number	Pass-through Grantor's Number	Federal Expenditures
U. S. Department of Housing and Urban Development Passed through Texas Department of Agriculture Community Development Block Grants/State's Program and Non-Entitlement Grants Total U. S. Department of Housing and Urban Development	14.228	CDV21-0304	\$ 23,120 \$ 23,120
U. S. Department of Transportation Passed through the Texas Department of Transportation Aviation Division Airport Improvement Program, Covid-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs Total U. S. Department of Transportation	20.106	22AWGATES	\$ 103,500 \$ 103,500
U. S. Department of the Treasury Passed through the Texas Department of Emergency Management Coronavirus State and Local Fiscal Recovery Funds Total U. S. Department of the Treasury	21.027	SLFRF 21.027	\$ 768,768 \$ 768,768
National Endowment for the Humanities Grants to States Total National Endowment for the Humanities	45.310	(FAIN): LS-252486-OLS-22	\$ 2,071 \$ 2,071
U. S. Environmental Protection Agency Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Grant Program Total U. S. Environmental Protection Agency	66.818	BF-01F96201	\$ 14,617 \$ 14,617
U. S. Department of Homeland Security Passed through the Texas Department of Emergency Management Disaster Grants - Public Assistance (Presidentially Declared Disasters) Total U. S. Department of Homeland Security	97.036	FAIN 4416DRTXP0000001	\$ 3,103 \$ 3,103
Total Expenditures of Federal Awards			\$ 915,179

See the Notes to the Schedule of Expenditures of Federal Awards on page 97.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended September 30, 2023

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activity of all federal award programs of the City of Gatesville, Texas for the year ended September 30, 2023. All federal awards received directly by the City from federal agencies, as well as federal awards passed through other government agencies, are included in the scope of the Federal Single Audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and are included on the Schedule of Expenditures of Federal Awards.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City neither recovers indirect costs unless expressly allowed by each award, nor does the City utilize the 10% de minimis indirect cost rate contained in the 2 CRF 200 for entities that have never had an approved rate.

Expenditures for the Schedule are presented using the accrual basis of accounting.

Amounts reported as expenditures in the Schedule may not agree with the amounts in the related financial reports filed with the grantor agencies because of accruals that would not be included until the next report filed with the agency.

3. COMMITMENT AND CONTINGENCIES

The City participates in several federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies. Therefore, to the extent that the City has not complied with the rules and regulations governing that grant, refunds of any money may be required, and the collectability of any related receivable at September 30, 2023 may be impaired. In the opinion of management, there are no significant contingent liabilities related to the compliance with rules and regulations governing the grants.

City of Gatesville, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2023

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Auditee qualified as a low-risk auditee?

<u>Financial Statements</u>							
Type of auditor's reports issued:	UNMODIFIED						
Internal control over financial reporting: • Significant deficiencies identified?	NO						
• Significant deficiencies identified that are considered to be a material weakness?	NO						
Noncompliance material to the financial statements noted?							
<u>Federal Awards</u>							
Internal control over major programs: • Significant deficiencies identified?	NO						
• Significant deficiencies identified that are considered to be a material weakness?	NO						
Type of auditor's report issued on compliance for major programs:	UNMODIFIED						
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. CFR Part 200 Uniform Guidance Subpart F?	NO						
Identification of major program:							
ALN Name of Federal Program 21.027 Coronavirus State and Local Fiscal Recovery Funds							
Dollar threshold to distinguish between Type A and Type B programs:	\$750,000						

NO

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS For the Year Ended September 30, 2023

PRIOR YEAR FINANCIAL STATEMENT FINDINGS

Significant Deficiency

2022-001: Internal Controls over Financial Reporting

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.

Status: The City has implemented policies and procedures related to the closing

process and is working towards resolving this issue completely. Auditor considers this matter to be less than a significant deficiency in the

current year.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no matters to report in this section.