

**NOTICE OF SALE
AND
BIDDING INSTRUCTIONS**

ON

\$20,000,000*

**CITY OF GATESVILLE, TEXAS
(Coryell County, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF
OBLIGATION, SERIES 2026**

THE SALE

CERTIFICATES OFFERED FOR SALE AT COMPETITIVE BID: The City of Gatesville, Texas (the "City" or the "Issuer") is offering for sale at competitive bid its \$20,000,000* Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2026 (the "Certificates").

Bidders may submit bids for the Certificates electronically by internet as described below in "BIDS BY INTERNET."

BIDS BY INTERNET: Interested bidders may, at their option and risk, submit their bid by electronic media, as described below, by 11:00 a.m., local time, on Tuesday, June 9. Bidders submitting a bid by internet shall not be required to submit signed Official Bid Forms prior to the award. Any prospective bidder that intends to submit an electronic bid must submit its electronic bid via the facilities of the i-Deal, LLC Parity System ("PARITY").

In the event of a malfunction in the electronic bidding process, bidders may submit their bids by email to robertsb@pfm.com. Any bid received after the scheduled time for their receipt will not be accepted.

The official time for the receipt of bids shall be the time maintained by PARITY. All electronic bids shall be deemed to incorporate the provisions of the Official Notice of Sale, Official Bid Form, and the Preliminary Official Statement. To the extent that any instructions or directions set forth in PARITY conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about the PARITY System, potential bidders may contact i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone 212-849-5021.

An electronic bid made through the facilities of the PARITY System shall be deemed an irrevocable offer to purchase the Certificates on the terms provided in this Official Notice of Sale and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the Issuer. The Issuer shall not be responsible for any malfunction or mistake made by, or as a result of the use of PARITY, the use of such facilities being the sole risk of the prospective bidder.

BIDS BY FACSIMILE: BIDS BY FACISIMILE WILL NOT BE ACCEPTED.

BIDS BY TELEPHONE: BIDS BY TELEPHONE WILL NOT BE ACCEPTED.

PLACE AND TIME OF BID OPENING: The bids for the Certificates will be opened and reviewed at the office of the City's Municipal Advisor at 11:00 a.m., local time, on Tuesday, June 9.

AWARD OF THE CERTIFICATES: The City Council anticipates taking action to award the Certificates (or reject all bids) at a meeting to commence at 5:30 p.m., local time, on Tuesday, June 9.

**Preliminary; subject to change. See "THE CERTIFICATES – Adjustment of Principal Amount and Maturity Schedule for the Certificates" and "CONDITIONS OF THE SALE – Type of Bids and Interest Rates".*

THE CERTIFICATES

DESCRIPTION: The Certificates will be dated July 7, 2026 (the “Dated Date”). Interest will accrue from the Date of Delivery, anticipated to be July 7, 2026, and will be due on March 1, 2027, and each March 1 and September 1 thereafter until the earlier of maturity or prior redemption. Interest will be calculated on the basis of a 360-day year consisting of twelve 30 day months. The Certificates will be issued as fully registered obligations in book-entry form only, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository (the “Securities Depository”). Book-entry interests in the Certificates will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof within a maturity. Purchasers of the Certificates (“Beneficial Owners”) will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by BOKF, National Association, Dallas, Texas, (“U.S. Bank”) as Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See “BOOK-ENTRY-ONLY SYSTEM” in the Preliminary Official Statement.) The Certificates will mature in each year as follows unless the bidder elects to have one or more term Certificates as provided below.

MATURITY SCHEDULE*

Maturity (September 1)	Principal Amount*	Maturity (September 1)	Principal Amount*
2027	\$250,000	2037	\$1,005,000
2028	665,000	2038	1,055,000
2029	695,000	2039	1,105,000
2030	730,000	2040	1,155,000
2031	760,000	2041	1,210,000
2032	800,000	2042	1,270,000
2033	835,000	2043	1,330,000
2034	875,000	2044	1,395,000
2035	915,000	2045	1,460,000
2036	960,000	2046	1,530,000

ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES: After selecting the winning bid, the aggregate principal amount of the Certificates and principal amortization schedule may be adjusted as determined by the City and its Municipal Advisor in \$5,000 increments to reflect the actual interest rates and to create the desired debt service schedule for the City. Such adjustments will not change the aggregate principal amount of the Certificates by more than 15% from the amount set forth herein or change the principal amount due on the Certificates, and the total principal amount of the Certificates shall not exceed \$20,000,000. The dollar amount bid for the Certificates by the winning bidder will be adjusted proportionately to reflect any increase or decrease in the aggregate principal amount of the Certificates finally determined to be issued. The City will use its best efforts to communicate to the winning bidder any such adjustment within four (4) hours after the opening of the bids.

Upon receipt of the initial reoffering prices from the winning bidder, the Municipal Advisor will calculate the winning bidder’s total per bond underwriter’s compensation (fees and expenses). Any adjustments to the aggregate principal amount of the Certificates and the maturity schedule will be made in a manner that does not decrease the winning bidder’s compensation on a per bond basis.

In the event of any such adjustment, no rebidding or recalculation of the bids submitted will be required or permitted; and the Certificates of each maturity, as adjusted, will bear interest at the same rate and must have the same initial reoffering yield as specified in the original bid. However, the award will be made to the bidder whose bid produces the lowest true interest cost rate, calculated as specified herein, without taking into account any adjustment in the amount of Certificates pursuant to this section.

**Preliminary; subject to change. See “THE CERTIFICATES – Adjustment of Principal Amount and Maturity Schedule for the Certificates” and “CONDITIONS OF THE SALE – Type of Bids and Interest Rates”.*

In the event that the City and its Municipal Advisor exercises the right to make adjustments to the aggregate principal amount of the Certificates and/or the principal installment amount in the maturity schedule after the deadline for the submission of bids, the winning bidder must execute and deliver to the City an acknowledgment of and agreement with such modification and adjusted maturity schedule upon the award of the Certificates to such winning bidder, and the Certificates shall be payable in the principal amounts contained therein and shall bear interest at the respective interest rates submitted to PARITY by the winning bidder.

OPTIONAL REDEMPTION: The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after September 15, 2037, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on September 15, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

SERIAL CERTIFICATES AND/OR TERM CERTIFICATES: Bidders may provide that all of the Certificates be issued as serial maturities or may provide that any two or more consecutive annual principal installment amounts be combined into one or more term certificates (see "Mandatory Sinking Fund" below).

MANDATORY SINKING FUND REDEMPTION: If the successful bidder elects to alter the Maturity Schedule reflected above and convert principal amounts of the Certificates into "Term Certificates," such Term Certificates shall be subject to mandatory redemption on the first September 1 next following the last maturity for Serial Certificates as reflected in the bidder's bid, and annually thereafter on each September 1 until the stated maturity for the Term Certificates at the redemption prices of par plus accrued interest to the date of redemption. The principal amount of a Term Certificate required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the City, by the principal amount of any Term Certificate of such Stated Maturity which, at least fifty (50) days prior to the mandatory redemption date (1) shall have been defeased or acquired by the City and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City with money in the Certificate Fund, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth below and not theretofore credited against a mandatory redemption requirement.

The final Official Statement will incorporate the mandatory redemption provisions for the Term Certificates in the event the successful bidder elects to convert serial maturities into one or more Term Certificates.

AUTHORITY FOR ISSUANCE AND SOURCE OF PAYMENT: The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") to be adopted by the City Council on June 9, 2026, and the City's Home Rule Charter and are payable primarily from an annual ad valorem taxes levied against all taxable property therein, within the limits prescribed by law, and are further secured by a lien on and pledge of the Pledged Revenues being a limited amount of the Net Revenues derived from the operation of the Issuer's combined utility system (the "System") not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien and pledge, however, being subordinate and inferior to the lien on and pledge of the Net Revenues that are or will be pledged to the payment of the currently outstanding Prior Lien Obligations and Surplus Lien Obligations and any Additional Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, or Additional Surplus Lien Obligations (each as described and defined in the Ordinance) hereafter issued by the Issuer. The City previously authorized the issuance of the currently outstanding Prior Lien Obligations which are payable from and secured by a first and prior lien on and pledge of the Net Revenues in the manner provided in the ordinance authorizing the issuance of the currently outstanding Prior Lien Obligations. The City has also previously authorized the issuance of the currently outstanding Surplus Lien Obligations which are payable, in part, from and secured by a lien on and pledge of the surplus Net Revenues in the manner provided in the ordinance authorizing the issuance of the currently outstanding Surplus Lien Obligations. The City has also previously authorized the issuance of the currently outstanding Limited Pledge Obligations (identified and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System, not to exceed \$1,000, in the manner provided in the ordinance authorizing the issuance of such obligations. In the Ordinance the City retains the right to issue Additional Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, Additional Surplus Lien Obligations, and Additional Limited Pledge Obligations, while the Certificates are Outstanding, without limitations as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise.

PAYING AGENT/REGISTRAR: The initial Paying Agent/Registrar shall be BOKF,NA. In the Ordinance, the City covenants to provide a Paying Agent/Registrar at all times while the Certificates are outstanding, and any Paying Agent/Registrar selected by the City shall be a commercial bank or trust company organized under the laws of the United States and any state and duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Certificates. The Paying Agent/Registrar will maintain the Security Register containing the names and addresses of the registered owners of the Certificates.

In the Ordinance the City retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the City, such Paying Agent/Registrar, promptly upon the appointment of a successor, is required to deliver the Security Register to the successor Paying Agent/Registrar.

In the event there is a change in the Paying Agent/Registrar, the City will notify each registered owner of the Certificates by United States mail, first-class postage prepaid, at the address in the Security Register, stating the effective date of the change and the mailing address of the successor Paying Agent/Registrar.

BOOK-ENTRY-ONLY SYSTEM: The City intends to utilize the book-entry-only system of The Depository Trust Company ("DTC"). See "BOOK-ENTRY-ONLY SYSTEM" in the Preliminary Official Statement.

OFFICIAL STATEMENT AND OTHER TERMS AND COVENANTS IN THE ORDINANCE: Further details regarding the Certificates are set forth in the Preliminary Official Statement. See "THE SALE" above.

CONDITIONS OF THE SALE

TYPE OF BIDS AND INTEREST RATES: The Certificates will be sold in one block on an "All or None" basis. **The aggregate purchase price, inclusive of original issue discount ("OID"), original issue premium ("OIP") and underwriter's discount may not be less than 102% or greater than 120% of the aggregate principal amount of the Certificates.** Bidders are invited to name the rate(s) of interest to be borne by the Certificates via their electronic bid, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1% and the net effective interest rate must not exceed 15%. The highest rate bid may not exceed the lowest rate bid by more than 3% in rate. No coupon rate greater than 5% will be accepted. **For Certificates having stated maturities on and after September 1, 2037, no reoffering yield producing a dollar price less than 98% for any individual maturities will be accepted.** No limitation is imposed upon bidders as to the number of rates or changes which may be used. All Certificates of one maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered.

BASIS FOR AWARD: The sale of the Certificates will be awarded to the bidder making a bid that conforms to the specifications herein and which produces the lowest True Interest Cost Rate to the City. The True Interest Cost Rate is that rate which, when used to compute the total present value as of the Date of Delivery of all debt service payments on the Certificates on the basis of semi-annual compounding, produces an amount equal to the Net Certificate Proceeds (defined as the par amount of the Certificates, plus any OIP, less any OID and underwriter's discount on the Certificates calculated on a 360 day year to the Date of Delivery). In the event of a bidder's error in interest cost rate calculations, the interest rates, and premium, if any, set forth, or incorporated by reference, in the Official Bid Form will be considered as the intended bid.

The City reserves the right to reject any and all bids and to waive any irregularity or informality of any bid, except time of submission.

GOOD FAITH DEPOSIT: A Good Faith Deposit, payable to the "City of Gatesville, Texas", in the amount of \$400,000 which is 2% of the par value of the Certificates, is required. Such Good Faith Deposit shall be in the form of a Cashier's Check, or its equivalent. If a Cashier's Check is used, it is to be retained uncashed by the City pending the Purchaser's compliance with the terms of the Official Bid Form and this Notice of Sale and Bidding Instructions. The Good Faith Deposit, if in the form of a Cashier's Check, may accompany the Official Bid Form or it may be submitted separately, in either case it must be in the possession of the City's Municipal Advisor prior to the Sale Time in order to qualify to bid electronically. If a Cashier's Check is submitted separately, it shall be made available to the City prior to the opening of the bids and shall be accompanied by instructions from the bank on which drawn which authorizes its use as a Good Faith Deposit by the Purchaser who shall be named in such instructions. **The Good Faith Deposit of the Purchaser utilizing a Cashier's Check will be returned to the Purchaser upon payment for the Certificates.** No interest will be allowed on the Good Faith Deposit. In the event the Purchaser should fail or refuse to take up and pay for the Certificates in accordance with the bid, then said Cashier's Check shall be cashed and accepted by the City as full and complete liquidated damages, except as provided under the caption "DELIVERY OF THE CERTIFICATES AND ACCOMPANYING DOCUMENTS – ADDITIONAL CONDITION OF AWARD – Verifications of Statutory Representations and Covenants" herein. The Cashier's Checks accompanying bids other than the winning bid will be returned immediately after the bids are opened, and an award of the Certificates has been made.

The Good Faith Deposit will be returned in full to the Purchaser upon payment for the Certificates. If the Purchaser should fail to pay for the Certificates in accordance with its bid, then the Good Faith Deposit will be accepted by the City as full and complete liquidated damages, except as provided under the caption "DELIVERY OF THE CERTIFICATES AND ACCOMPANYING DOCUMENTS – ADDITIONAL CONDITION OF AWARD – Verifications of Statutory Representations and Covenants" herein.

OFFICIAL STATEMENT

To assist the Initial Purchaser in complying with Rule 15c2-12, as amended (the “Rule”), of the United States Securities and Exchange Commission (“SEC”), the Issuer and the Initial Purchaser contract and agree, by the submission and acceptance of the winning bid, as follows:

COMPLIANCE WITH RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION: The Issuer will approve and authorize distribution of the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Certificates, and the City does not presently intend to prepare any other document or version thereof for such purpose, except as described below. Accordingly, the Issuer deems the accompanying Preliminary Official Statement to be final as of its date, within the meaning of the Rule, except for information relating to the offering prices, interest rates, final debt service schedule, selling compensation, identity of the Purchaser and other similar information, terms and provisions to be specified in the competitive bidding process. The Initial Purchaser shall be responsible for promptly informing the Issuer of the initial offering yields of the Certificates. Thereafter, the Issuer will complete and authorize distribution of the final Official Statement, being a modification of the Preliminary Official Statement, identifying the Initial Purchaser and containing such information omitted in the Preliminary Official Statement as permitted by the Rule. The Issuer does not intend to amend or supplement the Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. By delivering the final Official Statement or any amendment or supplement thereto in the requested quantity to the Initial Purchaser on or after the sale date, the Issuer intends the same to be final as of such date, within the meaning of the Rule. Notwithstanding the foregoing, the Issuer makes no representation concerning the absence of material misstatements or omissions from the Official Statement, except only as and to the extent under “CERTIFICATION OF THE OFFICIAL STATEMENT” as described below.

FINAL OFFICIAL STATEMENT: The Issuer will furnish to the Purchaser, within seven (7) business days after the sale date, an aggregate maximum of twenty-five (25) copies of the Official Statement (and 25 copies of any addenda, supplement or amendment thereto), together with information regarding interest rates, and other terms relating to the reoffering of the Certificates. In addition, the City agrees to provide, or cause to be provided, to the Purchaser, the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in a “designated electronic format” (or printed format with respect to the final Official Statement) as may be required for the Purchaser to comply with the Rule or the rules of the Municipal Securities Rulemaking Board (“MSRB”). The City consents to the distribution of such documents in a “designated electronic format.” Upon receipt, the Purchaser shall promptly file the Official Statement with the MSRB in accordance with the applicable MSRB rules. The Purchaser may arrange at its own expense to have the Official Statement reproduced and printed if it requires more copies and may also arrange, at its own expense and responsibility, for completion and perfection of the first or cover page of the Official Statement so as to reflect interest rates and other terms and information related to the reoffering of the Certificates. The Purchaser will be responsible for providing information concerning the Issuer and the Certificates to subsequent purchasers of the Certificates, and the Issuer will undertake no responsibility for providing such information other than to make the Official Statement available to the Purchaser as provided herein. The Issuer's obligation to supplement the Official Statement to correct key representations determined to be omitted or materially misleading after the date of the Official Statement shall terminate 25 days after the Initial Delivery date.

CHANGES TO OFFICIAL STATEMENT: If, subsequent to the date of the Official Statement, the Issuer learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Certificates, as described below under “DELIVERY OF THE CERTIFICATES AND ACCOMPANYING DOCUMENTS - Conditions to Delivery,” the Issuer will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement reasonably satisfactory to the Initial Purchaser.

CERTIFICATION OF THE OFFICIAL STATEMENT: At the time of payment for and delivery of the hereinafter defined Initial Certificates (“Initial Delivery”), the Initial Purchaser will be furnished a certificate, executed by an authorized representative of the City, acting in such person's representative capacity, to the effect that to the best of such person's knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in the Official Statement, and any addenda, supplement or amendment thereto, on the date of the Official Statement, on the date of sale of the Certificates and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, the Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in the Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there

has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

DELIVERY OF THE CERTIFICATES AND ACCOMPANYING DOCUMENTS

INITIAL DELIVERY OF CERTIFICATES: Initial delivery will be accomplished by the issuance of an initial Certificate (also called the “Initial Certificate”), either in typed or printed form, in the aggregate principal amount of \$20,000,000*, payable to the Purchaser, signed by the Mayor and City Secretary, approved by the Attorney General, and registered and signed manually or by facsimile by the Comptroller of Public Accounts.

Upon delivery of the Initial Certificate, it shall be immediately canceled and one certificate for each maturity of the Certificates will be delivered and deposited with DTC in connection with DTC’s book-entry-only system. Initial delivery will be at the office of the Paying Agent/Registrar.

Payment for the Certificates must be made in immediately available funds for unconditional credit to the City, or as otherwise directed by the City. The Purchaser will be given six business days’ notice of the time fixed for delivery of the Certificates. It is anticipated that initial delivery of the Initial Certificate can be made on or about July 7, 2026, and it is understood and agreed that the Purchaser will accept delivery and make payment for the Certificates by 11:00 AM, Gatesville, Texas time, on July 7, 2026 or thereafter on the date the Certificates are tendered for delivery, up to and including July 21, 2026. If for any reason the City is unable to make delivery on or before July 21, 2026, the City shall immediately contact the initial Purchaser and offer to allow the initial Purchaser to extend its offer for an additional thirty days. If the Purchaser does not elect to extend its offer within six days thereafter, then its Good Faith Deposit will be returned, and both the City and the Purchaser shall be relieved of any further obligation. In no event shall the City be liable for any damages by reason of its failure to deliver the Certificates, provided such failure is due to circumstances beyond the City’s reasonable control.

CUSIP NUMBERS: It is anticipated that CUSIP identification numbers will appear on the Certificates, but neither the failure to print or type such number on any Certificate nor any error with respect thereto shall constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Certificates in accordance with the terms of this Notice of Sale and Bidding Instructions and the terms of the Official Bid Form. All expenses in relation to the printing or typing of CUSIP numbers on the Certificates shall be paid by the City; provided, however, that the charges of CUSIP Global Services for the assignment of the numbers shall be the responsibility of and shall be paid for by the Purchaser.

CONDITIONS TO DELIVERY: The obligation of the Purchaser to take up and pay for the Certificates is subject to the Purchaser’s receipt of (a) the legal opinion of Norton Rose Fulbright US LLP (“Bond Counsel”), (b) the no-litigation certificate, (c) the certification as to the Official Statement, and (d) a copy of the Ordinance containing the continuing disclosure agreement, all as further described hereinafter.

ESTABLISHMENT OF ISSUE PRICE (HOLD-THE-OFFERING PRICE RULE WILL APPLY IF COMPETITIVE SALE REQUIREMENTS ARE NOT SATISFIED):

(a) The winning bidder shall assist the City in establishing the issue price of the Certificates and shall execute and deliver to the City by Closing an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the public, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City and Bond Counsel. All actions to be taken by the City under this Notice of Sale to establish the issue price of the Certificates may be taken on behalf of the City by the City’s municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City’s municipal advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Certificates) will apply to the initial sale of the Certificates (the “competitive sale requirements”) because:

- (i) the City shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (ii) all bidders shall have an equal opportunity to bid;

* Preliminary; subject to change. See “THE CERTIFICATES – Adjustment of Principal Amount and Maturity Schedule for the Certificates” and “CONDITIONS OF THE SALE – Type of Bids and Interest Rates”.

- (iii) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (iv) the City anticipates awarding the sale of the Certificates to the bidder who submits a firm offer to purchase the Certificates at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Certificates, as specified in the bid.

(c) In the event that the competitive sale requirements are not satisfied, the City shall so advise the winning bidder. In such event, the City intends to treat the initial offering price to the public as of the sale date of each maturity of the Certificates as the issue price of that maturity (the “hold-the-offering-price rule”). The City shall promptly advise the winning bidder, at or before the time of award of the Certificates, if the competitive sale requirements were not satisfied, in which case the hold-the-offering-price rule shall apply to the Certificates. Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied and the hold-the-offering-price rule applies. In the event that the competitive sale requirements are not satisfied, the issue price certificate shall be modified as necessary in the reasonable judgment of Bond Counsel and the City.

(d) By submitting a bid, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Certificates to the public on or before the date of award at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Certificates, that the underwriters will neither offer nor sell unsold Certificates of any maturity to which the hold-the-offering-price rule applies to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (i) the close of the fifth (5th) business day after the sale date; or
- (ii) the date on which the underwriters have sold at least 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public.

The winning bidder shall promptly advise the City when the underwriters have sold 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

(e) The City acknowledges that, in making the representation set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Certificates to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail or other third-party distribution agreement that was employed in connection with the initial sale of the Certificates to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail or other third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail or other third-party distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Certificates.

(f) By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail or other third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail or other third-party distribution agreement, as applicable, to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail or other third-party distribution agreement to be employed in connection with the initial sale of the Certificates to the public to require each broker-dealer that is a party to such retail or other third-party distribution agreement to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

(g) Sales of any Certificates to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this section of the Notice of Sale:

- (i) “public” means any person other than an underwriter or a related party,

- (ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Certificates to the public (including a member of a selling group or a party to a retail or other third-party distribution agreement participating in the initial sale of the Certificates to the public),
- (iii) a purchaser of any of the Certificates is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) sale date” means the date that the Certificates are awarded by the City to the winning bidder.

ADDITIONAL CONDITION OF AWARD – DISCLOSURE OF INTERESTED PARTIES: Described hereinafter is an obligation of the City to receive information from the winning bidder if the bidder is not a publicly traded business entity or a wholly owned subsidiary of a publically traded business entity (a “Privately Held Bidder”). Pursuant to Texas Government Code Section 2252.908 (the "Interested Party Disclosure Act"), the City may not award the Certificates to a winning bidder which is a Privately Held Bidder unless such party submits a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the City as prescribed by the Texas Ethics Commission ("TEC"). In the event that a Privately Held Bidder's bid for the Certificates is the best bid received, the City, acting through its Municipal Advisor, will promptly notify the winning Privately Held Bidder. That notification will serve as the City’s conditional verbal acceptance of the bid and will obligate the winning Privately Held Bidder to establish (unless such winning Privately Held Bidder has previously so established) an account with the TEC, and promptly file a completed Disclosure Form, as described below, in order to allow the City to complete the award.

Process for completing the Disclosure Form. Reference should be made to the Disclosure Form, the rules of the TEC with respect to the Disclosure Form (the "Disclosure Rules") and the Interested Party Disclosure Act. Instructional information regarding such matters are set forth at <https://www.ethics.state.tx.us/filinginfo/1295/>. For purposes of completing the Disclosure Form a Privately Held Bidder will need the following information: (a) item 2 – name of governmental entity: City of Gatesville, Texas and (b) item 3 – the identification number assigned to this contract by the City: “2026CO”, and a description of the services to be provided under the contract: Purchase of Certificates of Obligation. The Interested Party Disclosure Act and the Disclosure Rules require a non-publicly traded business entity contracting with the City to complete the form at the TEC Internet "portal" that may be accessed at the url set forth above, and submit an electronic copy of their completed Disclosure Form to the City at: mhalsema@gatesvilletx.com, robertsb@pfm.com, stephanie.leibe@nortonrosefulbright.com, and kardishd@pfm.com. Following the award of the Certificates, the City will acknowledge receipt of the completed Disclosure Form through the TEC website, as required by the law.

Preparations for completion, and the significance of, the reported information. In accordance with the Interested Party Disclosure Act, the information reported by the winning Privately Held Bidder must be declared by an authorized agent of the Privately Held Winning Bidder. No exceptions may be made to that requirement. The Interested Party Disclosure Act and the Disclosure Form provides that such acknowledgment is made “under penalty of perjury.” Consequently, a winning Privately Held Bidder should take appropriate steps prior to completion of the Disclosure Form to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the Disclosure Form. Time will be of the essence in submitting the form to the City, and no final award will be made by the City regarding the sale of the Certificates until a completed Disclosure Form is received. If applicable, the City reserves the right to reject any bid that does not satisfy the requirement of a completed Disclosure Form, as described herein. Neither the City nor its consultants have the ability to verify the information included in a Disclosure Form, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to (1) the bidder’s obligation to submit the Disclosure Form or (2) the proper completion of the Disclosure Form. Consequently, an entity intending to bid on the Certificates should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form, if required, promptly upon notification from the City that its bid is the conditional winning bid. Instructional videos on logging in and creating a certificate are provided on the TEC’s website at https://www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm.

ADDITIONAL CONDITION OF AWARD - STATUTORY REPRESENTATIONS AND COVENANTS: By submission of a bid for the Certificates, each bidder makes the following representations and covenants pursuant to Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as heretofore amended (the “Government Code”). As used herein, “affiliate” means an entity that controls, is controlled by, or is under common control with the bidder within the meaning of SEC Rule 405, 17 C.F.R. §230.405, and exists to make a profit. If the bidder’s bid is accepted, then liability for breach of any such verification during the term of the contract for purchase and sale of the Certificates created thereby (the “Agreement”) shall survive until barred by the applicable statute of limitations and shall not be liquidated or otherwise limited by any provision of the bid or this Notice of Sale and Bidding Instructions, notwithstanding anything herein or therein to the contrary.

Not a Sanctioned Company . . . Each bidder represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153, Government Code, or Section 2270.0201, Government Code. The foregoing representation excludes the bidder and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

No Boycott of Israel . . . Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, if its bid is accepted, will not boycott Israel during the term of the Agreement. As used in the foregoing verification, “boycott Israel” has the meaning provided in Section 2271.001, Government Code.

No Discrimination Against Firearm Entities . . . Each bidder hereby verifies that it and its parent company, wholly- or majority- owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and, if its bid is accepted, will not discriminate against a firearm entity or firearm trade association during the term of the Agreement. As used in the foregoing verification, “discriminate against a firearm entity or firearm trade association” has the meaning provided in Section 2274.001(3), Government Code.

No Boycott of Energy Companies . . . Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and, if its bid is accepted, will not boycott energy companies during the term of the Agreement. As used in the foregoing verification, “boycott energy companies” has the meaning provided in Section 2276.001(1), Government Code.

ADDITIONAL CONDITION OF AWARD - REPRESENTATION REGARDING TEXAS ATTORNEY GENERAL STANDING LETTER AND BRINGDOWN VERIFICATION: By submission of a bid for the Certificates, each bidder represents and verifies that it is aware of the Office of the Texas Attorney General’s (the “Texas Attorney General”) All Bond Counsel Letter, dated November 1, 2023, that is available on the website of the Texas Office of the Texas Attorney General using the following link: (<https://www.texasattorneygeneral.gov/sites/default/files/files/divisions/public-finance/ABCLetter-11-01-2023.pdf>) and the Texas Attorney General’s supplemental All Bond Counsel Letter, dated November 16, 2023, that is available on the website of the Texas Attorney General using the following link: (<https://www.texasattorneygeneral.gov/sites/default/files/files/divisions/public-finance/ABCLetter-11-06-2023.pdf>). Each bidder represents and verifies that the bidder has (i) on file a standing letter (“Standing Letter”) acceptable to the Texas Attorney General addressing the representations and verifications described under the heading “ADDITIONAL CONDITION OF AWARD - STATUTORY REPRESENTATIONS AND COVENANTS” herein, and (ii) will, upon request of the City or Bond Counsel on behalf of the City, provide the City and Bond Counsel with a copy of its Standing Letter. Each bidder further represents and verifies that its Standing Letter remains in effect as of the date of the Agreement and that the Texas Attorney General has not notified the bidder that a determination has been made that the bidder boycotts energy companies or has a policy that discriminates against firearm entities or firearm trade associations under the laws of the State of Texas. Upon request of the City or Bond Counsel on the City’s behalf, each bidder shall provide additional written certifications to the City and Bond Counsel (which may be by email) to the effect that the Texas Attorney General may continue to rely on the Standing Letter and the statutory representations and covenants contained in the Agreement through the closing date (currently scheduled for July 7, 2026) (the “Bringdown Verification”). The City reserves the right, and each bidder hereby expressly authorizes the City, to provide such Bringdown Verification to the Texas Attorney General.

LEGAL OPINIONS: The Certificates are offered when, as and if issued, subject to the approval of the Attorney General of the State of Texas. Delivery of and payment for the Certificates is subject to the receipt by the Purchaser of the opinion of Bond Counsel, to the effect that, based on a review of a transcript of proceedings relating to the issuance of the Certificates, the Certificates are valid and binding obligations of the City and that the interest on the Certificates will be excludable from gross

income for federal income tax purposes under existing law, subject to the matters described under “TAX MATTERS” in the Official Statement. References herein to the opinion of Bond Counsel are qualified in their entirety to the proposed form of Bond Counsel’s opinion that is attached as an appendix to the Official Statement. In connection with the transactions described in the Official Statement, Bond Counsel represents only the City.

CERTIFICATION AS TO NO-LITIGATION AND OFFICIAL STATEMENT: At the time of payment for, and initial delivery of, the Certificates, the City will execute and deliver to the Purchaser a no-litigation certificate as described in the Official Statement.

At the time of payment for and delivery of the Certificates, the Purchaser will also be furnished a certificate, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the description and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of the Certificates and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

CHANGE IN TAX EXEMPT STATUS: At any time before the Certificates are tendered for delivery, the Purchaser may withdraw its bid if the interest received by private holders on obligations of the same type and character as the Certificates shall be declared to be taxable income under present federal income tax laws, either by ruling of the Internal Revenue Service or by a decision of any federal court, or shall be declared taxable or be required to be taken into account in computing any federal income taxes, by the terms of any federal income tax law enacted subsequent to the date of this Notice of Sale and Bidding Instructions.

CONTINUING DISCLOSURE AGREEMENT: The City will agree in the Ordinance to provide certain periodic information and notices of certain events in accordance with the Rule, as described in the Official Statement under “CONTINUING DISCLOSURE OF INFORMATION”. The Purchaser’s obligation to accept and pay for the Certificates is conditioned upon delivery to the Purchaser or its agent of a copy of the Ordinance containing the agreement described under such subcaption in addition to the other documents described under the subheading “Conditions to Delivery” above.

GENERAL

MUNICIPAL ADVISOR: PFM Financial Advisors LLC (“PFM”) is employed as Municipal Advisor to the City in connection with the issuance of the Certificates. The Municipal Advisor’s fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. PFM, in its capacity as Municipal Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

BLUE SKY LAWS: By submission of its bid, the Purchaser represents that the sale of the Certificates in states other than Texas will be made only pursuant to exemptions from registration or, where necessary, the Purchaser will register the Certificates in accordance with the securities law of the states in which the Certificates are offered or sold. The City agrees to cooperate with the Purchaser, at the Purchaser’s written request and expense, in registering the Certificates or obtaining an exemption from registration in any state where such action is necessary; provided, however, that the City shall not be obligated to execute a general or special consent to service of process in any such jurisdiction.

NOT AN OFFER TO SELL: This Notice of Sale and Bidding Instructions does not alone constitute an offer to sell the Certificates but is merely notice of the sale of the Certificates. The offer to sell the Certificates is being made by means of this Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement. Prospective purchasers are urged to carefully examine the Official Statement to determine the investment quality of the Certificates.

RATINGS: The Certificates are rated “A+” by S&P Global Ratings, a division of S&P Global, Inc. (“S&P”). See “OTHER RELEVANT INFORMATION – Ratings” in the Official Statement.

MUNICIPAL BOND INSURANCE: In the event the Certificates are qualified for municipal bond insurance, and the Purchaser desires to purchase such insurance, the cost therefor will be paid by the Purchaser. Any fees to be paid to the rating agencies as a result of said insurance will be paid by the City. It will be the responsibility of the Purchaser to disclose the existence of insurance, its terms and the effect thereof with respect to the reoffering of the Certificates.

THE OFFICIAL STATEMENT AND COMPLIANCE WITH SEC RULE 15c2-12: The City has prepared the accompanying Official Statement and, for the limited purpose of complying with the Rule, deems such Official Statement to be final as of its date within the meaning of the Rule for the purpose of review prior to bidding. Representations made and to be made by the City concerning the absence of material misstatements and omissions in the Official Statement are addressed elsewhere in this Notice of Sale and Bidding Instructions and in the Official Statement.

The City will furnish to the Purchaser, or Purchasers, acting through a designated senior representative, in accordance with instructions received from the Purchaser(s), within seven (7) business days from the sale date up to 25 copies of the Official Statement including a like number of copies of a Supplement reflecting interest rates and other terms relating to the initial reoffering of the Certificates. The cost of preparation of the Supplement, or of a reprinted Official Statement, if the Purchaser(s) shall so elect, and the cost of any Official Statement in excess of the number specified shall be prepared and distributed at the cost of the Purchaser(s). The Purchaser(s) shall be responsible for providing in writing the initial reoffering prices and other terms, if any, to the Municipal Advisor by the close of the next business day after the award. Except as noted above, the City assumes no responsibility or obligation for the distribution or delivery of any copies of the Official Statement in connection with the offering or reoffering of the subject securities.

On the date of the sale, the City Council will, in the Ordinance authorizing the issuance of the Certificates, confirm its approval of the form and content of the Preliminary Official Statement and the Official Statement, and any addenda, supplement or amendment thereto, and authorize use of the Official Statement in the reoffering of the Certificates by the Purchaser.

/s/ Gary Chumley
Mayor
City of Gatesville Texas

ATTEST:
/s/ Holly Owens
City Secretary
City of Gatesville, Texas

June 2, 2026

OFFICIAL BID FORM

Form 1295 Identification Number: 2026CO

Honorable Mayor and City Council
City of Gatesville, Texas
c/o Director of Finance
803 Main Street
Gatesville, Texas 76528

June 9, 2026

Members of the City Council:

Reference is made to your Preliminary Official Statement and Notice of Sale and Bidding Instructions, dated June 2, 2026, of \$20,000,000* CITY OF GATESVILLE, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026 (the "Certificates"), both of which constitute a part hereof.

For your legally issued Certificates, as described in said Notice of Sale and Bidding Instructions and Preliminary Official Statement, we will pay you par plus a cash premium of \$_____ for Certificates maturing and bearing interest as follows.

<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount*</u>	<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount*</u>
2027	\$250,000	2037	\$1,005,000
2028	665,000	2038	1,055,000
2029	695,000	2039	1,105,000
2030	730,000	2040	1,155,000
2031	760,000	2041	1,210,000
2032	800,000	2042	1,270,000
2033	835,000	2043	1,330,000
2034	875,000	2044	1,395,000
2035	915,000	2045	1,460,000
2036	960,000	2046	1,530,000

Of the principal maturities set forth in the table above, term certificates have been created as indicated in the following table (which may include multiple term certificates, one term certificate or no term certificates if none is indicated). For those years which have been combined into a term certificate, the principal amount shown in the table above shall be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the term certificates maturity date shall mature in such year. The term certificates created are as follows.

Maturity Date	Year of First Mandatory Redemption	Principal Amount	Interest Rate
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Our calculation (which is not a part of this bid) of the interest cost from the above is:

True Interest Cost Rate:

* Preliminary, subject to change

The Initial Certificate shall be registered in the name of _____. We will advise The Depository Trust Company (“DTC”) of registration instructions at least five business days prior to the date set for Initial Delivery.

A Cashier’s Check of the _____ in the amount of \$400,000 which represents our Good Faith Deposit (is attached hereto) or (has been made available to you prior to the opening of this Bid), and is submitted in accordance with the terms as set forth in the Official Statement and Notice of Sale and Bidding Instructions.

We agree to accept delivery of the Certificates utilizing the book-entry-only system through DTC and make payment for the Initial Certificate by wire transfer in immediately available funds pursuant to written direction of the City, not later than 11:00 AM, Gatesville, Texas time, on June 9, 2026, or thereafter on the date the Certificates are tendered for delivery, pursuant to the terms set forth in the Notice of Sale and Bidding Instructions.

The undersigned has submitted, or upon notification that it is the apparent winning bidder will submit, in accordance with the requirements in the Official Notice of Sale (i) an electronic form of the Certificate of Interested Parties Form 1295 (the “Disclosure Form” through the Texas Ethics Commission’s (the “TEC”) electronic portal, if applicable, and (ii) the Disclosure Form and certification of filing that is generated by the TEC’s electronic portal to the City, if applicable, all as required by and in accordance with Section 2252.908 of the Texas Government Code, and the TEC’s rules promulgated thereunder. The failure to provide the Disclosure Form and certification of filing, if applicable, will prohibit the City from accepting the enclosed bid.

The undersigned agrees to complete, execute, and deliver to the City, at least six business days prior to delivery of the Certificates, a certificate relating to the “issue price” of the Certificates in the form and to the effect accompanying the Notice of Sale and Bidding Instructions, with such changes thereto as may be acceptable to or required by the City.

We agree to provide in writing the initial reoffering prices and other terms, if any, to the Municipal Advisor by the close of the next business day after the award. We also agree and hereby direct the Authorized Officer of the City to attach hereto our electronic bid which is hereby incorporated by reference for all purposes and thereby, by this directed incorporation by reference, completing the information needed for this manually executed bid form.

Through submittal of this executed Official Bid Form, the undersigned verifies that, except to the extent otherwise required by applicable Texas or Federal law, it (1) does not and will not “boycott Israel”, (2) is not a company on the Texas Comptroller’s list concerning “foreign terrorist organizations” prepared and maintained thereby under applicable Texas law, (3) does not and will not “discriminate against a firearm entity or firearm trade association”, (4) does not and will not “boycott energy companies”, and (5) it has, as of the date of this official bid form and as of Closing on file with the Texas Attorney General a standing letter addressing the representations and verifications in (1) through (4), all as more fully provided in the Official Notice of Sale under the heading “ADDITIONAL CONDITIONS OF AWARD”, which are included in Exhibit A to this Official Bid Form and incorporated herein for all purposes.

Respectfully submitted,

By: _____
Authorized Representative

ACCEPTANCE CLAUSE

The above and foregoing bid together with the electronic bid information completing such information as incorporated by reference and attached hereto is hereby in all things accepted by the City of Gatesville, Texas, subject to and in accordance with the Notice of Sale and Bidding Instructions, this the 9th day of June 2026.

Authorized Officer
City of Gatesville, Texas

City of Gatesville, Texas
Combination Tax and Revenue Certificates of Obligation, Series 2026

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of _____ (the “Purchaser”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Certificates”) of the City of Gatesville, Texas (the “Issuer”).

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Certificates to the Public by the Purchaser are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Certificates used by the Purchaser in formulating its bid to purchase the Certificates. Attached as Schedule B is a true and correct copy of the bid provided by the Purchaser to purchase the Certificates.

(b) The Purchaser was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Purchaser constituted a firm offer to purchase the Certificates.

2. Defined Terms.

(a) *Maturity* means Certificates with the same credit and payment terms. Certificates with different maturity dates, or Certificates with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Certificates. The Sale Date of the Certificates is June 9, 2026.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Certificates to the Public (including a member of a selling group or a party to a retail or other third-party distribution agreement participating in the initial sale of the Certificates to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Purchaser’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Certificate as to Tax Exemption with respect to the Certificates and with respect to compliance with the federal income tax rules affecting the Certificates, and by Norton Rose Fulbright US LLP in connection with rendering its opinion that the interest on the Certificates is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Certificates.

[NAME OF UNDERWRITER]

By: _____

Name: _____

Title: _____

Dated: _____

SCHEDULE A
EXPECTED OFFERING PRICES
(Attached)

SCHEDULE B
COPY OF UNDERWRITER'S BID
(Attached)

EXHIBIT A
Statutory Representations and Covenants and Texas Attorney General Standing Letter

Statutory Representations and Covenants. Through submitting of this executed Official Bid Form, the undersigned makes the following representations and covenants pursuant to Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as heretofore amended (the "Government Code"). As used therein, "affiliate" means an entity that controls, is controlled by, or is under common control with the winning bidder within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. Liability for breach of any such representation or covenant during the term of the contract for purchase and sale of the Certificates created by the Official Bid Form (the "Purchase Contract") shall survive until barred by the applicable statute of limitations, and shall not be liquidated or otherwise limited by any provision of the Official Bid Form or the Official Notice of Sale, notwithstanding anything herein or therein to the contrary.

Not a Sanctioned Company. The undersigned represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Government Code. The foregoing representation excludes the undersigned and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

No Boycott of Israel. The undersigned hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel during the term of the Purchase Contract. As used in the foregoing verification, "boycott Israel" has the meaning provided in Section 2271.001, Government Code.

No Discrimination Against Firearm Entities. The undersigned hereby verifies that it and its parent company, wholly- or majority owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association during the term of the Purchase Contract. As used in the foregoing verification, "discriminate against a firearm entity or firearm trade association" has the meaning provided in Section 2274.001(3), Government Code.

No Boycott of Energy Companies. The undersigned hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and will not boycott energy companies during the term of the Purchase Contract. As used in the foregoing verification, "boycott energy companies" has the meaning provided in Section 2276.001(1), Government Code.

Texas Attorney General Standing Letter. The undersigned represents that it has, as of the date of this Official Bid Form and as of Closing will have, on file with the Texas Attorney General a standing letter addressing the representations and verifications hereinbefore described in the Notice of Sale and in this Official Bid Form in the form attached as Exhibit B to the Updated Recommendations for Compliance with the Texas BPA Verification and Representation Requirements (December 1, 2024) of the Municipal Advisory Council of Texas or any other form accepted by the Texas Attorney General (a "Standing Letter"). In addition, if subsequent to the filing of its Standing Letter, the winning bidder or the parent company, a wholly- or majority-owned subsidiary or another affiliate of such winning bidder receives or has received a letter from the Texas Comptroller of Public Accounts or the Texas Attorney General seeking (a) confirmation or verification of the these representations and verifications or (b) written verification that such winning bidder is a member of the Net Zero Banking Alliance, Net Zero Insurance Alliance, Net Zero Asset Owner Alliance, or Net Zero Asset Managers or of the representations and certifications contained in the winning bidder's Standing Letter (each a "Request Letter"), the winning bidder shall promptly notify the City and Bond Counsel (if it has not already done so) and provide to the City or Bond Counsel, two business days prior to Closing and additionally upon request by the City or Bond Counsel, written verification to the effect that its Standing Letter described in the preceding sentence remains in effect and may be relied upon by the City and the Texas Attorney General (the "Bringdown Verification"). The Bringdown Verification shall also confirm that the winning bidder (or the parent company, a wholly- or majority-owned subsidiary or other affiliate of the winning bidder that received the Request Letter) intends to timely respond or has timely responded to the Request Letter. The Bringdown Verification may be in the form of an e-mail. The City reserves the right, in its sole discretion, to reject any bid from a bidder that does not satisfy the foregoing requirements as of the deadline for bids for the Certificates. Liability for breach of any such verification during the term of this contract for purchase shall survive until barred by the applicable statute of limitations, and shall not be liquidated or otherwise limited by any provision of this contract for purchase, notwithstanding anything in this contract for purchase to the contrary.

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 2, 2026

NEW ISSUE BOOK-ENTRY ONLY

Rating: S&P: “A+” (Underlying)
See “OTHER PERTINENT INFORMATION – Ratings”
and “BOND INSURANCE” herein)

In the opinion of Bond Counsel (identified below), assuming continuing compliance by the Issuer (defined below) after the date of initial delivery of the Certificates (defined below) with certain covenants contained in the Ordinance (defined below) and subject to the matters described under “TAX MATTERS” herein, interest on the Certificates under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code, as amended to the date of initial delivery of the Certificates and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. See “TAX MATTERS” herein.

\$20,000,000*
CITY OF GATESVILLE, TEXAS
(Coryell County)
COMBINATION TAX AND LIMITED PLEDGED REVENUE
CERTIFICATES OF OBLIGATION SERIES 2026

Dated Date: July 7, 2026

Due, September 1, as shown on the inside cover

Interest Accrual Date: Date of Delivery

The City of Gatesville, Texas (the “City” or “Issuer”), is issuing \$20,000,000* Combination Tax and Limited Pledged Revenue Certificates of Obligation, Series 2026 (the “Certificates”) in accordance with the Constitution and general laws of the State of Texas (the “State”), particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, an ordinance (the “Ordinance”) to be adopted by the City Council of the City on June 9, 2026, and the City’s Home Rule Charter.

The Certificates constitute direct and general obligations of the Issuer payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further payable from and secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the Net Revenues derived from the operation of the Issuer’s combined utility system (the “System”) not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding.

Interest on the Certificates accrues from the Date of Delivery (defined herein). Interest on the Certificates will be payable March 1 and September 1 of each year, commencing March 1, 2027, until maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued as fully-registered Certificates in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository (the “Securities Depository”). Book-entry interests in the Certificates, within a stated maturity, will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Certificates (“Beneficial Owners”) will not receive physical delivery of Certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by BOKF, NA, Dallas, Texas, as Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its participating members, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See “BOOK-ENTRY-ONLY SYSTEM” herein.)

Proceeds from the sale of the Certificates will be used to pay all or a portion of the City’s contractual obligations for (i) designing, constructing, acquiring, purchasing, renovating, enlarging, and improving the City’s combined utility system, including improvements to the City’s water utility system, (ii) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements, and (iii) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects. (See “THE CERTIFICATES – Use of Proceeds” herein)

The Issuer reserves the right to redeem the Certificates maturing on and after September 1, 2037, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest, on September 1, 2036, or any date thereafter, as further described herein. The Certificates are subject to optional and mandatory redemption, as further described herein. (See “THE CERTIFICATES – Redemption Provisions” herein.)

The City is considering qualifying the Certificates for municipal bond insurance and has made application to municipal bond insurance companies in connection with such consideration. (See “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS” herein.)

Maturity Schedule on Inside Cover Page

The Certificates are offered for delivery when, as and if issued, and received by the initial purchaser (the “Purchaser” or the “Initial Purchaser”) and subject to the approval of legality by the Attorney General of the State of Texas and the opinion of Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel (see APPENDIX C, “Form of Legal Opinion of Bond Counsel”). The Certificates are expected to be available for initial delivery through the services of DTC on or about July 7, 2026 (the “Date of Delivery”).

BIDS DUE TUESDAY, JUNE 9, 2026, AT 11:00 A.M. CENTRAL TIME

*Preliminary, subject to change.

STATED MATURITY SCHEDULE
(Due September 1)
Base CUSIP: 367532^(a)

\$20,000,000*
COMBINATION TAX AND LIMITED PLEDGE REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2026

<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Initial</u> <u>Yield</u>	<u>CUSIP</u> <u>Suffix No.</u> ^(a)
2027	\$250,000			
2028	665,000			
2029	695,000			
2030	730,000			
2031	760,000			
2032	800,000			
2033	835,000			
2034	875,000			
2035	915,000			
2036	960,000			
2037	1,005,000			
2038	1,055,000			
2039	1,105,000			
2040	1,155,000			
2041	1,210,000			
2042	1,270,000			
2043	1,330,000			
2044	1,395,000			
2045	1,460,000			
2046	1,530,000			

(Interest to accrue from the Date of Delivery)

Redemption of the Certificates*

The Certificates maturing on or after September 1, 2037, are subject to optional redemption in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, at the option of the City, on September 1, 2036, or any date thereafter at the par value thereof plus accrued interest to the date of redemption. Additionally, the Initial Purchaser may select certain consecutive maturities of the Certificates to be grouped together as a “Term Certificate” and such “Term Certificates” would also be subject to mandatory sinking fund redemption. See “THE CERTIFICATES – Redemption Provisions.”

*Preliminary, subject to change.

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CITY OF GATESVILLE, TEXAS
803 Main Street
Gatesville, Texas 76528
(254) 865-8951

ELECTED OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>	<u>Occupation</u>
Gary Chumley	Mayor	November 2026	Retired
Greg Casey	Member	November 2027	Industrial Management
Joe Patterson	Member	November 2026	Bank Management
Jon Salter	Member	November 2026	Hospital Management
Aaron Smith	Member	November 2027	Industrial Management
Travis VanBibber	Member	November 2027	Self-Employed
Kalinda Westbrook	Member	November 2027	Retired

ADMINISTRATION

<u>Name</u>	<u>Position</u>	<u>Years of Municipal Experience</u>
Bradford Hunt	City Manager	31 Years
Mike Halsema	Deputy City Manager CFO	29 Years

CONSULTANTS AND ADVISORS

Bond Counsel Norton Rose Fulbright US LLP
Austin, Texas

Certified Public Accountants.....Patillo, Brown & Hill, L.L.P.
Waco, Texas

Municipal AdvisorPFM Financial Advisors LLC
Austin, Texas

For additional information regarding the City, please contact:

Mike Halsema
Deputy City Manager CFO
City of Gatesville
803 Main Street
Gatesville, Texas 76528
(254) 220-4546

Blake Roberts
Managing Director
PFM Financial Advisors LLC
111 Congress Avenue, Suite 2150
Austin, Texas 78701
(512) 614-5324

USE OF INFORMATION IN THIS OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the “Rule”), this document constitutes an “official statement” of the City with respect to the Certificates that has been “deemed final” by the City as of its date except for the omission of no more than the information permitted by Rule.

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

Certain information set forth herein has been provided by sources other than the City that the City believes to be reliable, but the City makes no representation as to the accuracy of such information. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the City’s undertaking to provide certain information on a continuing basis.

THE CERTIFICATES ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE CERTIFICATES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE CERTIFICATES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND IS NOT INTENDED AS A SUMMARY OF THE CERTIFICATES. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

NEITHER THE CITY NOR ITS MUNICIPAL ADVISOR MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY (“DTC”) OR ITS BOOK-ENTRY ONLY SYSTEM OR ANY MUNICIPAL BOND INSURANCE PROVIDER, IF ANY, OR ITS POLICY UNDER “BOND INSURANCE”, AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC AND THE BOND INSURER (IF ANY), RESPECTIVELY.

THIS OFFICIAL STATEMENT CONTAINS “FORWARD-LOOKING” STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS (SEE “FORWARD LOOKING STATEMENTS” HEREIN).

IN CONNECTION WITH THIS OFFERING, THE PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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The cover page, subsequent pages hereof, and appendices attached hereto, are part of this Official Statement.

SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Certificates to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this page from this Official Statement or to otherwise use it without the entire Official Statement.

The Issuer	The City of Gatesville, Texas (the “City” or “Issuer”), located in Coryell County is a political subdivision of the State of Texas and operates under a Mayor-Council-Manager form of government and as a home rule municipality with a City Council comprised of seven members including the Mayor. Council members are elected by place for two-year staggered terms.
The Certificates	The Certificates are being issued pursuant to the Constitution and general laws of the State, including particularly Subchapter C, Chapter 271, Texas Local Government Code, as amended, an ordinance (the “Ordinance”) to be adopted by the City Council on June 9, 2026, and the City’s Home Rule Charter. (See “THE CERTIFICATES - Authority for Issuance” herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar is BOKF, NA., Dallas, Texas.
Security	The Certificates constitute direct and general obligations of the Issuer payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further payable from and secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the Net Revenues derived from the operation of the Issuer’s combined utility system (the “System”) not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien and pledge, however, being subordinate and inferior to the lien on and pledge of the Net Revenues that are or may be pledged to the payment of the currently outstanding Prior Lien Obligations and Surplus Lien Obligations and any Additional Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, or Additional Surplus Lien Obligations (each as described and defined in the Ordinance) hereafter issued by the Issuer. The City previously authorized the issuance of the currently outstanding Prior Lien Obligations which are payable from and secured by a first and prior lien on and pledge of the Net Revenues in the manner provided in the ordinance authorizing the issuance of the currently outstanding Prior Lien Obligations. The City has also previously authorized the issuance of the currently outstanding Surplus Lien Obligations which are payable, in part, from and secured by a lien on and pledge of the surplus Net Revenues in the manner provided in the ordinance authorizing the issuance of the currently outstanding Surplus Lien Obligations. In the Ordinance the City retains the right to issue Additional Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, Additional Surplus Lien Obligations, and Additional Limited Pledge Obligations, while the Certificates are Outstanding, without limitations as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. (See "THE CERTIFICATES - Security for Payment" and "TAX RATE LIMITATIONS" herein.)
Redemption Provisions	The Certificates maturing on and after September 1, 2037, are subject to redemption at the option of the Issuer on September 1, 2036, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest, as further described herein. Additionally, the Purchaser may select certain consecutive maturities of the Certificates to be grouped together as a “Term Certificate” and such “Term Certificates” would also be subject to mandatory sinking fund redemption. (See “THE CERTIFICATES - Redemption Provisions” herein.)
Tax Exemption	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under “TAX MATTERS” herein.

Use of Proceeds	Proceeds from the sale of the Certificates will be used to pay all or a portion of the City’s contractual obligations for (i) designing, constructing, acquiring, purchasing, renovating, enlarging, and improving the City’s combined utility system, including improvements to the City’s water utility system, (ii) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements, and (iii) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects. (See “THE CERTIFICATES - Use of Proceeds” herein.)
Book-Entry Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York described herein. No physical delivery of the Certificates will be made to the beneficial owners of the Certificates. Such Book-Entry-Only System may affect the method and timing of payments on the Certificates and the manner the Certificates may be transferred. (See “Book-Entry-Only System” herein.)
Bond Insurance	The City is considering qualifying the Certificates for municipal bond insurance and has made application to municipal bond insurance companies in connection with such consideration. (See “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS” herein.)
Rating	S&P Global Ratings, a division of S&P Global, (“S&P”) has assigned an underlying rating of “A+” (stable outlook) to the Certificates without regard to credit enhancement. An explanation of the significance of such ratings may need be obtained from S&P. (See “OTHER PERTINENT INFORMATION – Ratings” herein.)
Issuance of Additional Debt	The City does not anticipate the issuance of additional debt within the next 12-months.
Payment Record	The City has never defaulted in repayment of its bonded indebtedness.
Delivery	When issued, it is anticipated the Certificates will be available through DTC on or about July 7, 2026.
Legality	Delivery of the Certificates is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Norton Rose Fulbright US LLP, Bond Counsel, Austin, Texas. (See “LEGAL MATTERS” herein.)

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\$20,000,000*
CITY OF GATESVILLE, TEXAS
(Coryell County)
COMBINATION TAX AND LIMITED PLEDGED REVENUE
CERTIFICATES OF OBLIGATION SERIES 2026

INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by City of Gatesville, Texas (the “City” or “Issuer”) of its \$20,000,000* Combination Tax and Limited Pledged Revenue Certificates of Obligation, Series 2026 (the “Certificates”) identified on the cover page hereof.

The Issuer is a political subdivision of the State of Texas and operates under the statutes and the Constitution of the State of Texas. The Certificates are being issued pursuant to the Constitution and general laws of the State, an ordinance authorizing their issuance (the “Ordinance”) to be adopted by the City Council authorizing the issuance of the Certificates, and the City’s Home Rule Charter. (See “THE CERTIFICATES - Authority for Issuance” herein.)

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance. Included in this Official Statement are descriptions of the Certificates and certain information about the Issuer and its finances. ***ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT.*** Copies of such documents may be obtained from the Issuer or the Municipal Advisor.

THE CERTIFICATES

General

The Certificates will be dated July 7, 2026 (the “Dated Date”), but interest will accrue on the Certificates from the date of their initial delivery, anticipated to be July 7, 2026 (the “Date of Delivery”). The Certificates are stated to mature on September 1 in the years and in the principal amounts set forth on page ii hereof. The Certificates shall bear interest from their Date of Delivery on the unpaid principal amounts, and the amount of interest to be paid with respect to each payment period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Certificates will be payable on March 1 and September 1 of each year commencing March 1, 2027, until maturity or prior redemption. Principal is payable at the designated offices of the Paying Agent/Registrar for the Certificates, initially BOKF, NA, Dallas, Texas (the “Paying Agent/Registrar”). Interest on the Certificates shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent United States mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Certificates will be paid to the registered owner at their stated maturity or upon prior redemption upon presentation to designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Certificates, all payments will be made as described under “BOOK-ENTRY-ONLY SYSTEM” herein. If the date for any payment on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located is authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Authority for Issuance

The Certificates are being issued pursuant to the Constitution and general laws of the State, including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, the Ordinance to be adopted by the City Council, and the City’s Home Rule Charter.

Security for Payment

Limited Pledge of Ad Valorem Taxes. The Certificates are general obligations of the City, payable from its collection of an ad valorem tax levied annually, within the legal limitations imposed by law, upon all taxable property located in the City. (See “AD VALOREM PROPERTY TAXATION” and “TAX RATE LIMITATIONS” herein.)

* Preliminary, subject to change.

Limited Revenue Pledge Benefiting the Certificates. Solely to comply with Texas law allowing the Certificates to be sold for cash, the Certificates are further secured by a lien on and pledge of the Pledged Revenues (being a limited amount of the Net Revenues derived from the operation of the Issuer's combined utility system (the "System") not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien and pledge, however, being subordinate and inferior to the lien on and pledge of the Net Revenues that are or may be pledged to the payment of the currently outstanding Prior Lien Obligations and Surplus Lien Obligations and any Additional Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, or Additional Surplus Lien Obligations (each as described and defined in the Ordinance) hereafter issued by the Issuer. The City previously authorized the issuance of the currently outstanding Prior Lien Obligations which are payable from and secured by a first and prior lien on and pledge of the Net Revenues in the manner provided in the ordinance authorizing the issuance of the currently outstanding Prior Lien Obligations. The City has also previously authorized the issuance of the currently outstanding Surplus Lien Obligations which are payable, in part, from and secured by a lien on and pledge of the surplus Net Revenues in the manner provided in the ordinance authorizing the issuance of the currently outstanding Surplus Lien Obligations. In the Ordinance the City retains the right to issue Additional Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, Additional Surplus Lien Obligations, and Additional Limited Pledge Obligations, while the Certificates are Outstanding, without limitations as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. (See "THE CERTIFICATES - Security for Payment" and "TAX RATE LIMITATIONS" herein.)

Use of Proceeds

Proceeds from the sale of the Certificates will be used to pay all or a portion of the City's contractual obligations for (i) designing, constructing, acquiring, purchasing, renovating, enlarging, and improving the City's combined utility system, including improvements to the City's water utility system, (ii) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements, and (iii) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects.

Redemption Provisions

Optional Redemption

The Certificates maturing on and after September 1, 2037, are subject to redemption at the option of the Issuer on September 1, 2036, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest, as further described herein.

Mandatory Sinking Fund Redemption

Two or more consecutive maturities of the Certificates may be grouped together as a "Term Certificate" by the Initial Purchaser, and such "Term Certificates" would also be subject to mandatory sinking fund redemption. If less than all of the Certificates within a stated maturity are to be redeemed, the particular Certificates to be redeemed shall be selected by lot or by other customary random method by the Paying Agent/Registrar.

Notice of Redemption

Not less than 30 days prior to a redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Certificate to be redeemed, in whole or in part, at the address of the holder appearing on the Bond Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE BONDHOLDERS FAILED TO RECEIVE SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

The Paying Agent/Registrar and the City, so long as a Book-Entry-Only System is used for the Certificates, will send any notice of redemption, notice of proposed amendment to the Certificates or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the City will reduce the outstanding

principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC direct participants and indirect participants may implement a redemption of such Certificates from the Beneficial Owners. Any such selection of Certificates the City has called for redemption will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC direct participants, indirect participants, or Beneficial Owners of the selection of portions of the Certificates for redemption. (See "Book-Entry-Only System" herein.)

Payment Record

The City has never defaulted in the payment of its bonded indebtedness.

Legality

The Certificates are offered when, as and if issued, subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Norton Rose Fulbright US LLP, Austin, Texas. The legal opinion of Bond Counsel will accompany the global Certificates to be deposited with DTC or will be printed on or attached to the Certificates should the Book-Entry-Only System be discontinued. A form of the legal opinion of Bond Counsel appears in APPENDIX C attached hereto.

Defeasance

Any Certificate will be deemed paid and shall no longer be considered to be outstanding within the meaning of the Ordinance when payment of the principal of and interest on such Certificate to its stated maturity or redemption date will have been made or will have been provided by depositing with the Paying Agent/Registrar or an authorized escrow agent: (1) cash in an amount sufficient to make such payment, (2) Government Securities (defined below) of such maturities and interest payment dates and bearing such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment, or (3) a combination of cash and Government Obligations. The foregoing deposits shall be certified as to sufficiency by an independent accounting firm, the City's Municipal Advisor, the Paying Agent/Registrar, or such other qualified financial institution (as provided in the Ordinance).

The Ordinance provides that "Government Securities" means (a) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations unconditionally guaranteed or insured by the agency or instrumentality and, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (d) any other then authorized securities or obligations that may be used to defease obligations such as the Certificates under the then applicable laws of the State of Texas. City officials are authorized to restrict such eligible securities as deemed appropriate during the sale of the Certificates. The City has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Certificates. Because the Ordinance does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Government Securities or that for any other Government Security will be maintained at any particular rating category.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid and will cease to be outstanding obligations secured by the Ordinance or treated as debt of the City for purposes of taxation or applying any limitation on the City's ability to issue debt or for any other purpose. After firm banking and financial arrangements for the discharge and final payment or redemption of the Certificates have been made as described above,

all rights of the City to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, that the right to call the Certificates for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Default and Remedies

If the City defaults in the payment of principal, interest or redemption price, as applicable, on the Certificates when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observance or performance of any other covenants, conditions or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Certificates upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language.

Furthermore, *Tooke*, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the "Proprietary-Governmental Dichotomy"). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State's sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of municipality.

In *Wasson Interests, Ltd., v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("*Wasson*") the Texas Supreme Court (the "Court") addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the 'will of the people'" and protecting such municipalities "via the [S]tate's immunity is not an efficient way to ensure efficient allocation of [S]tate resources". While the Court recognized that the distinction between government and proprietary functions is not clear, the *Wasson* opinion held that Proprietary-Governmental Dichotomy applies in contract-claims context. The Court reviewed *Wasson* again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code.

Notwithstanding the foregoing case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality.

If a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. As noted above, the Ordinance provides that Certificate holders may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However,

mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

Amendments to the Ordinance

The City may amend the Ordinance without the consent of or notice to any registered owners of the Certificates in any manner not detrimental to the interests of such registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City may, with the consent of the registered owners of a majority in aggregate principal amount of the Certificates then Outstanding, amend, add to, or rescind any of the provisions of the Ordinance; provided that, without the consent of all registered owners of Outstanding Certificates, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Certificates, reduce the principal amount, the redemption price, or the rate of interest, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Certificates, (2) give any preference to any Certificate over any other Certificate, or (3) reduce the aggregate principal amount of Certificates required to be held by registered owners of such Certificates for consent to any such amendment, addition, or rescission under the Ordinance.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Ordinance, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a bank, trust company, financial institution or other entity qualified and authorized to serve in such capacity and perform the duties and services of Paying Agent/Registrar. Upon a change in the Paying Agent/Registrar for the Certificates, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Certificates by United States mail, first-class, postage prepaid.

In the event the Book-Entry-Only System should be discontinued, interest on the Certificates will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest will be paid (i) by check sent United States mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Certificates will be paid to the registered owner at the stated maturity or earlier redemption upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Certificates is a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment will be the next succeeding day which is not such a day, and payment on such date will have the same force and effect as if made on the date payment was due. So long as Cede & Co. is the registered owner of the Certificates, principal, interest and redemption payments on the Certificates will be made as described in "BOOK-ENTRY-ONLY SYSTEM" herein.

Record Date

The record date ("Record Date") for interest payable to the registered owner of a Certificate on any interest payment date means the fifteenth day of the month next preceding such interest payment date.

Special Record Date for Interest Payment

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date"), which shall be 15 days after the Special Record Date, shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Registration

The Certificates are initially to be issued utilizing the Book-Entry-Only System of DTC. In the event such Book-Entry-Only System should be discontinued, printed certificates will be delivered and thereafter, the Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer will be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner not more than three (3) business days after the receipt of the Certificate to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer will be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Certificate surrendered for exchange or transfer. (See "BOOKENTRY-ONLY SYSTEM" herein for a description of the system to be initially utilized in regard to ownership and transferability of the Certificates.)

Replacement Certificates

In the Ordinance, provision is made for the replacement of mutilated, destroyed, lost, or stolen Certificates upon surrender of the mutilated Certificates to the Paying Agent/Registrar, or the receipt of satisfactory evidence of destruction, loss, or theft, and the receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

BOND INSURANCE

The Issuer has made application to municipal bond insurance companies to have the payment of the principal of and interest on the Certificates insured by a municipal bond insurance policy. No representation is hereby made that the City will use municipal bond insurance in connection with the issuance of the Certificates. The Purchaser shall notify the City if their bid includes a municipal bond insurance policy. The Issuer shall notify the Purchaser upon obtaining a commitment from a municipal bond insurance company concerning this matter. If the City accepts a bid for the Certificates that utilizes municipal bond insurance, the premium for a municipal bond insurance policy (the "Policy") shall be paid by the Purchaser. The final Official Statement shall disclose, to the extent necessary, any relevant information relating to any such municipal bond insurance policy.

BOND INSURANCE RISK FACTORS

General

The City has applied for a bond insurance policy to guarantee the scheduled payment of principal and interest on the Certificates. The City has yet to determine whether any insurance will be purchased with the Certificates, but the payment of the bond insurance premium will be the Purchaser's obligation. If a commitment from a bond insurance company (the "Insurer") to provide a municipal bond insurance policy relating to the Certificates (the "Policy") is obtained, the following risk factors generally apply.

In the event of default of the scheduled payment of principal of or interest on the Certificates when all or a portion thereof becomes due, any owner of the Certificates shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Certificates by the City which is recovered by the City from the Certificate owner as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the City (unless the Insurer chooses to pay such amounts at an earlier date). Payment of principal of and interest on the Certificates is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "THE CERTIFICATES - Default and Remedies"). The Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the holders of the Certificates.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable solely from the ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City and the System revenues to the extent of the limited pledge. In the event the Insurer becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Certificates.

The long-term ratings on the Certificates are dependent in part on the financial strength of the Insurer and its claims-paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance can be given that the long-term ratings of the Insurer and of the ratings on the Certificates, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Certificates. See the disclosure described in "OTHER PERTINENT INFORMATION - Ratings" herein. The obligations of the Insurer under a Policy are general obligations of the Insurer and in an event of default by the Insurer the remedies available may be limited by applicable bankruptcy law. Neither the City, the Municipal Advisor nor the Purchaser has made independent investigation into the claims-paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of any Insurer is given.

Claims-Paying Ability and Financial Strength of Municipal Bond Insurers

Moody's Investor Services, Inc., S&P Global Ratings, and Fitch Ratings (the "Rating Agencies") have, over the last several years, downgraded and/or placed on negative watch the claims-paying and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers are possible. In addition, events over the last several years in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the Certificates. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Certificates and the claims paying ability of any such bond insurer, particularly over the life of the Certificates.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by DTC while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Issuer and the Municipal Advisor believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The Issuer cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or the redemption price or redemption notices or other notices with respect to the Certificates, to DTC Participants, (2)

DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or any redemption or other notice with respect to the Certificates, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Certificates in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non U.S. equity issues, corporate and municipal debt issues, and money market instrument (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). Direct Participants and Indirect Participants are referred to herein as the "Participants". DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of the notices be provided directly to them.

Redemption notices for the Certificates shall be sent to DTC. If less than all of the Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Participants.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City.

DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to the Issuer or the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, printed certificates for the Certificates are required to be furnished and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, printed certificates will be furnished and delivered as provided in the Ordinance. (See "REGISTRATION, TRANSFER AND EXCHANGE" herein.)

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Certificates are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, payment or notices that are to be given to registered owners under the Ordinance will be given only to DTC.

INVESTMENT POLICIES

The City invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the City Council. Both State law and the City's investment policies are subject to change.

Legal Investments

Under State law and subject to certain limitations, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an "A" or better rated state or national bank; (10) 270-day or shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least "A-1" or "P-1"; (11) commercial paper rated at least "A-1" or "P-1"; (12) SECregistered no-load money market mutual funds that are subject to SEC Rule

2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) “AAA” or “AAAm”-rated investment pools that invest solely in investments described above; and (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

The City may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the City may not invest more than 15% of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund’s total assets.

Except as stated above or inconsistent with its investment policy, the City may invest in obligations of any duration without regard to their credit rating, if any. If an obligation ceases to qualify as an eligible investment after it has been purchased, the City is not required to liquidate the investment unless it no longer carries a required rating, in which case the City is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

Investment Policies

Under State law, the Issuer is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for Issuer funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All Issuer funds must be invested consistent with a formally adopted “Investment Strategy Statement” that specifically addresses each fund’s investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under State law, the Issuer’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived.” At least quarterly the investment officers of the Issuer must submit an investment report to the City Council detailing: (1) the investment position of the Issuer, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) the investment strategy expressed in the Issuer’s investment policy, and (b) the Public Funds Investment Act. No person may invest Issuer funds without express written authority from the City Council.

Table 1 – Current Investments

As of March 31, 2026, the City’s investable funds were invested in the following categories:

<u>Types of Investments^(A)</u>	<u>Book Value Amount</u>	<u>Percentage of Portfolio</u>
LGIP	\$5,631,803	37.99%
MMF	4,048,963	27.31%
BNKDEP	5,145,373	34.70%
Total	\$14,826,139	100.00%

^(A) Unaudited.

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PENSION AND OTHER POST-EMPLOYMENT BENEFITS

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 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.

For more detailed information concerning the City’s retirement plan for Fiscal Year 2025 see “APPENDIX D – EXCERPTS FROM THE CITY OF GATESVILLE, TEXAS AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2025” – Notes 8 and 9.

AD VALOREM PROPERTY TAXATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title I of the Texas Tax Code, as amended (the “Property Tax Code”), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the “Appraisal Review Board”) responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Coryell County Appraisal District (the “Appraisal District”). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner’s principal residence (“homestead” or “homesteads”) to be based solely on the property’s value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

Unless extended by the Legislature, through December 31, 2026 an appraisal district is prohibited from increasing the appraised value of real property during the 2026 tax year on certain non-homestead properties (the “Subjected Property”) whose appraised values are not more than \$5.32 million dollars (the “maximum property value”) to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was

determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. The maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates (see "AD VALOREM PROPERTY TAXATION – City and Taxpayer Remedies").

State Mandated Homestead Exemptions

State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads (but not less than \$5,000) and (2) an additional exemption of the market value of the homesteads of persons 65 years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased, or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. Cities, counties, and school districts are prohibited from repealing or reducing an optional homestead exemption that was granted in tax year 2022 through December 31, 2027.

Local Option Freeze for the Elderly and Disabled

The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

Personal Property

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property. Pursuant to voter approval at a Statewide election held on November 4, 2025, legislation passed by the Legislature and signed by the Governor during the 89th Regular Session will provide a person to an exemption from taxation by a taxing unit of \$125,000 of the appraised value of the tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of \$125,000, regardless of where the property is located in the taxing unit.

Freeport and Goods-In-Transit Exemptions

Certain goods that are acquired in or imported into the State to be forwarded outside the State and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days (“Goods-in-Transit”), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer’s motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

Other Exempt Property

Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property. Beginning with the 2026 tax year, all intangible personal property is exempt from State taxation.

Temporary Exemption For Qualified Property Damaged By Disaster

The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date of taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. The Texas Legislature amended Section 11.35 of the Tax Code to clarify that “damage” is limited to “physical damage.” For more information on the exemption, reference is made to Section 11.35 of the Tax Code.

Tax Increment Reinvestment Zones

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones (“TIRZ”) within its boundaries. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the “tax increment”. During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

Tax Abatement Agreements

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

Chapter 380 Agreements

Cities are also authorized, pursuant to Chapter 380, Texas Local Government Code, as amended (“Chapter 380”) to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds for economic development purposes.

For a discussion of how the various exemptions described above are applied by the City, see “AD VALOREM PROPERTY TAXATION – City Application of Tax Code” herein.

City and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the City, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property (being (i) commercial real and personal property, (ii) real and personal property of utilities, (iii) industrial and manufacturing real and personal property, and (iv) multifamily residential real property) with a taxable value in excess of the current year “minimum eligibility amount”, as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$62,883,169 for the 2026 tax year and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (see “AD VALOREM PROPERTY TAXATION – Public Hearing and Maintenance and Operations Tax Rate Limitations”). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

City’s Rights in the Event of Tax Delinquencies

Taxes levied by the City are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the City, having power to tax the property. The City’s tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer’s debt.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from

foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Public Hearing and Maintenance and Operations Tax Rate Limitations

The following terms as used in this section have the meanings provided below:

“adjusted” means lost values are not included in the calculation of the prior year’s taxes and new values are not included in the current year’s taxable values.

“de minimis rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year’s taxable value, plus the debt service tax rate.

“no-new-revenue tax rate” means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year’s total tax levy (adjusted) from the current year’s total taxable values (adjusted).

“special taxing unit” means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value.

“unused increment rate” means the cumulative difference between a city’s voter-approval tax rate and its actual tax rate for each of three tax years prior to the current tax year divided by the current total.

“voter-approval tax rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the “unused increment rate”.

The City’s tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the “maintenance and operations tax rate”), and (2) a rate for funding debt service in the current year (the “debt service tax rate”). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city must annually calculate its voter-approval tax rate and no-new-revenue tax rate in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its de minimis rate, an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has posted notice prominently on the appraisal district’s website (if the appraisal district maintains a website) and the assessor of the city has prominently posted on the city’s website notice informing property owners of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase. The appraisal district is also required to post notice in a newspaper of general circulation by August 7 or as soon thereafter as practicable or if there is no newspaper of general circulation, the notice must be posted in the appraisal districts office.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city's adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its voter-approval tax rate using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Certificates.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

Debt Tax Rate Limitations

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 of Taxable Assessed Valuation. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of \$2.50 per \$100 Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

State Legislation

The Texas Legislature meets in regular session in odd numbered years for 140 days. When the Texas Legislature is not in session, the Governor of Texas (the "Governor") may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. During this time, the Texas Legislature may enact laws that materially change current law as it relates to the City.

The Regular Session of the 90th Texas Legislature will convene on January 12, 2027 and is scheduled to conclude on May 31, 2027. The City cannot predict what legislation may be introduced during the 90th Texas Legislature or any upcoming legislative sessions and, if passed, the impact that any future legislation will or may have on the security for the Certificates.

City Application of Tax Code

The City does not grant the lump sum local homestead exemption of residence homesteads of persons 65 or older and the disabled.

The City does not grant the local homestead exemption of up to 20% of the market value of residence homesteads of persons 65 or older and the disabled.

The City has adopted the tax freeze for citizens who are disabled or are 65 years of age or older, which became a local option and subject to local referendum on January 1, 2004.

The City does not tax “non-business” leased vehicles.

The Coryell County Tax Collector collects property taxes for the City. The Tax Collector does not allow split payments or discounts.

The City does grant the Article VIII, Section 1-j (“freeport property”) exemption.

TAX MATTERS

Tax Exemption

The delivery of the Certificates is subject to the opinion of Bond Counsel to the effect that interest on the Certificates for federal income tax purposes (i) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the “Code”), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (ii) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. A form of Bond Counsel’s opinion is reproduced as APPENDIX C. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering the foregoing opinion, Bond Counsel will rely upon representations and certifications of the City made in a certificate dated the date of delivery of the Certificates pertaining to the use, expenditure, and investment of the proceeds of the Certificates and will assume continuing compliance by the City with the provisions of the Ordinance subsequent to the issuance of the Certificates. The Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Certificates and the facilities financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Certificates are to be invested, the periodic calculation and payment to the United States Treasury of any “arbitrage profits” from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Certificates to be includable in the gross income of the owners thereof from the date of the issuance of the Certificates.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Bond Counsel’s opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the “IRS”) with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Certificates is commenced, under current procedures the IRS is likely to treat the City as the “taxpayer,” and the owners of the Certificates would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Certificates, the City may have different or conflicting interests from the owners of the Certificates. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates during the pendency of the audit, regardless of its ultimate outcome.

Tax Changes

Existing law may change to reduce or eliminate the benefit to Bond holders of the exclusion of interest on the Certificates from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Certificates. Prospective purchaser of the Certificates should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Ancillary Tax Consequences

Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, corporations subject to the alternative minimum tax on adjusted financial statement income, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust (“FASIT”), individual

recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchaser should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than \$1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer's applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Certificates. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Certificates.

Tax Accounting Treatment of Discount and Premium on Certain Certificates

The initial public offering price of certain Certificates (the "Discount Certificates") may be less than the amount payable on such Certificates at maturity. An amount equal to the difference between the initial public offering price of a Discount Certificate (assuming that a substantial amount of the Discount Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Certificate. A portion of such original issue discount allocable to the holding period of such Discount Certificate by the initial purchaser will, upon the disposition of such Discount Certificate (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Certificates described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Certificate, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Certificate and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Certificate by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Certificate was held) is includable in gross income.

Owners of Discount Certificates should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Certificates. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Certificates may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The purchase price of certain Certificates (the "Premium Certificates") paid by an owner may be greater than the amount payable on such Certificates at maturity. An amount equal to the difference excess of a purchaser's tax basis on a Premium Certificate over the amount payable at maturity constitutes premium to the such purchaser. The basis for federal income tax purposes of a Premium Certificate in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Certificate. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity (or, in some cases with respect to a callable Certificate, the yield based on a call date that results in the lowest yield on the Certificate).

Purchasers of the Premium Certificates should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Certificates.

LEGAL MATTERS

The Issuer will furnish a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinions of the Attorney General of the State of Texas as to the Certificates to the effect that the Certificates are valid and legally binding obligations of the Issuer, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, with respect to the Certificates issued in compliance with the provisions of the Ordinance. The form of such opinion of Bond Counsel is attached hereto as APPENDIX C.

The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provisions made for their payment or security, or in any manner questioning the validity of said Certificates, will also be furnished. In connection with the issuance of the Certificates, Bond Counsel has been engaged by and only represents the Issuer. Except as noted below, Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, the Official Notice of Sale and Bidding Instructions, or the Official Bid Form, and such firm has not assumed any responsibility with respect hereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under the captions or subcaptions "THE CERTIFICATES" (except under the subcaptions "Payment Record" and "Defaults and Remedies"), "REGISTRATION, TRANSFER AND EXCHANGE," "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance with Prior Agreements"), "LEGAL MATTERS" and the topics "Registration and Qualification of Certificates for Sale" and "Legal Investments and Eligibility to Secure Public Funds in Texas" under the caption "OTHER PERTINENT INFORMATION" and such firm is of the opinion that the information relating to the Certificates and legal matters contained in the Official Statement under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Certificates, such information conforms to the Ordinance. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent upon the sale and delivery of the Certificates.

The various legal opinions to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinion as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City will make the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates unless it amends or repeals the agreement as described below. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be available free of charge from the MSRB's Electronic Municipal Market Access ("EMMA") System.

Annual Reports

The City shall provide annually to the MSRB within six months after the end of each fiscal year of the City beginning in the year 2026, financial information and operating data with respect to the City of the general type included in the body of this Official Statement under "INVESTMENT POLICIES – Table 1 – Current Investments" and in the tables set forth in "APPENDIX A – FINANCIAL INFORMATION OF THE ISSUER" as enumerated below. Numbered tables in the Official Statement not listed below are explicitly excluded from this annual reporting requirement.

- Table 2 – ASSESSED VALUATION
- Table 3 – GENERAL OBLIGATION DEBT
- Table 4 – OTHER OBLIGATIONS
- Table 5 – DEBT SERVICE REQUIREMENTS
- Table 6 – TAX ADEQUACY
- Table 7 – INTEREST AND SINKING FUND MANAGEMENT INDEX

- Table 8 – COMPUTATION OF SELF-SUPPORTING DEBT
- Table 9 – PRINCIPAL REPAYMENT SCHEDULE
- Table 10 – FUND BALANCES
- Table 11 – HISTORICAL PROPERTY VALUATION AND TAX RATE, LEVY AND COLLECTIONS
- Table 12 – TAX RATE DISTRIBUTION
- Table 13 – CLASSIFICATION OF ASSESSED VALUATION
- Table 15 – MUNICIPAL SALES TAX COLLECTIONS
- Table 17 - GENERAL FUND COMBINED STATEMENT OF REVENUES AND CHANGES IN FUND BALANCES AND EXPENDITURES

The City will (1) update and provide this financial information and operating within twelve months after the end of each fiscal year of the City beginning in the year 2026, and (2) provide the audited financial statements of the City (the “Audited Financial Statements”) within twelve months after the end of each fiscal year of the City beginning in the year 2026. If the audit of such financial statements is not complete within twelve (12) months after any such fiscal year end, then the City shall file unaudited financial statements by the required time and audited financial statements for the applicable fiscal year, when and if the audit report becomes available. Any financial statements to be provided shall be prepared in accordance with the accounting principles described in Appendix D to this Official Statement, or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation, and shall be in substantially the form included in this Official Statement as APPENDIX D.

The Issuer may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the “Rule”). The updated information will include audited financial statements for the Issuer, if the Issuer commissions an audit and it is completed by the required time. If audited financial statements are not available by that time, the Issuer will provide unaudited financial statements for the applicable fiscal year to the MSRB with the financial information and operating data and will file the annual audit report when and if the same becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Issuer's annual financial statements or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation.

The Issuer's current fiscal year end is September 30. Accordingly, it must provide updated information by the end of March in each year following end of its fiscal year, unless the Issuer changes its fiscal year. If the Issuer changes its fiscal year, it will notify the MSRB through EMMA of the change.

Notice of Certain Events

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the City (as defined by the Rule, which includes certain debt, debt-like, and debt related obligations), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties. In the Ordinance, the City will adopt policies and procedures to ensure timely compliance with its continuing disclosure undertakings. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under “Annual Reports”. Neither the Certificates nor the Ordinance make provision for credit enhancement (although the City is soliciting bids for bond insurance), liquidity enhancement, or debt service reserves.

For these purposes, (a) any event described in (12) in the immediately preceding item is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City and (b) the City intends the words used in the immediately preceding items (15) and (16) in this Section to have the meanings ascribed to them in SEC Release No. 34-83885, dated August 20, 2018.

Availability of Information

In connection with its continuing disclosure agreements entered into with respect to the Certificates, the City will file all required information and documentation with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings is available, without charge to the general public, by the MSRB at www.emma.msrb.org.

Limitations and Amendments

The City has agreed to update information and to provide notices of specified events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders or beneficial owners of Certificates may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreements from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (i) the provisions, as so amended, would have permitted an underwriter to purchase or sell the Certificates in the primary offering of the Certificates in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (ii) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Ordinances that authorize such an amendment) of the outstanding Certificates subject to the proposed amendment, as the case may be, consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized Bond Counsel) determines that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Certificates subject to the proposed amendment. The City may also amend or repeal the provisions of its continuing disclosure agreements if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates. If the City amends its agreements, it must include with the next financial information and operating data provided in accordance with its agreements described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Agreements

Except as otherwise described below, during the past five years, the Issuer has complied in all material respects with its continuing disclosure agreements in accordance with the Rule. The City has timely filed all financial and operating data that it committed to provide pursuant to its continuing disclosure undertaking (the “2011 Undertaking”) pertaining to its City of Gatesville, Texas Tax and Utility System Surplus Revenue Certificates of Obligation, Taxable Series 2011 for its fiscal years ended September 30 in each of the years 2011 through 2019. The City committed to provide certain financial and operating data in addition to its 2011 Undertaking (the “Additional Tables”) pursuant to its continuing disclosure undertaking (the “2017 Undertaking”) pertaining to its City of Gatesville, Texas General Obligation Refunding Bonds, Taxable Series 2017, commencing with its fiscal year ended September 30, 2017. While the City has consistently and timely complied with its 2011 Undertaking, due to an administrative oversight, the City failed to timely file the Additional Tables that it committed to provide pursuant to its 2017 Undertaking for its fiscal years ended September 30 in each of the years 2017 through 2019. These Additional Tables, including a notice of failure to timely file, was filed on EMMA on

July 17, 2020. The City then issued its City of Gatesville, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020 on August 12, 2020, and its City of Gatesville, Texas General Obligation Refunding Bonds, Taxable Series 2021 on March 10, 2021, each containing a continuing disclosure undertaking that included providing the Additional Tables. Due to an administrative oversight, the City failed to timely file the Additional Tables for its fiscal years ended September 30 in each of the years 2020 through 2025. The Additional Tables, including a notice to failure to timely file, has been filed on EMMA on June 2, 2026. The City has taken steps to ensure that all future filings are complete and in compliance with its prior continuing disclosure undertakings.

OTHER PERTINENT INFORMATION

Registration and Qualification of Certificates for Sale

The sale of the Certificates has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Certificates have not been qualified under the Securities Act of Texas, as amended in reliance upon various exemptions contained therein, nor have the Certificates been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

Litigation

In the opinion of City officials, the City is not a party to any litigation or other proceeding pending or to their knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the City, would have a material adverse effect on the financial condition or operations of the City.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Government Code, as amended) provides that the Certificates are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, as amended, and are authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, requires that the Certificates be assigned a rating of not less than “A” or its equivalent as to investment quality by a national rating agency. See “OTHER PERTINENT INFORMATION – Ratings” herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their fair market value. No review has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

No representation is made that the Certificates will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Certificates for such purposes.

Ratings

S&P Global Ratings, a division of S&P Global Inc. (“S&P”) has assigned a an underlying rating of “A+” (stable outlook) to the Certificates, without regard to credit enhancement. An explanation of the significance of such ratings may need be obtained from S&P.

If a municipal bond insurance policy guaranteeing payment of the Certificates is acquired, the long-term ratings on the Certificates will be dependent in part on the financial strength of the insurance provider and its claims-paying ability. This

Official Statement will disclose whether any insurance policy has been purchased by the City and the financial ratings of the insurance provider.

Municipal Advisor

PFM Financial Advisors LLC (“PFM”), Austin, Texas, is employed as Municipal Advisor to the City in connection with the issuance, sale and delivery of the Certificates. The payment of the fee for services rendered by PFM with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. PFM, in its capacity as Municipal Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the certificate documentation with respect to the federal income tax status of the Certificates.

Purchaser of the Certificates

_____ (the “Purchaser” or “Initial Purchaser”) has agreed, subject to certain conditions, to purchase the Certificates from the City at a price of \$ _____ (representing the par amount of the par amount of the Certificates of \$ _____ plus a [net] offering premium of \$ _____ less a Purchaser’s discount of \$ _____). The Initial Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Initial Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yields at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Certificates, the City will furnish to the Initial Purchaser a certificate, executed by a proper City officer, acting in such officer's official capacity, to the effect that to the best of such officer's knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in the Official Statement, and any addenda, supplement, or amendment thereto, on the date of the Official Statement, on the date of sale of the Certificates, and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, the Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in the Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

FORWARD LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City’s expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. It is important to note that the City’s actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurances that the forward-looking statements included in this Official Statement would prove to be accurate.

CONCLUDING STATEMENT

The financial data and other information contained in this Official Statement have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

This Official Statement will be approved by the City Council of the Issuer for distribution in accordance with the provisions of the Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c2-12.

CITY OF GATESVILLE, TEXAS

Mayor
City of Gatesville, Texas

ATTEST:

City Secretary
City of Gatesville, Texas

APPENDIX A

FINANCIAL INFORMATION OF THE ISSUER

FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION

TABLE 2

2025-26 Actual Certified Market Value of Taxable Property (100% of Market Value)(a)	\$ 923,741,130
Less Exemptions:	
Productivity Loss	\$ 15,904,442
10% Homestead Cap Loss	14,485,041
23.231 Cap	3,770,561
Total Exempt	162,571,339
Less Freeze Taxable Valuation	133,388,378
Total Exemptions	-
	<u>330,119,761</u>
2025-26 Certified Freeze Adjusted Net Taxable Assessed Valuation	<u>\$ 593,621,369</u>

Source: Coryell County Appraisal District

(a) See "AD VALOREM TAX PROCEDURES – City Application of Tax Code" in the Official Statement for a description of the issuer's taxation procedures. Taxable values are as of January 1, 2025, for Tax Year 2025 and are used by the City for the fiscal year 2026 tax rate and budget. Taxable values are subject to change as tax rolls are updated throughout the year and protests are resolved.

GENERAL OBLIGATION DEBT

TABLE 3

General Obligation Debt Principal Outstanding (June 1, 2026)

General Obligation Refunding Bonds, Taxable Series 2017	\$ 3,350,000
General Obligation Refunding Bonds, Taxable Series 2020	555,000
Combination Tax & Limited Pledge Revenue Certificates of Obligation, Series 2020	1,750,000
General Obligation Refunding Bonds, Taxable Series 2021	4,670,000
Tax Notes, Series 2023	360,000
Combination Tax & Limited Pledge Revenue Certificates of Obligation, Series 2026	<u>20,000,000 *</u>
Total Gross General Obligation Debt Outstanding:	<u>\$ 30,685,000</u>

Less: Self-Supporting General Obligation Debt Principal^(a)

General Obligation Refunding Bonds, Taxable Series 2017 (the "Bonds") (100%) ^(a)	3,350,000 ^(a)
General Obligation Refunding Bonds, Taxable Series 2020 (100%)	555,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020 (100%)	1,750,000
General Obligation Refunding Bonds, Taxable Series 2021 (100%)	4,670,000
Combination Tax & Limited Pledge Revenue Certificates of Obligation, Series 2026	<u>20,000,000 *</u>
Total Self-Supporting General Obligation Debt Principal	<u>\$ 30,325,000</u>

Total Net General Obligation Debt Principal Outstanding:	<u><u>\$ 360,000</u></u>
--	--------------------------

Debt Service Fund Balance as September 30, 2025	\$ 80,358
Ratio of Gross General Obligation Debt Principal to 2025 Certified Freeze Adjusted Net Taxable Assessed Valuation	5.17%
Ratio of Net General Obligation Debt Principal to 2025 Certified Freeze Adjusted Net Taxable Assessed Valuation	0.06%
2025 Certified Freeze Adjusted Net Taxable Assessed Valuation ^(b)	\$ 593,621,369
Population: 1990 - 11,492; 2000 - 15,591 ; 2010 - 15,751; 2020 -16,135: Current (Estimate) -	16,148 ^(c)
Per Capita 2025 Certified Freeze Adjusted Net Taxable Assessed Valuation -	\$ 69,114.14 ^(d)
Per Capita Gross General Obligation Debt Principal -	\$ 3,572.59 ^(d)
Per Capita Net General Obligation Debt Principal -	\$ 41.91 ^(d)

*Preliminary, subject to change.

(a) Debt service on the Certificates is anticipated to be paid from surplus Net Revenues of the System. The City increased user rates on November 1, 2025 to support its capital improvement program. See "APPENDIX A - FINANCIAL INFORMATION OF THE ISSUER."

(b) See "AD VALOREM TAX PROCEDURES" and "CITY APPLICATION OF THE PROPERTY TAX CODE" in the Preliminary Official Statement for a description of the Issuer's taxation procedures.

(c) Population includes an 7,559 Texas Department of Criminal Justice Prison population.

(d) Calculations exclude the state prison population.

OTHER OBLIGATIONS

TABLE 4

The following includes the notes payable governmental activities long-term liabilities as of September 30, 2025:

	Beginning Balance	Issued	Refunded/ Retired	Ending Balance	Amount Due Within One Year
Governmental activities:					
Notes Payable	\$ 1,172,476	\$ 80,242	\$ (215,237)	\$ 1,037,481	\$ 321,041

The following includes the notes payable business-type activities long-term liabilities as of September 30, 2025:

Business-type activities:					
Notes Payable	\$ 862,971	\$ -	\$ (108,384)	\$ 754,587	\$ 113,232

The long-term debt of the notes payable as of September 30, 2025:

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rate	Governmental Activities	Business-Type Activities
Notes payable:						
Energy Savings	\$ 949,000	2018	2033	3.42%	\$ -	\$ 541,929
Equipment	231,850	2018	2033	3.86%	42,770	
Equipment	652,049	2019	2026	4.55%	213,680	
Lighting	781,000	2023	2033	5.21%	718,424	
Equipment	198,900	2024	2029	5.71%	-	163,408
Equipment	59,814	2024	2029	6.22%	-	49,250
Equipment	80,242	2025	2030	4.84%	62,607	-
Total Notes Payable					\$ 1,037,481	\$ 754,587

Right-to-Use Lease Liability:

Description	Interest Rates	Liability at Commencement	Lease Term in Years	Ending Balance
Governmental Activities:				
Leased vehicles	2.75%	\$ 386,858	2.0	\$ 125,773
Leased equipment	0.480-2.75%	59,425	1.0-4.0	464
				\$ 126,237
Business Activities:				
Leased vehicles	2.75%	\$ 269,976	2.0-4.0	\$ 114,594
				\$ 114,594

Source: City of Gatesville.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

TABLE 5

Fiscal Year Ending 9/30	Existing Debt Service	Plus: The Certificates ^(a)			Total Debt Service Requirements ^{(a)(b)}	Less: Self- Supporting Debt Service ^{(a)(b)}	Net Tax- Supported Debt Service Requirements ^{(a)(b)}
		Principal	Interest	Total			
2026	\$ 1,532,265	\$ -	\$ -	\$ -	\$ 1,532,265	\$ 1,140,783	\$ 391,483
2027	1,419,577	250,000	1,092,500	1,342,500	2,762,077	2,635,637	126,440
2028	1,186,801	665,000	938,125	1,603,125	2,789,926	2,662,863	127,063
2029	1,201,107	695,000	906,538	1,601,538	2,802,644	2,675,238	127,406
2030	1,072,747	730,000	873,525	1,603,525	2,676,272	2,676,272	-
2031	1,075,574	760,000	838,850	1,598,850	2,674,424	2,674,424	-
2032	1,077,158	800,000	802,750	1,602,750	2,679,908	2,679,908	-
2033	1,076,852	835,000	764,750	1,599,750	2,676,602	2,676,602	-
2034	1,075,447	875,000	725,088	1,600,088	2,675,535	2,675,535	-
2035	1,082,757	915,000	683,525	1,598,525	2,681,282	2,681,282	-
2036	860,712	960,000	640,063	1,600,063	2,460,774	2,460,774	-
2037	-	1,005,000	594,463	1,599,463	1,599,463	1,599,463	-
2038	-	1,055,000	546,725	1,601,725	1,601,725	1,601,725	-
2039	-	1,105,000	496,613	1,601,613	1,601,613	1,601,613	-
2040	-	1,155,000	444,125	1,599,125	1,599,125	1,599,125	-
2041	-	1,210,000	389,263	1,599,263	1,599,263	1,599,263	-
2042	-	1,270,000	331,788	1,601,788	1,601,788	1,601,788	-
2043	-	1,330,000	271,463	1,601,463	1,601,463	1,601,463	-
2044	-	1,395,000	208,288	1,603,288	1,603,288	1,603,288	-
2045	-	1,460,000	142,025	1,602,025	1,602,025	1,602,025	-
2046	-	1,530,000	72,675	1,602,675	1,602,675	1,602,675	-
	<u>\$ 12,660,995</u>	<u>\$ 20,000,000</u>	<u>\$ 11,763,138</u>	<u>\$ 31,763,138</u>	<u>\$ 44,424,133</u>	<u>\$ 43,651,741</u>	<u>\$ 772,391</u>

(a) Preliminary, subject to change.

(b) Does not include revenue bond debt service requirements. In the past several years, the City has sold combination tax and revenue certificates of obligation to finance projects for the City's water and sewer system and has internally allocated portions of this debt as payable from this enterprise fund. The self-supporting amounts listed above are projections of debt that is expected to be retired by the City based on actual historical and projected payments from these funds to pay for debt service on the outstanding general obligation debt. There is no guarantee that payments from these funds will continue in the future. If payments are not made from such sources in the future, the City will be required to levy ad valorem taxes in amounts sufficient to make such payments.

TAX ADEQUACY**TABLE 6***Includes Self-Supporting Debt*

Freeze Adjusted Net Taxable Assessed Valuation (2025-26)	\$ 593,621,369
Proforma Maximum Annual Debt Service Requirements ^(a)	\$ 2,802,644
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements ^(b)	\$ 0.48176

(a) Preliminary, subject to change. Includes the Certificates and includes self-supporting debt currently paid from water and sewer system revenues.

(b) Above computations are exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections

Excludes Self-Supporting Debt

Freeze Adjusted Net Taxable Assessed Valuation (2025-26)	\$ 593,621,369
Maximum Annual Debt Service Requirements ^(a)	\$ 127,406
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements ^(b)	\$ 0.02190

(a) Does not include any self-supporting debt currently paid from water and sewer system revenues.

(b) Above computations are exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections

INTEREST AND SINKING FUND MANAGEMENT INDEX**TABLE 7**

Debt Service Fund Balance - Beginning FY 2025	\$ 80,358
Debt Service Tax Levy at 98% Collections Produces ^(a)	<u>300,764</u>
Total Available for Ad Valorem Tax-Supported Debt Service	\$ 381,122
 FY 2026 Debt Service paid from Ad Valorem Taxes ^(b)	 <u>125,575</u>
Estimated Debt Service Fund Surplus FYE 9/30/2026	\$ 255,547

(a) Above computations are exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections

(b) Does not include any self-supporting debt currently paid from water and sewer system revenues.

COMPUTATION OF SELF-SUPPORTING DEBT**TABLE 8**

The following table is provided because the City has been paying substantially all of its outstanding general obligation debt with revenues from its water and sewer system and because the certificates are secured by a limited pledge, not to exceed \$1,000, of the surplus revenues of the city's water and sewer system. Although the city currently makes use of water and sewer system revenue to pay its general obligation tax debt, there is no pledge of such revenues to secure the certificates except for the limited \$1,000 pledge securing the certificates. See "THE CERTIFICATES – SECURITY FOR PAYMENT" and "APPENDIX A – FINANCIAL INFORMATION OF THE ISSUER - Water and Sewer System" in this document.

<u>Water and Sewer System</u>	<u>FY 2025</u>	<u>FY 2024</u>	<u>FY 2023</u>
Total System Revenues ^(a)	\$ 9,851,829	\$ 11,771,280	\$ 10,381,786
<u>Total System Expenses</u>	<u>8,115,599</u>	<u>8,073,507</u>	<u>7,920,208</u>
Operating Income (Loss)	1,736,230	3,697,773	2,461,578
Add Back: Depreciation & Amortization Expense	1,793,292	1,739,819	1,712,324
<u>Add Back: Investment Income</u>	<u>436,300</u>	<u>600,972</u>	<u>444,009</u>
FYE 9/30 Net Water & Sewer System Revenues Available for Debt Service	\$ 3,965,822	\$ 6,038,564	\$ 4,617,911
Less: Revenue Bond Debt Service Requirements ^(b)	\$ 558,482	\$ 555,382	\$ 556,854
Net Revenues Available for General Obligation Debt Service	\$ 3,407,341	\$ 5,483,183	\$ 4,061,057
General Obligation Debt Service paid from Utility System Revenues ^(c)	\$ 1,946,122	\$ 1,921,191	\$ 1,924,255
Percentage of General Obligation Debt considered to be Self-Supporting	100%	100%	100%

Source: City of Gatesville audits.

^(a) Total System Revenues in FY 2025 includes intergovernmental transfers and insurance recoveries.

^(b) Included debt service on revenue bonds secured by net revenues of the water and sewer system.

^(c) Does not include the Certificates. The City imposed water and sewer system rate increase on November 1, 2025 to support the system's capital improvement program, including debt service on the Certificates.

PRINCIPAL REPAYMENT SCHEDULE**TABLE 9**

Fiscal Year				Bonds	Percent of
Ending 9-30	Outstanding	The Certificates^(a)	Total	Unpaid at	Principal
				End of Year	Retired (%)
2026	\$ 970,000	\$ -	\$ 970,000	29,715,000	3.16%
2027	1,165,000	250,000	1,415,000	28,300,000	7.77%
2028	960,000	665,000	1,625,000	26,675,000	13.07%
2029	1,000,000	695,000	1,695,000	24,980,000	18.59%
2030	895,000	730,000	1,625,000	23,355,000	23.89%
2031	920,000	760,000	1,680,000	21,675,000	29.36%
2032	945,000	800,000	1,745,000	19,930,000	35.05%
2033	970,000	835,000	1,805,000	18,125,000	40.93%
2034	995,000	875,000	1,870,000	16,255,000	47.03%
2035	1,030,000	915,000	1,945,000	14,310,000	53.36%
2036	835,000	960,000	1,795,000	12,515,000	59.21%
2037	-	1,005,000	1,005,000	11,510,000	62.49%
2038	-	1,055,000	1,055,000	10,455,000	65.93%
2039	-	1,105,000	1,105,000	9,350,000	69.53%
2040	-	1,155,000	1,155,000	8,195,000	73.29%
2041	-	1,210,000	1,210,000	6,985,000	77.24%
2042	-	1,270,000	1,270,000	5,715,000	81.38%
2043	-	1,330,000	1,330,000	4,385,000	85.71%
2044	-	1,395,000	1,395,000	2,990,000	90.26%
2045	-	1,460,000	1,460,000	1,530,000	95.01%
2046	-	1,530,000	1,530,000	-	100.00%
	<u>\$ 10,685,000</u>	<u>\$ 20,000,000</u>	<u>\$ 30,685,000</u>		

^(a) Preliminary, subject to change.

FUND BALANCES**TABLE 10**

	<u>FY 2025</u>
General Operating Fund	\$ 2,466,454
Debt Service Fund Balance	80,358
Other Governmental Funds	<u>3,160,782</u>
Total	\$ 5,707,594

Source: The City's audited financial statements.

HISTORICAL PROPERTY VALUATION AND TAX RATE, LEVY AND COLLECTIONS^(a)**TABLE 11**

Net Taxable							
Tax	Assessed		Tax	Adjusted	% Collections ^(b)		Year
Year	Valuation ^(c)		Rate	Levy	Current	Total	Ended
2016	\$	353,095,605	\$ 0.4600	\$ 1,793,876	97.62%	98.75%	9/30/2017
2017		362,210,117	0.5100	2,031,320	100.00%	96.54%	9/30/2018
2018		376,759,678	0.5600	2,328,130	98.33%	100.29%	9/30/2019
2019		391,000,794	0.5600	2,407,587	98.44%	98.88%	9/30/2020
2020		400,532,534	0.5600	2,480,131	94.45%	100.00%	9/30/2021
2021		419,139,350	0.5600	2,347,180	97.81%	99.56%	9/30/2022
2022		485,075,403	0.5600	2,716,422	97.49%	98.38%	9/30/2023
2023		547,842,730	0.5600	3,067,919	99.54%	102.28%	9/30/2024
2024		570,237,384	0.5600	3,193,329	97.86%	99.14%	9/30/2025
2025		593,621,369	0.5600	3,324,280	(In process of collection.)		9/30/2026

(a) See "AD VALOREM TAX PROCEDURES" in the body of an Official Statement for a complete discussion of the City's provisions with respect to such procedures.

(b) Includes penalties and interest.

(c) Represents Freeze Adjusted Net Taxable Assessed Valuation.

Sources: Issuer, The Municipal Advisory Council of Texas Website and Coryell County Tax Office

Note: Assessed Valuations are subject to change during the year due to various supplements and protests.

TAX RATE DISTRIBUTION**TABLE 12**

	2025-2026	2024-2025	2023-2024	2022-2023	2021-2022
M&O	\$ 0.5083	\$ 0.5070	\$ 0.5104	\$ 0.5256	\$ 0.5210
I & S Fund	<u>0.0517</u>	<u>0.0530</u>	<u>0.0496</u>	<u>0.0344</u>	<u>0.0390</u>
TOTAL	\$ 0.5600	\$ 0.5600	\$ 0.5600	\$ 0.5600	\$ 0.5600

Sources: Coryell County Appraisal District

CLASSIFICATION OF ASSESSED VALUATION**TABLE 13**

Category	FY 2026	% of Total	FY 2025	% of Total	FY 2024	% of Total
Total Land	\$170,879,950	18.50%	\$169,645,595	19.09%	\$164,654,901	18.85%
Total Improvement	646,934,360	70.03%	630,964,718	71.02%	631,537,270	72.30%
Other	105,926,820	11.47%	87,881,650	9.89%	77,268,956	8.85%
Total Appraised Value	<u>\$923,741,130</u>	<u>100.00%</u>	<u>\$888,491,963</u>	<u>100.00%</u>	<u>\$873,461,127</u>	<u>100.00%</u>
Less Exemptions:						
Productivity Value Loss	15,904,442		13,636,354		12,558,050	
Value Cap (10%) and Other	18,255,602		29,975,286		57,884,229	
Totally Exempt Property	<u>162,571,339</u>		<u>150,869,643</u>		<u>146,836,422</u>	
Total Exemptions	\$196,731,383		\$194,481,283		\$217,278,701	
Net Taxable Assessed Valuation	<u>\$ 727,009,747</u>		<u>\$ 694,010,680</u>		<u>\$ 656,182,426</u>	
Less: Freeze Taxable Valuation	<u>\$ 133,388,378</u>		<u>\$ 123,692,148</u>		<u>\$ 109,995,181</u>	
Freeze Adjusted Net Taxable Valuation	<u>\$ 593,621,369</u>		<u>\$ 570,318,532</u>		<u>\$ 546,187,245</u>	

Source: Coryell County Appraisal District

Note: Assessed Valuations shown here are Certified Valuations and may change during the year due to various supplements and protests.

PRINCIPAL TAXPAYERS**TABLE 14**

<u>Name</u>	<u>Type of Business/Property</u>	<u>2025 Net Taxable Assessed Valuation</u>	<u>% of Total 2025 Assessed Valuation</u>
Wal-Mart Stores Texas LP	Retail Sales	\$ 13,419,480	2.26%
Heil Trailers International	Manufacturing	10,410,470	1.75%
Matus Construction Group LLC	Construction	10,264,180	1.73%
RBK Group Inc & ABR Group LLC	Property Management	6,938,390	1.17%
Texas New Mexico Power	Electric Utility	6,632,300	1.12%
Spectrum Gulf Coast LLC	Communications	6,562,160	1.11%
TTG Utilities LP	Utility	6,462,200	1.09%
Gatesville NH Realty LTD	Skilled Healthcare Facility	6,042,570	1.02%
Gilchrist Real Estate Holdings LLC	Real Estate	5,875,000	0.99%
Martin Industrial Storage LLC	Storage	5,368,249	0.90%
Total		<u>\$ 77,974,999</u>	<u>13.14%</u>

Source: Texas Comptroller of Public Accounts and Coryell County Appraisal District.

MUNICIPAL SALES TAX COLLECTIONS**TABLE 15**

<u>Fiscal Year</u>	<u>1.50% Tax Collections</u>	<u>Percent of Ad Valorem Tax Levy</u>	<u>Equivalent Ad Valorem Tax Rate</u>
2020	2,283,134	94.83%	\$ 0.584
2021	2,590,843	104.46%	0.647
2022	2,673,007	113.88%	0.638
2023	2,946,402	108.47%	0.609
2024	3,031,824	98.82%	0.555
2025	3,250,773	101.80%	0.570

Source: City annual financial reports.

OVERLAPPING DEBT**TABLE 16**

<u>Overlapping Entity</u>	<u>Overlapping Debt</u>	<u>As of</u>	<u>% Overlapping</u>	<u>Overlapping Debt</u>
Coryell Count	\$ 5,292,000	5/31/2026	14.60%	\$ 772,632
Gatesville Independent School District	14,050,000	5/31/2026	45.23%	6,354,815
City of Gatesville	30,685,000		100.00%	<u>30,685,000</u> ^(a)
Total Direct & Overlapping Debt				\$37,812,447 ^(a)
Less: Self-Supporting Debt				<u>\$ 30,325,000</u> ^(a)
Net Direct & Overlapping Debt				\$7,487,447 ^(a)
Gross Direct and Overlapping Debt to Assessed Value				6.37% ^(a)
Net Direct and Overlapping Debt to Assessed Value				1.26% ^(a)
Gross Direct and Overlapping Debt Per Capita				\$ 4,402.43 ^{(a)(b)}
Net Direct and Overlapping Debt Per Capita				\$ 871.75 ^{(a)(b)}

^(a) Preliminary, subject to change. Includes the Certificates.

^(b) Calculations exclude the state prison population.

**GENERAL FUND COMBINED STATEMENT OF REVENUES AND CHANGES IN FUND
BALANCES ANDEXPENDITURES**

TABLE 17

	Fiscal Year Ended September 30				
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenues:					
Ad Valorem Taxes	\$ 3,204,071	\$ 3,104,898	\$ 2,839,332	\$ 2,351,313	\$ 2,555,809
Municipal Sales Taxes	3,250,773	3,031,824	2,946,402	2,673,007	2,590,953
Franchise Taxes	840,390	829,853	853,812	857,673	354,065
Other Taxes	17,428	15,503	13,451	14,129	14,601
Fines and Forfeitures	136,292	170,817	167,267	120,263	194,310
Intergovernmental	53,335	-	35,582	245,028	245,811
Licenses and Permits	167,959	152,312	44,749	40,422	30,743
Contributions and Donations/Grants	-	-	-	450,966	-
Charges for Services	545,413	562,530	503,902	8,395	188,104
Interest Income	123,565	114,728	32,171	22,062	5,143
Miscellaneous	52,122	33,072	39,455	-	80,225
Total Revenues	<u>\$ 8,391,348</u>	<u>\$ 8,015,537</u>	<u>\$ 7,476,123</u>	<u>\$ 6,783,258</u>	<u>\$ 6,259,764</u>
Expenditures					
General Government	1,452,991	1,253,782	\$ 2,854,195	\$ 849,991	\$ 704,834
Public Safety	3,306,108	3,044,979	1,071,158	2,722,918	2,709,578
Public Works	1,433,957	1,696,712	1,422,328	1,372,961	1,148,431
Culture and Recreation	1,900,879	1,328,968	1,583,203	1,353,062	806,142
Capital Outlay	140,783	106,839	277,698	158,448	208,946
Debt Service	322,720	475,956	413,080	374,746	590,806
Total Expenditures	<u>\$ 8,557,438</u>	<u>\$ 7,907,236</u>	<u>\$ 7,621,662</u>	<u>\$ 6,832,126</u>	<u>\$ 6,168,737</u>
Other Financing Sources (Uses)					
Transfers In	571,526	646,337	\$ 503,107	\$ 625,663	\$ 419,261
Transfers Out	(500,000)	(880,000)	(730,000)	(497,092)	(500,000)
Leases Issued	-	-	230,887	51,255	73,560
Sale of Capital Assets	-	122,343	105,783	26,588	-
Proceeds from Long-Term Debt	80,242	-	-	-	159,440
Other Sources	45,286	-	-	-	-
Other Uses	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ 197,054</u>	<u>\$ (111,320)</u>	<u>\$ 109,777</u>	<u>\$ 206,414</u>	<u>\$ 152,261</u>
Excess (Deficit) of Revenues and Other Sources Over Expenditures and Other Uses	30,964	(3,019)	(35,762)	157,546	243,288
Fund Balance - Beginning of Year	2,435,490	2,438,509	2,474,271	2,316,725	2,091,819
Prior Period Adjustment	-	-	-	-	-
Fund Balance - September 30	<u>\$ 2,466,454</u>	<u>\$ 2,435,490</u>	<u>\$ 2,438,509</u>	<u>\$ 2,474,271</u>	<u>\$ 2,335,107</u>

Source: Issuer's 2025 ACFR

WATER AND SEWER SYSTEM

THE FOLLOWING INFORMATION IS PROVIDED BECAUSE THE CITY HAS BEEN PAYING DEBT SERVICE ON ITS OUTSTANDING GENERAL OBLIGATION TAX DEBT WITH REVENUES FROM ITS WATER AND SEWER SYSTEM AND BECAUSE THE CERTIFICATES ARE SECURED BY A LIMITED PLEDGE, NOT TO EXCEED \$1,000, OF THE SURPLUS REVENUES OF THE CITY'S WATER AND SEWER SYSTEM. ALTHOUGH THE CITY CURRENTLY MAKES USE OF WATER AND SEWER SYSTEM REVENUE TO PAY ITS GENERAL OBLIGATION TAX DEBT, THERE IS NO PLEDGE OF SUCH REVENUES TO SECURE THE CERTIFICATES EXCEPT FOR THE LIMITED \$1,000 PLEDGE SECURING THE CERTIFICATES. SEE "THE CERTIFICATES – SECURITY FOR PAYMENT."

The Water and Sewer Fund provides water and wastewater services to the residents and businesses of Gatesville, and regional institutional customers. The Water and Sewer Fund accounts for the distribution of treated water and the collection and treatment of sewage, and solid waste collection activities. Activities of the fund include administration, operation, and maintenance of the water and sewer system, and billing and collection activities. The Fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the Fund. This fund is considered major for reporting purposes. The principal operating revenues of the Water and Sewer Fund are charges to customers for sales and services. The Water and Sewer Fund also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Water System... The City derives its municipal water supply primarily from Lake Belton, a surface water reservoir located within the Brazos River basin in Bell County. Raw water is withdrawn from the reservoir through a dedicated intake and conveyance system and transported to the City's treatment facilities, where it is processed to potable standards prior to distribution. Lake Belton is supplied by the Leon River watershed, providing a reliable regional surface water source supported by upstream drainage and rainfall patterns across Central Texas. The City maintains long-term water rights through the Brazos River Authority, which oversees allocation and management of reservoir supplies.

Gatesville's system also functions as a regional water supplier, delivering treated water on a wholesale basis to surrounding utilities and institutional users. In addition to serving its local customer base, the City provides water to nearby rural water supply corporations and other entities, extending the reach of its Lake Belton supply beyond municipal boundaries. While the City itself relies almost entirely on surface water, certain surrounding systems supplement supply with groundwater wells, creating a broader regional framework that integrates both surface and groundwater resources.

A key component of the City's wholesale operations is its supply relationship with Fort Cavazos (formerly Fort Hood), including North Fort Cavazos. The City delivers treated water to the installation through its existing transmission infrastructure, supporting military operations and associated population demands as part of a larger regional water network. This arrangement positions Gatesville as an upstream wholesale provider, with Fort Cavazos representing a significant and stable institutional customer supported by long-term infrastructure integration and regional coordination.

The City also maintains substantial wholesale service relationships with the Texas Department of Criminal Justice ("TDCJ"), which operates multiple correctional facilities in and around Gatesville. These facilities rely on the City for both potable water supply and wastewater treatment, and they represent a major, consistent demand driver within the system. TDCJ has participated in funding certain infrastructure upgrades, reflecting the scale of its usage and its role as a key customer. Collectively, the City's wholesale contracts with Fort Cavazos and TDCJ provide a diversified customer base anchored by large governmental entities, enhancing revenue stability and supporting long-term system planning.

Wastewater System... The City operates a centralized wastewater collection and treatment system that serves residential, commercial, and institutional users throughout the service area. Wastewater is conveyed through an integrated network of gravity mains and lift stations to the City's treatment facilities, where it is processed prior to discharge in accordance with regulatory requirements. The City maintains and monitors the system to ensure reliable operations, while ongoing rehabilitation programs address aging infrastructure and support continued service reliability.

The system is anchored by the Stillhouse Branch Wastewater Treatment Plant, an extended aeration facility with a permitted capacity of approximately 2.2 million gallons per day. The facility has undergone, and continues to undergo, phased capital improvements and expansion efforts to increase capacity, enhance treatment performance, and extend asset life. These improvements include upgrades to headworks, aeration systems, sludge handling processes, disinfection systems, and plant controls, positioning the facility to meet current regulatory standards and future demand requirements.

In addition to serving the City's municipal customer base, the wastewater system supports a significant institutional load from multiple TDCJ facilities located in the Gatesville area. These facilities represent a material share of total system demand and are fully integrated into the City's collection and treatment infrastructure. The scale and consistency of this demand have resulted in coordinated planning and cost-sharing for key capital projects, including major upgrades at the treatment plant.

REVENUE BOND DEBT PRINCIPAL DATA^(a)**TABLE 18**

Revenue Bond Debt Principal Outstanding: (As of September 30, 2025)

Revenue Bonds, Series 2019	\$ 7,145,000
Total Revenue Debt Principal Outstanding	<u>\$ 7,145,000</u>

^(a) Revenue bonds are secured by and payable from net revenues of the System.**CONDENSED WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT****TABLE 19**

	Fiscal Year Ended September 30				
	2025	2024	2023	2022	2021
Revenues:					
Utility System Revenues	\$ 9,451,181	\$ 11,771,280	\$ 10,381,786	\$ 8,922,910	\$ 8,463,674
Interest Earnings	<u>436,300</u>	<u>600,972</u>	<u>444,009</u>	<u>27,428</u>	<u>13,162</u>
Total Revenues	\$ 9,887,481	\$ 12,372,252	\$ 10,825,795	\$ 8,950,338	\$ 8,476,836
Total Operating Expenses ^(a)	<u>\$ 6,322,307</u>	<u>\$ 6,333,688</u>	<u>\$ 6,207,884</u>	<u>\$ 5,064,009</u>	<u>\$ 4,726,903</u>
Total Available for Debt Service	<u>\$ 3,565,174</u>	<u>\$ 6,038,564</u>	<u>\$ 4,617,911</u>	<u>\$ 3,886,329</u>	<u>\$ 3,749,933</u>
Annual Revenue Bond Debt Service					
Requirements	\$ 558,482	\$ 555,382	\$ 556,854	\$ 557,899	\$ 558,659
Revenue Debt Service Coverage	6.38x	10.87x	8.29x	6.97x	6.71x
General Obligation Debt paid from					
Water & Sewer System Revenues	\$ 1,946,122	\$ 1,921,191	\$ 1,924,255	\$ 1,915,257	\$ 1,922,576
All Debt Service paid from	\$ 2,504,604	\$ 2,476,573	\$ 2,481,109	\$ 2,473,156	\$ 2,481,235
Water & Sewer System Revenues					
Revenue Debt Service Coverage on					
All Debt Paid from System Revenues	1.83x	3.14x	2.40x	2.03x	1.95x
Debt Service Coverage on					
All Debt Paid from System Revenues	1.42x	2.44x	1.86x	1.57x	1.51x
Customer Count					
Water	3,220	3,572	3,514	4,179	3,479
Sewer	2,915	3,229	3,202	3,685	3,147

^(a) Excludes depreciation and amortization

Source: City of Gatesville audited financial statements.

Note: The revenues and expenses reflect only the City's Water and Sewer Fund and exclude all other City enterprise funds.

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WATER RATES**TABLE 20****Residential Monthly Fixed Rate Inside the City Limits:**

	<u>2024</u>	<u>2025</u>	<u>2026</u>
3/4 inch	\$ 24.21	\$ 24.21	\$ 35.27
1 inch	\$ 30.67	\$ 30.67	\$ 51.73
1 1/2 inch	\$ 46.81	\$ 46.81	\$ 92.88
2 inch	\$ 66.17	\$ 66.17	\$ 142.25

Monthly Volume Charges

0-5,000	\$ 3.34	\$ 3.34	\$ 4.87
5001-15,000	\$ 3.67	\$ 3.67	\$ 5.72
15,001-30,000	\$ 4.07	\$ 4.07	\$ 6.75
30,001 +	\$ 4.45	\$ 4.45	\$ 7.90

Commercial Monthly Fixed Rate Inside the City Limits:

Meter Size	<u>2024</u>	<u>2025</u>	<u>2026</u>
3/4 inch	\$ 22.27	\$ 22.27	\$ 32.44
1 inch	\$ 35.34	\$ 35.34	\$ 52.77
1 1/2 inch	\$ 68.00	\$ 68.00	\$ 103.59
2 inch	\$ 107.19	\$ 107.19	\$ 164.58
3 inch	\$ 198.65	\$ 198.65	\$ 308.88
4 inch	\$ 329.30	\$ 329.30	\$ 510.17
Monthly Volumetric Rate:	\$3.34	\$3.34	\$4.87

Institutional/Texas Department of Chriminal Justice Units (TDCJ)

Monthly Fixed Rate:

Meter Size	<u>2024</u>	<u>2025</u>	<u>2026</u>
2 inch	\$ 107.19	\$ 107.19	\$ 164.58
6 inch	\$ 655.92	\$ 655.92	\$ 1,018.40
10 inch	\$ 1,505.16	\$ 1,505.16	\$ 2,339.79
Monthly Volumetric Rate:	\$ 3.34	\$3.34	\$ 4.87

Irrigation

Monthly Fixed Rate:

Meter Size	<u>2024</u>	<u>2025</u>	<u>2026</u>
3/4 inch or less	\$ 11.13	\$ 11.13	\$ 16.21
1 inch	\$ 17.67	\$ 17.67	\$ 26.37
1 1/2 inch	\$ 33.99	\$ 33.99	\$ 51.77
2 inch	\$ 53.57	\$ 53.57	\$ 82.24
3 inch	\$ 99.28	\$ 99.28	\$ 153.35

Monthly Volume Charges

0-5,000	\$ 3.34	\$ 3.34	\$ 4.87
5001-15,000	\$ 3.67	\$ 3.67	\$ 5.72
15,001-30,000	\$ 4.07	\$ 4.07	\$ 6.75
30,001 +	\$ 4.45	\$ 4.45	\$ 7.90

PRINCIPAL WATER CUSTOMERS (AS OF SEPTEMBER 30,2025)**TABLE 21**

<u>Name of Customer</u>	<u>Average Monthly Consumption (1,000 Gals.)</u>	<u>Average Monthly Bill</u>
TDCJ/ID HUGHES WATER #1	12,522	\$ 43,331
TDCJ WOODMAN/MURRY	9,792	34,210
TDCJ/ID HILLTOP	9,639	32,850
TDCJ MOUNTAINVIEW	3,497	12,337
FORT HOOD	12,369	7,611
CORYELL COUNTY JAIL	465	3,755
TDCJ HUGHES #2	577	2,035
CMH THE MEADOWS	209	1,874
HILLSIDE MEDICAL	229	1,796
BROWNS COURTYARD APTS.	81	1,769
Total	<u>49,380</u>	<u>\$ 141,570</u>

Note: TDCJ = Texas Department of Criminal Justice

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SEWER RATES**TABLE 22****Monthly Volumetric Rate per 1000 gallons of metered Sewerage:**

<u>2024</u>	<u>2025</u>	<u>2026</u>
\$ 4.00	\$ 4.00	\$ 5.83

PRINCIPAL SEWER CUSTOMERS (AS OF SEPTEMBER 30,2025)**TABLE 23**

<u>Name of Customer</u>	<u>Average Monthly Bill</u>
FORT HOOD	\$ 36,784.51
TDCJ HUGHES UNIT	33,934.33
TDCJ HILLTOP UNIT	32,346.07
TDCJ WOODMAN & MURRAY UNITS	28,295.11
CORYELL COUNTY JAIL *	3,755.37
CMH THE MEADOWS *	1,873.88
HILLSIDE MEDICAL RESORT *	1,796.12
BROWN COURTYARD APARTMENTS *	1,769.32
GATESVILLE HOUSING AUTHORITY *	1,400.18
THE OAKS APTS.	<u>1,370.08</u>
Total	<u>\$ 143,324.96</u>

*Water and Sewer combined

Note: TDCJ =Texas Department of Criminal Justice

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APPENDIX B

GENERAL INFORMATION REGARDING THE CITY OF GATESVILLE AND CORYELL COUNTY, TEXAS

General

The City of Gatesville is a commercial center located in Coryell County. The 2020 population was 16,127. The estimated population for 2025 was 16,388. Gatesville's economy is anchored by a combination of public sector employment, corrections, healthcare, retail, and manufacturing. The Texas Department of Criminal Justice is the largest employer in the City, operating multiple correctional facilities in the area and employing approximately 2,500 to 2,600 individuals. Additional major employers include Coryell Health, Gatesville Independent School District, municipal and county government, and local manufacturing firms producing specialty trailers and medical training equipment. The City also benefits from its proximity to Fort Cavazos, one of the largest military installations in the United States, which has a significant regional economic impact and supports employment, population stability, and long-term growth across Central Texas.

Population

<u>Population</u>	<u>City of Gatesville</u>	<u>Coryell County</u>
2025 Estimate	16,388	85,592
2020 Census	16,127	83,092
2010 Census	15,751	75,388
2000 Census	15,591	74,978
1990 Census	11,492	64,213

Sources: U.S. Census Bureau, Municipal Advisory Council of Texas.

Leading Employers⁽¹⁾

<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>
Texas Department of Criminal Justice	Correctional Facility	2500
Coryell Health	Hospital	350
Gatesville ISD	School District	300
Kalyn Siebert (Heil Trailer)	Trailer	250
Coryell County	County	200
Walmart Supercenter	Retail	225
Laerdal Medical	Healthcare	150
H-E-B	Grocer Retail	150
City of Gatesville	City	100
Central Texas College	College	100

Source: City of Gatesville 2025 ACFR

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Labor Force Statistics⁽¹⁾

	Coryell County	
	<u>March 2025</u>	<u>March 2026</u>
Civilian Labor Force	27,220	27,218
Total Employed	25,951	25,825
Total Unemployed	1,269	1,393
% Unemployed	4.7%	5.1%
% Unemployed (Texas)	4.2%	4.5%
% Unemployed (United States)	4.4%	4.7%

Historical employment data is provided for illustrative purposes only.

Source: Bureau of Labor Statistics.

⁽¹⁾ Historical employment data is provided for illustrative purposes only. Non-seasonally adjusted.

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APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

July 7, 2026



Norton Rose Fulbright US LLP
98 San Jacinto Boulevard, Suite 1100
Austin, Texas 78701-4255
United States

Tel +1 512 474 5201
Fax +1 512 536 4598
nortonrosefulbright.com

DRAFT

IN REGARD to the authorization and issuance of the “City of Gatesville, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2026” (the *Certificates*), dated July 7, 2026 in the aggregate principal amount of \$_____. We have reviewed the legality and validity of the issuance thereof by the City Council of the City of Gatesville, Texas (the *Issuer*). The Certificates are issuable in fully registered form only in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity). The Certificates have Stated Maturities of September 1 in each of the years 20__ through 20__, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Certificates. Interest on the Certificates accrues from the dates, at the rates, in the manner, and is payable on the dates as provided in the ordinance (the *Ordinance*) authorizing the issuance of the Certificates. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Ordinance.

WE HAVE SERVED AS BOND COUNSEL for the Issuer solely to pass upon the legality and validity of the issuance of the Certificates under the laws of the State of Texas and with respect to the exclusion of the interest on the Certificates from the gross income of the owners thereof for federal income tax purposes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer or the Issuer’s combined utility system and have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Certificates. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Certificates. Our role in connection with the Issuer’s Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

WE HAVE EXAMINED, the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the City Council of the Issuer in connection with the issuance of the Certificates, including the Ordinance; (2) customary certifications and opinions of officials of the Issuer; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Certificates and certain other funds of the Issuer and to certain other facts solely within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Certificate executed and delivered initially by the Issuer and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion

Legal Opinion of Norton Rose Fulbright US LLP, Austin, Texas, in connection with the authorization and issuance of “CITY OF GATESVILLE, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026”

concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Certificates are valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Certificates are payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the Issuer and are additionally payable from and secured by a lien on and pledge of the Pledged Revenues, being a limited amount of the Net Revenues derived from the operation of the Issuer's combined utility system (the *System*), such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge thereof providing for the payment and security of the currently outstanding Prior Lien Obligations and Surplus Lien Obligations and any Additional Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, or Additional Surplus Lien Obligations hereafter issued by the Issuer. The Issuer has previously authorized the issuance of the Prior Lien Obligations that are payable in part from and secured by a first and prior lien on and pledge of the Net Revenues of the System in accordance with the ordinance authorizing the issuance of the currently outstanding Prior Lien Obligations. The Issuer has also previously authorized the issuance of the Surplus Lien Obligations that are payable in part from and secured by a lien on and pledge of the surplus Net Revenues of the System in accordance with the ordinance authorizing the issuance of the currently outstanding Surplus Lien Obligations. In the Ordinance, the Issuer reserves and retains the right to issue Additional Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, Additional Surplus Lien Obligations, and Additional Limited Pledge Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that, assuming continuing compliance after the date hereof by the Issuer with the provisions of the Ordinance and in reliance upon the representations and certifications of the Issuer made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Certificates, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Certificates will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the *Code*), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code, and (2) interest on the Certificates will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals.

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance

Legal Opinion of Norton Rose Fulbright US LLP, Austin, Texas, in connection with the authorization and issuance of “CITY OF GATESVILLE, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026”

companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust, corporations subject to the alternative minimum tax on adjusted financial statement income, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Norton Rose Fulbright US LLP

APPENDIX D

EXCERPTS FROM THE CITY OF GATESVILLE AUDITED FINANCIAL STATEMENTS THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

(Independent Auditor's Report, General Financial Statements and Notes to the Financial Statements - not intended to be a complete statement of the Issuer's financial condition. Reference is made to the complete Annual Financial Report for further information.)

Annual Comprehensive Financial Report

of the

City of Gatesville, Texas



**For the Fiscal Year Ended
September 30, 2025**

**Prepared by:
Finance Department**

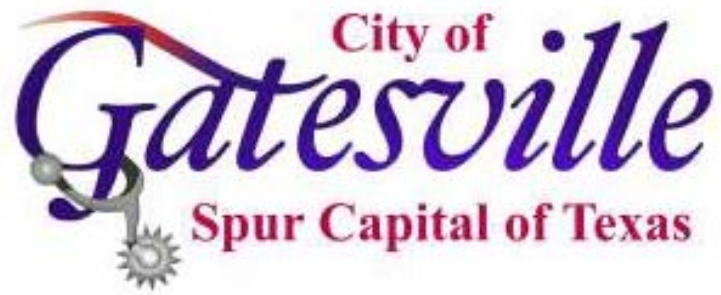
City of Gatesville, Texas

Annual Comprehensive Financial Report

**For the Fiscal Year Ended
September 30, 2025**

Prepared by:

Finance Department



CITY OF GATESVILLE, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2025

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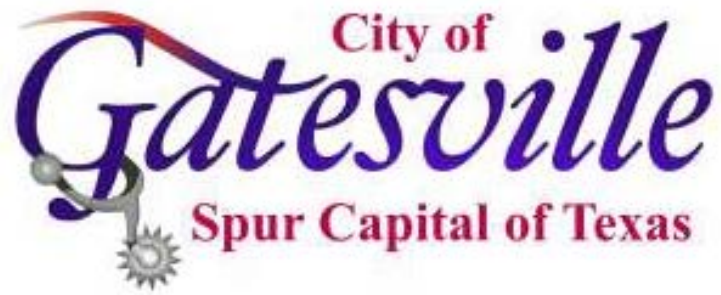
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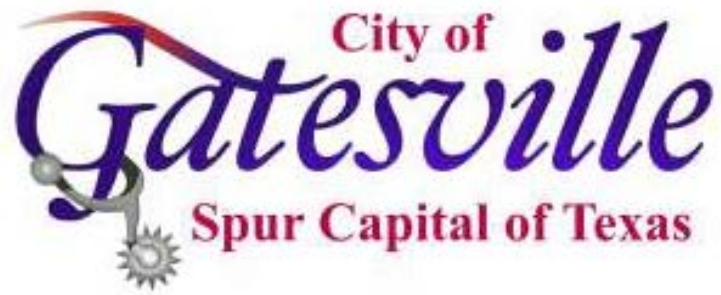
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INTRODUCTORY SECTION







March 24, 2026

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

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

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

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

Profile of the Government

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

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

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

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

Debt Administration

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

Financial Management Policy

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

Awards and Acknowledgements

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

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



Mike Halsema
Deputy City Manager & CFO

CITY OF GATESVILLE, TEXAS

CITY OFFICIALS

SEPTEMBER 30, 2025

MAYOR AND CITY COUNCIL

Gary Chumley, Mayor

Mayor

Aaron Smith

Ward 1, Place 1

Jon Salter

Ward 1, Place 2

Meredith Rainer

Ward 1, Place 3

Joe Patterson

Ward 2, Place 4

Greg Casey, Mayor Pro-Tem

Ward 2, Place 5

Kalinda Westbrook

Ward 2, Place 6

ADMINISTRATIVE

Brad Hunt

City Manager

Holly Owens

City Secretary/Director of Development Services

Mike Halsema

Director of Finance / Deputy City Manager

Chad Newman

Director of Public Works

Jeffrey Clark

Police Chief

Robert Featherson

Fire Chief

Lori McLaughlin

Human Resources Director

Seth Phillips

Director of Parks and Recreation

Shea Harp

Library Director

CITY OF GATESVILLE, TEXAS

COUNCIL MEMBERS

SEPTEMBER 30, 2025



Gary Chumley
Mayor



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



Joe Patterson
City Council Member
Ward 2, Place 4



Meredith Rainer
City Council Member
Ward 1, Place 3



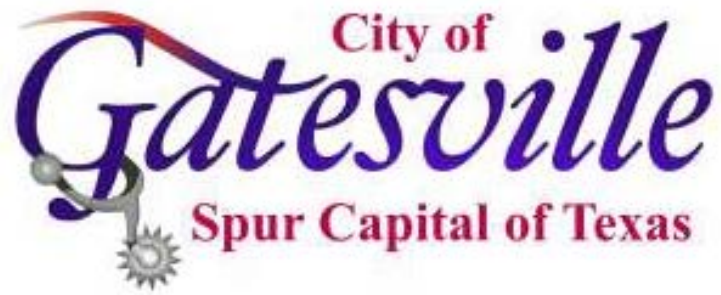
Jon Salter
City Council Member
Ward 1, Place 2



Aaron Smith
City Council Member
Ward 1, Place 1

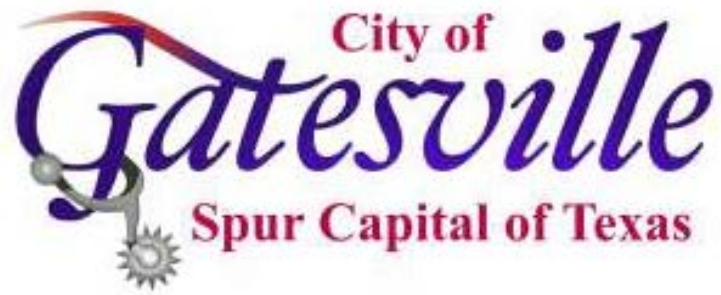


Kalinda Westbrook
City Council Member
Ward 2, Place 6



FINANCIAL SECTION







INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Gatesville, Texas, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Gatesville, Texas' basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Emphasis of Matter – Change in Accounting Principle

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

Responsibilities of Management for the Financial Statements

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

OFFICE LOCATIONS

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gatesville, Texas' basic financial statements. The combining statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Information included in the Annual Comprehensive Financial Report

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

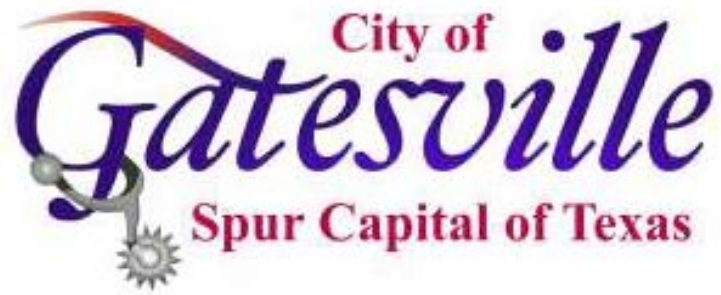
In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated.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

Other Reporting Required by Government Auditing Standards

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

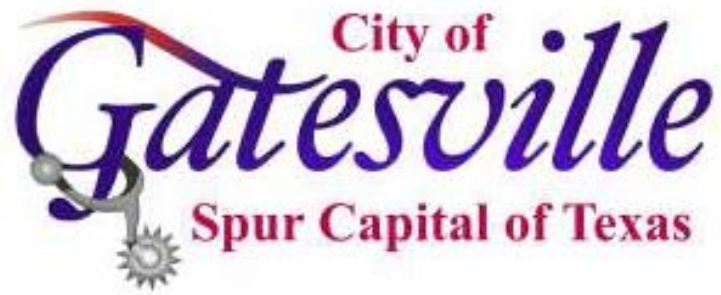
Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 24, 2026



MANAGEMENT'S DISCUSSION AND ANALYSIS





MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Gatesville, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2025.

FINANCIAL HIGHLIGHTS

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

The fund financial statements provide detailed information about the most significant fund - not the City as a whole. Some funds are required to be established by state law and by bond covenants.

However, the City establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds - governmental and proprietary - utilize different accounting approaches.

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

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

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

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

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

Notes to Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$32,005,641 as of September 30, 2025.

A large portion of the City's net position reflects its investments in capital assets (e.g., land, buildings, equipment, and infrastructure), less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

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

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

Governmental Activities:

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

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

Business-type Activities:

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

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,707,594. Of this total, approximately 43%, or \$2,436,217, constitutes unassigned fund balance.

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

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

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

GENERAL FUND BUDGETARY HIGHLIGHTS

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

CAPITAL ASSETS

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

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

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

LONG-TERM DEBT

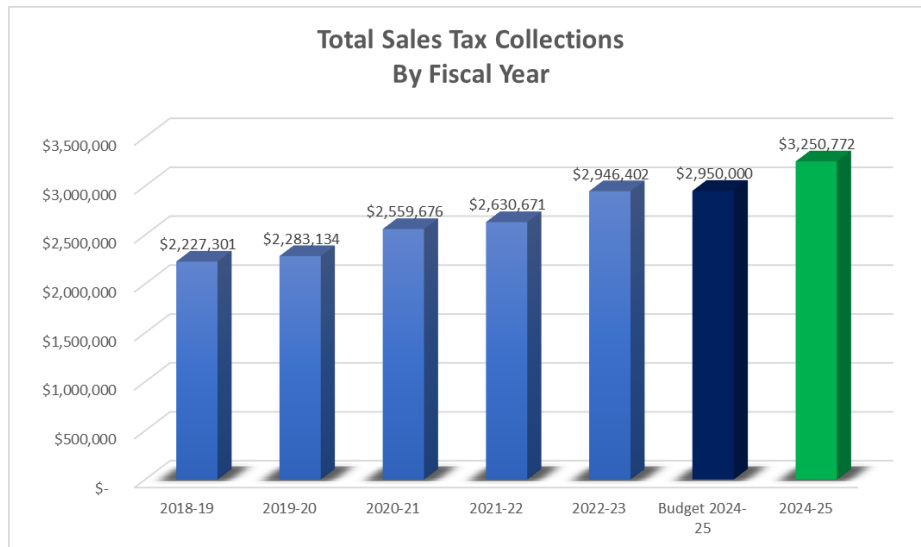
At the end of the current fiscal year, the City's total long-term liabilities stood at \$23,014,378. This represents a decrease of \$3,390,312, primarily due to a reduction in bonds and notes payable by \$2,103,379 and a decrease in net pension liability by \$1,059,120. Additional information on the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

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
General obligation	\$ 295,000	\$ 575,000	\$ 10,495,000	\$ 11,595,000	\$ 10,790,000	\$ 12,170,000
Revenue bonds	-	-	7,145,000	7,625,000	7,145,000	7,625,000
Notes payable	<u>1,037,481</u>	<u>1,172,476</u>	<u>754,587</u>	<u>862,971</u>	<u>1,792,068</u>	<u>2,035,447</u>
Total debt	<u>1,332,481</u>	<u>1,747,476</u>	<u>18,394,587</u>	<u>20,082,971</u>	<u>19,727,068</u>	<u>21,830,447</u>
Leases payable	126,237	230,765	114,594	172,576	240,831	403,341
SBITAs payable	49,019	96,183	-	-	49,019	96,183
Compensated absences	433,036	428,093	195,419	201,393	628,455	629,486
Net pension liability	1,406,030	2,183,278	544,530	826,402	1,950,560	3,009,680
Total OPEB liability	<u>303,548</u>	<u>315,958</u>	<u>114,897</u>	<u>119,595</u>	<u>418,445</u>	<u>435,553</u>
Total long term liabilities	<u>\$ 3,650,351</u>	<u>\$ 5,001,753</u>	<u>\$ 19,364,027</u>	<u>\$ 21,402,937</u>	<u>\$ 23,014,378</u>	<u>\$ 26,404,690</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

Annual sales tax allocations saw an increase of 7.22% in FY 2025 over FY 2024. The City must be cautious about adopting an over-reliance on projected sales tax allocations during the budgeting process which could induce increased risk that revenue projections will not be met. The FY 2025 budget for sales tax collections was \$2.95M. The fiscal year ended with collections exceeding budget by \$300,772, or 10.2%. Next year's sales tax is budgeted. Ad valorem tax collections have increased each year due increased valuations.



Freeze Adjusted Taxable Value & New Value

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

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

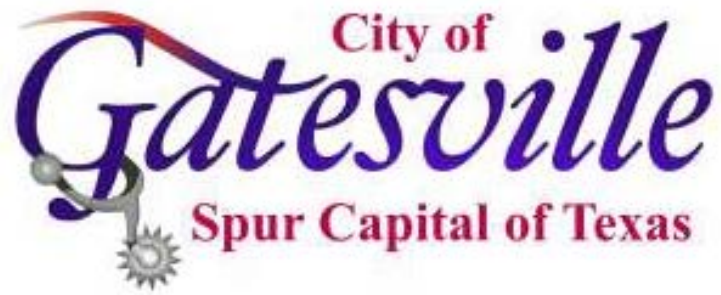
A water and sewer rate study was completed in 2025 to ensure rates adequately fund current operating and maintenance costs, as well as infrastructure projects in the Capital Improvement Plan (CIP). New water and sewer rates were implemented in FY2026.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS





CITY OF GATESVILLE, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2025

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

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

CITY OF GATESVILLE, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
General government	\$ 1,679,657	\$ 214,875	\$ 6,547
Public safety	3,540,303	145,349	74,191
Public works	1,652,600	-	-
Culture and recreation	2,126,484	544,301	62,563
Interest	62,356	-	-
Total governmental activities	<u>9,061,400</u>	<u>904,525</u>	<u>143,301</u>
Business-type activities:			
Water and sewer	8,574,872	9,451,181	348,721
Municipal airport	70,935	48,018	90,373
Total business-type activities	<u>8,645,807</u>	<u>9,499,199</u>	<u>439,094</u>
Total primary government	<u>\$ 17,707,207</u>	<u>\$ 10,403,724</u>	<u>\$ 582,395</u>
General revenues:			
Property taxes			
Sales taxes			
Alcoholic beverage taxes			
Franchise taxes			
Hotel/motel taxes			
Investment earnings			
Miscellaneous			
Transfers			
Total general revenues and transfers			
Change in net position			
Net position - beginning			
Restatement - change in accounting principle			
Net position - beginning as restated			
Net position - ending			

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

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

CITY OF GATESVILLE, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2025

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

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

CITY OF GATESVILLE, TEXAS

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

SEPTEMBER 30, 2025

Total Fund Balances - Governmental Funds	\$ 5,707,594
Amount reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the governmental funds.	7,903,055
Other long-term assets are not available to pay for current-period expenditures, and therefore, are unavailable in the governmental funds.	
Property taxes receivables	151,276
Fines receivable	36,928
Deferred outflows (inflows) of resources represent a consumption (source) of net position that applies to a future period(s) and are not recognized as an outflow (inflow) of resources (expense/expenditure) until then.	
Pension amounts	73,538
OPEB amounts	(84,340)
Some liabilities, including interest, bonds/leases payable, and net pension and total OPEB liabilities, are not reported as liabilities in the governmental funds.	
Accrued interest	(38,511)
Long-term debt	(1,940,773)
Net pension and total OPEB liability	<u>(1,709,578)</u>
Net Position of Governmental Activities	<u>\$ 10,099,189</u>

CITY OF GATESVILLE, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2025

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

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

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

CITY OF GATESVILLE, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Total net change in Fund Balances - Governmental Funds \$ 264,030

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

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

Capital outlay	1,267,890
Depreciation expense	(927,412)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.

Property taxes	112,932
Fines and fees	538

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The following amounts are the net effect of these differences in the treatment of long-term debt and related items:

Bond principal payments	280,000
Note payable principal payments	215,237
Lease principal payments	104,528
SBITA principal payments	47,164
Issuance of note payable	(80,242)

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

Accrued interest	8,287
Pension and OPEB expense	79,677
Compensated absences	(4,943)

Total change in net position of Governmental Activities \$ 1,367,686

CITY OF GATESVILLE, TEXAS

STATEMENT OF NET POSITION PROPRIETARY FUNDS

SEPTEMBER 30, 2025

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

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

CITY OF GATESVILLE, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2025

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

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

CITY OF GATESVILLE, TEXAS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

FOR THE YEAR ENDED SEPTEMBER 30, 2025

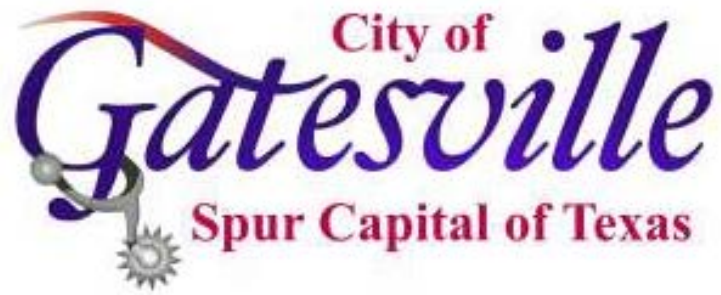
	Water and Sewer Fund	Nonmajor Municipal Airport Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 9,398,571	\$ 49,282	\$ 9,447,853
Payments to employees	(1,769,752)	-	(1,769,752)
Payments to suppliers	<u>(4,961,301)</u>	<u>(28,220)</u>	<u>(4,989,521)</u>
Net cash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

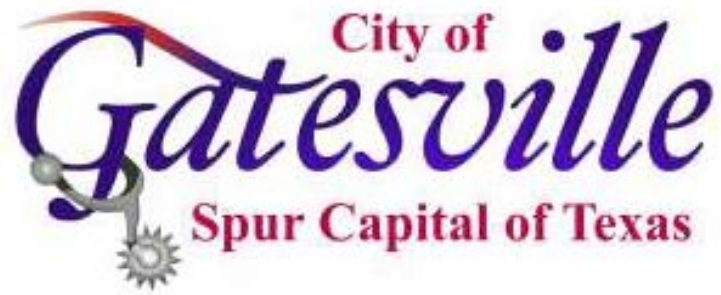
CITY OF GATESVILLE, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2025

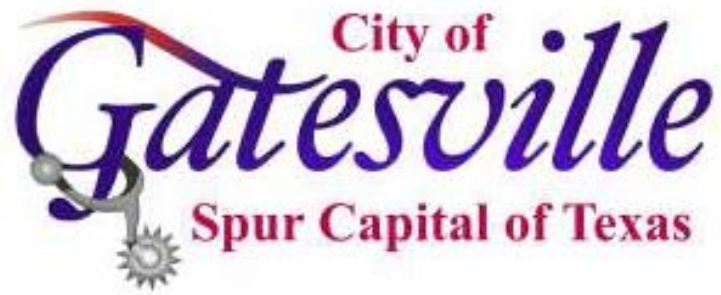
	Water and Sewer Fund	Nonmajor Municipal Airport Fund	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 1,335,582	\$(22,917)	\$ 1,312,665
Adjustments to reconcile operating income to net cash provided (used) by operating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





NOTES TO THE FINANCIAL STATEMENTS





CITY OF GATESVILLE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

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

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

B. Financial Reporting Entity

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

C. Basis of Presentation – Government-Wide Financial Statements

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

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

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

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

D. Basis of Presentation – Fund Financial Statements

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

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

General Fund

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

Capital Projects Fund

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

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

Special Revenue Funds

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

Debt Service Fund

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

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

Water and Sewer Fund

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

The City reports the following nonmajor proprietary fund:

Municipal Airport Fund

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

E. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

1. *Cash and cash equivalents*

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

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

2. *Investments*

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

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

3. *Receivables and payables*

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

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

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

4. *Inventories and prepaid items*

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

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

5. *Capital assets*

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

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

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

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

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

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

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

6. Leases

Lessee

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

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

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

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, purchase option price that the City is reasonably certain to exercise, lease incentives receivable from the lessor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

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

Lessor

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

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

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

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

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

7. Subscription-Based Information Technology Arrangements (SBITAs)

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

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

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

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

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

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

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

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

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

Information regarding the City's Net Pension Liability and Total OPEB Liability is obtained from the TMRS through reports prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company.

9. *Deferred outflows/inflows of resources*

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

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

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

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

10. *Net position and fund balance flow assumptions*

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

11. *Fund balance policies*

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

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

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

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

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

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

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

12. Estimates

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

13. Change in Accounting Principle

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

G. REVENUES AND EXPENDITURES/ EXPENSES

1. Program revenues

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

2. Property taxes

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

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

3. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. A liability is recorded for leave that has been earned and is attributable to services already rendered, and for which it is more likely than not that the City will make payments or otherwise settle the obligation through cash payments, paid leave, or other means. The liability includes salary-related payments, where applicable in the government wide and proprietary fund financial statements.

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

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

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

5. *Long-term obligations*

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

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

II. DETAILED NOTES ON ALL FUNDS

A. Cash Deposits with Financial Institutions

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

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

B. Investments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

C. Receivables

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

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

D. Interfund Transfers

The following includes interfund activity for the current year:

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

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

E. Capital Assets

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

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

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

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

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

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

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

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

F. Long-Term Liabilities

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

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

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

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

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

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

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

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

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

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

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

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

Year Ended September 30,	Governmental Activities		Business-type Activities		Totals
	Principal	Interest	Principal	Interest	
2026	\$ 321,041	\$ 39,141	\$ 113,232	\$ 30,151	\$ 503,565
2027	82,496	37,163	118,309	25,071	263,039
2028	86,755	32,903	123,634	19,749	263,041
2029	91,235	28,423	129,212	14,170	263,040
2030	95,946	23,711	73,933	8,323	201,913
2031-2034	360,008	48,080	196,267	9,375	613,730
Total	<u>\$ 1,037,481</u>	<u>\$ 209,421</u>	<u>\$ 754,587</u>	<u>\$ 106,839</u>	<u>\$ 2,108,328</u>

Right-to-Use Lease Liability

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

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

Description	Interest Rates	Liability at Commencement	Lease Term in Years	Balance At Year End
Governmental Activities:				
Leased vehicles	2.75%	\$ 386,858	2.0	\$ 125,773
Leased equipment	0.480% - 2.75%	59,425	1.0 - 4.0	464
		Total Governmental Activities		<u>\$ 126,237</u>
Business-type Activities:				
Leased vehicles	2.75%	\$ 269,976	2.0-4.0	<u>\$ 114,594</u>
		Total Business-type Activities		<u>\$ 114,594</u>

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

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

Subscription Based Information Technology Arrangements (SBITA)

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

Description	Interest Rates	Liability at Commencement	SBITA Term in Years	Balance At Year End
Governmental Activities:				
Software	2.90 - 3.27%	\$ 155,561	3.0	\$ 49,019
		Total Governmental Activities		\$ 49,019

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

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

G. Texas Department of Corrections Water Service Contracts

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

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

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

III. OTHER INFORMATION

A. Retirement Plan

Plan Description

The City participates as one of 919 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained www.tmrs.com. All eligible employees of the City are required to participate in TMRS. The General Fund is typically used to liquidate the Town's net pension liability related to governmental activities.

Benefits Provided

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

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

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

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

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

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

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 15.99% and 15.80% in calendar years 2025 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were \$800,797 and were equal to the required contributions.

Net Pension Liability

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

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

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

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

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

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

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

Discount Rate

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

Changes in Net Pension Liability

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

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

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

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

Pension Plan Fiduciary Net Position

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

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

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

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

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

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

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

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

Plan Description

Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The General Fund is typically used to liquidate the Town's OPEB liability related to governmental activities.

The City has elected to participate in the SDBF for its active members including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded single-employer OPEB plan (i.e. no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75) for City reporting.

Benefits Provided

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

Contributions

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

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

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

The City's contributions to the TMRS SDBF for the year ended September 30, 2024, was \$9,348 which equaled the required contributions.

Schedule of Contribution Rates (Retiree - only portion of the rate)		
Plan/ Calendar Year	Total SDB Contribution (Rate)	Retiree Portion of SDB Contribution (Rate)
2025	0.33%	0.19%
2024	0.40%	0.17%

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

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

Total OPEB Liability

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

Actuarial Assumptions:

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

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

Discount Rate:

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

Changes in Total OPEB Liability:

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

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

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

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

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

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

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

The \$7,013 contributions made after the measurement date of the total OPEB liability but before the end of the City's reporting period will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2026. The other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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

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

Plan Description

In addition to the pension benefits described above, as required by state law, and defined by City Policy, the City makes available healthcare benefits to all employees who retire from the City through a single employer defined benefit healthcare plan. This plan covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75, paragraph 4b, (i.e., no assets are accumulated for OPEB). This healthcare plan provides lifetime insurance or until 65 if eligible for Medicare to eligible retirees, their spouses and dependents through the City's group health insurance plan, which covers both active and retired members. Benefit provisions are established by management and Council.

The full cost of the coverage is paid by the retiree, with the rates being the same as an active employee. At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

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

Actuarial Assumptions

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

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

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

Changes in Total OPEB Liability:

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

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

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

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

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

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

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

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

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

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

The \$15,447 contributions made after the measurement date of the total OPEB liability but before the end of the City's reporting period will be recognized as a reduction of the total OPEB liability for the fiscal year ending September 30, 2026. The other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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

D. Risk Management

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

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

E. Contingencies

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

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

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

F. Restatement – Change in Accounting Principle

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

G. Adjustment – Change Within Reporting Entity

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

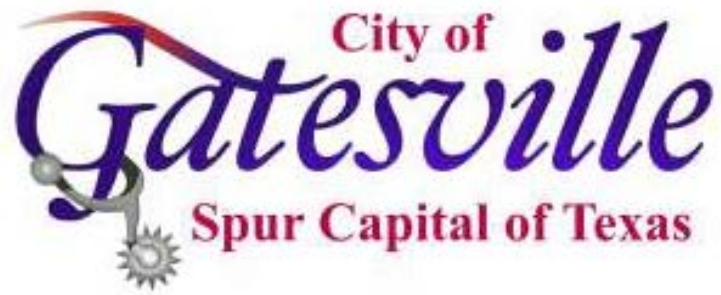
H. Upcoming Accounting Standards

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

GASB Statement No. 103, *Financial Reporting Model Improvements* - The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

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

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



REQUIRED SUPPLEMENTARY INFORMATION



CITY OF GATESVILLE, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2025

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

CITY OF GATESVILLE, TEXAS

NOTES TO BUDGETARY SCHEDULE

SEPTEMBER 30, 2025

BUDGETARY COMPARISON SCHEDULE

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

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

CITY OF GATESVILLE, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2025

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

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

CITY OF GATESVILLE, TEXAS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)

FOR THE YEAR ENDED SEPTEMBER 30, 2025

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

Notes to Schedule

Valuation date

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

Methods and assumptions used to determine contribution rates:

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

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

CITY OF GATESVILLE, TEXAS

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

LAST TEN MEASURED YEARS

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

Notes to Schedule:

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

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

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

CITY OF GATESVILLE, TEXAS

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

LAST TEN MEASURED YEARS

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

Notes to Schedule:

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

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

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

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

The 1.946 factor equals the ratio of the expected retiree claims to the expected retiree contributions. There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.1010 to pay related benefits for the OPEB plan.

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

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

CITY OF GATESVILLE, TEXAS

SCHEDULE OF OPEB CONTRIBUTIONS
HEALTH BENEFIT PLAN

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

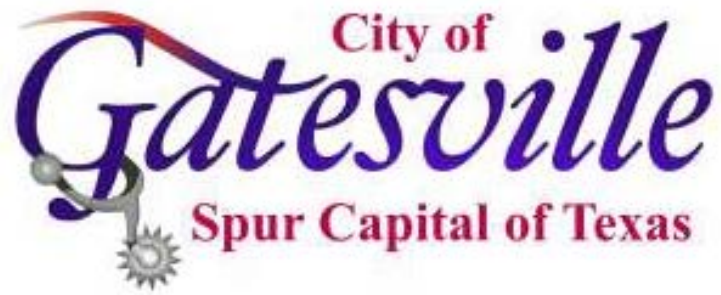
NOTES TO THE SCHEDULE OF CONTRIBUTIONS

Valuation Date: December 31, 2023

Methods and Assumptions Used to Determine Contribution Rates:

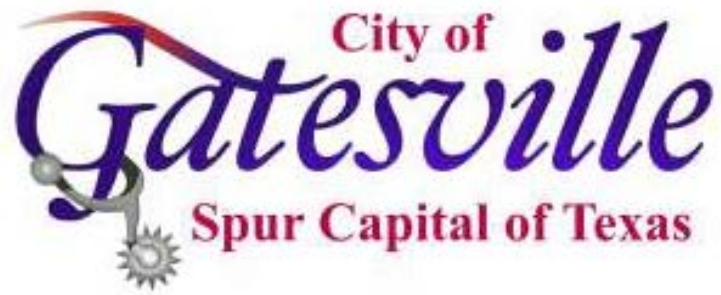
Actuarial Cost Method	Individual Entry-Age Normal
Discount Rate	3.77% as of December 31, 2024
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Demographic Assumptions	Based on the 2023 experience study conducted for the Texas Municipal Retirement System (TMRS). For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used, with male rates multiplied by 103% and female rates multiplied by 105%. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP-2021 table to account for future mortality improvements.
Health Care Trend Rates	Initial rate of 7.20% declining to an ultimate rate of 4.25% after 16 years.
Participation Rates	20% of non-Medicare retirees; 0% if retiring prior to age 50.
Other Information:	The discount rate changed from 3.77% as of December 31, 2023 to 4.05% as of December 31, 2024. Additionally, the demographic and salary increase assumptions were updated to reflect the 2023 TMRS Experience Study, and health care trend rates were updated to reflect the plan's anticipated experience.

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



COMBINING FUND STATEMENTS & BUDGETARY COMPARISON SCHEDULES





NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

DEBT SERVICE FUNDS

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

CITY OF GATESVILLE, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2025

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

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

CITY OF GATESVILLE, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2025

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

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

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

FOR THE YEAR ENDED SEPTEMBER 30, 2025

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

CITY OF GATESVILLE, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2025

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

CITY OF GATESVILLE, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2025

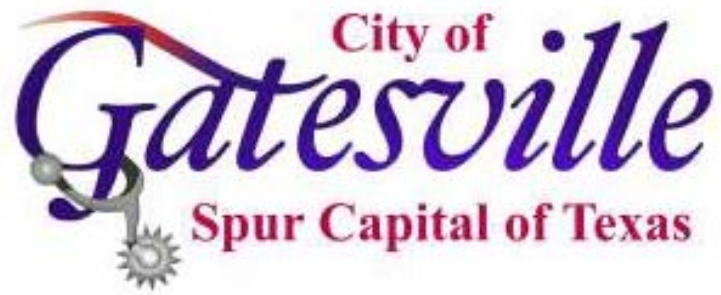
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes - hotel/motel	\$ 150,000	\$ 150,000	\$ 258,109	\$ 108,109
Investment earnings	<u>8,000</u>	<u>8,000</u>	<u>32,349</u>	<u>24,349</u>
Total revenues	<u>158,000</u>	<u>158,000</u>	<u>290,458</u>	<u>132,458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

CITY OF GATESVILLE, TEXAS

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

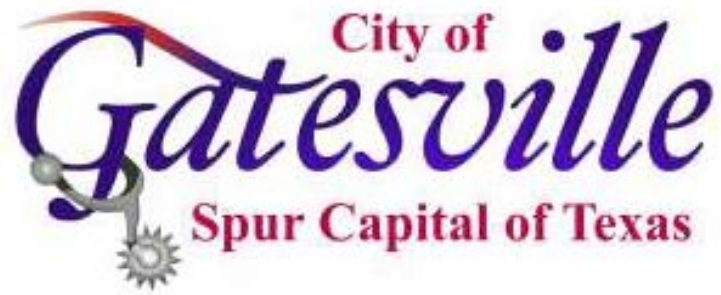
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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



STATISTICAL SECTION





**STATISTICAL SECTION
(Unaudited)**

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

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

CITY OF GATESVILLE, TEXAS

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS
(accrual basis of accounting)

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

TABLE 1

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

CITY OF GATESVILLE, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS
(accrual basis of accounting)

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

TABLE 2

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

CITY OF GATESVILLE, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS
(accrual basis of accounting)

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

TABLE 2

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

CITY OF GATESVILLE, TEXAS

**FUND BALANCES
GOVERNMENTAL FUNDS**

LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

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

TABLE 3

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

CITY OF GATESVILLE, TEXAS

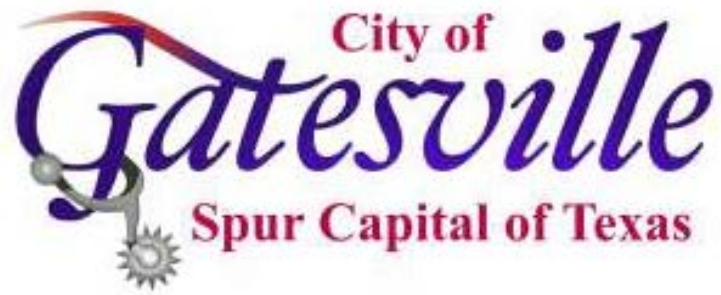
**CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

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

TABLE 4

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



CITY OF GATESVILLE, TEXAS**TABLE 5****ASSESSED VALUE AND ESTIMATED
ACTUAL VALUE OF TAXABLE PROPERTY****LAST TEN YEARS
(UNAUDITED)**

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

Source: Coryell Appraisal District

CITY OF GATESVILLE, TEXAS**PROPERTY TAX LEVIES AND COLLECTIONS**

LAST TEN FISCAL YEARS
(UNAUDITED)

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

TABLE 6

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

CITY OF GATESVILLE, TEXAS

TABLE 7

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

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

Notes:

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

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

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

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

CITY OF GATESVILLE, TEXAS

TABLE 8

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR
(UNAUDITED)

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

Source: Coryell Appraisal District

Note: Information from nine years ago is unavailable.

CITY OF GATESVILLE, TEXAS

RATIO OF OUTSTANDING DEBT BY TYPE

**LAST TEN FISCAL YEARS
(UNAUDITED)**

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

TABLE 9

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

CITY OF GATESVILLE, TEXAS

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

**LAST TEN FISCAL YEARS
(UNAUDITED)**

<u>Fiscal Year</u>	<u>Population¹</u>	<u>Assessed Value (In Thousands)²</u>	<u>Gross Bonded Debt³</u>	<u>Less Debt Service Funds with Restriction⁴</u>
2016	12,403	\$ 353,096	\$ 11,590,000	\$ 165,294
2017	12,320	362,210	10,880,000	167,174
2018	12,237	376,760	15,045,000	168,944
2019	12,401	391,001	14,270,000	790,000
2020	16,135	400,533	16,065,000	167,319
2021	16,155	419,139	15,205,000	168,870
2022	16,126	485,075	14,025,000	22,006
2023	16,409	547,843	13,495,000	32,454
2024	16,388	694,011	12,170,000	42,889
2025	16,148	727,010	10,790,000	80,358

(1) Source: Municipal Advisory Council

(2) Table 5

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

(4) Amount available for repayment of General Obligation Bonds

TABLE 10

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

CITY OF GATESVILLE, TEXAS

TABLE 11

DIRECT AND OVERLAPPING GOVERNMENTAL DEBT

AS OF SEPTEMBER 30, 2025
(UNAUDITED)

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

Source: Municipal Advisory Council Report

LEGAL DEBT MARGIN INFORMATION

AS OF SEPTEMBER 30, 2025
(UNAUDITED)

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

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

CITY OF GATESVILLE, TEXAS

TABLE 13

REVENUE BOND COVERAGE
WATER AND SEWER BONDS

LAST TEN FISCAL YEARS
(UNAUDITED)

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

Notes:

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

CITY OF GATESVILLE, TEXAS**TABLE 14**

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS
(UNAUDITED)

<u>Fiscal Year</u>	<u>Population¹</u>	<u>Median Income²</u>	<u>Per Capita Income³</u>	<u>Personal Income²</u>	<u>School Enrollment⁴</u>	<u>Unemployment Rate⁵</u>
2016	12,403	\$ 37,984	\$ 14,089	\$ 174,746,125	2,830	4.6%
2017	12,320	38,165	14,156	174,403,858	2,800	4.3%
2018	12,237	37,800	14,021	171,572,181	2,760	3.8%
2019	12,401	42,122	15,624	319,658,671	2,720	3.5%
2020	16,135	45,495	16,875	272,278,125	2,700	6.5%
2021	16,155	47,480	17,611	284,510,163	2,650	5.0%
2022	16,126	46,536	17,261	278,352,944	2,670	4.4%
2023	16,409	54,802	20,327	333,548,226	2,690	4.2%
2024	16,388	57,217	21,223	347,801,260	2,689	4.4%
2025	16,148	62,809	23,297	376,201,681	2,700	4.4%

Sources:

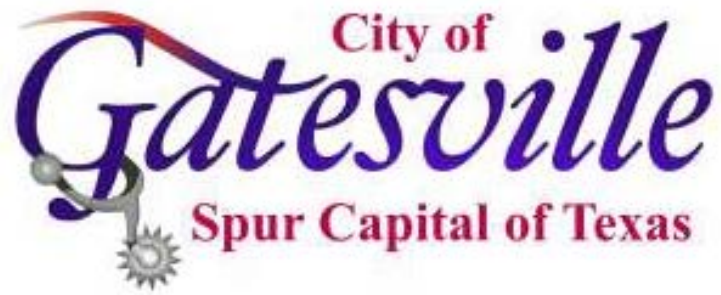
(1) Municipal Advisory Council of Texas

(2) Census.gov

(3) City staff calculation based on family median income for 2.696 members per family.

(4) Gatesville Independent School District

(5) Texas Workforce Commission



CITY OF GATESVILLE, TEXAS

TABLE 15

PRINCIPAL EMPLOYERS

**CURRENT YEAR
(UNAUDITED)**

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

A - Estimate

Note: Information from nine years ago is unavailable.

CITY OF GATESVILLE, TEXAS**FULLTIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM****LAST TEN FISCAL YEARS
(UNAUDITED)**

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

Totals

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

TABLE 16

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

GATESVILLE, TEXAS**OPERATING INDICATORS BY FUNCTION/PROGRAM**

LAST TEN FISCAL YEARS
(UNAUDITED)

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

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

TABLE 17

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

GATESVILLE, TEXAS**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**

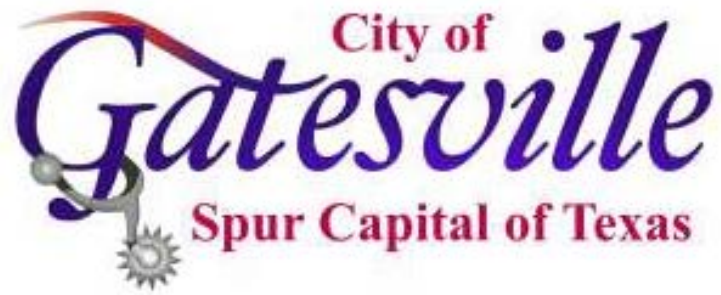
LAST TEN FISCAL YEARS
(UNAUDITED)

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

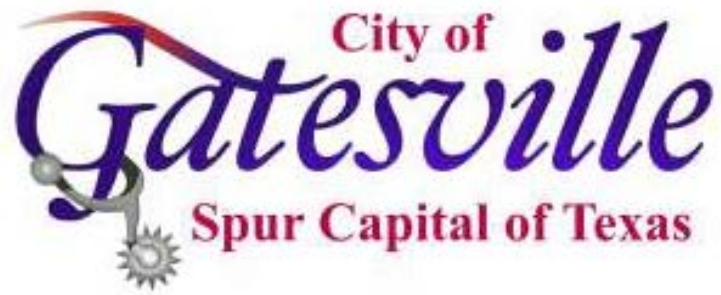
Note: Indicators are not available for the general government, public health and economic development functions.

TABLE 18

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



COMPLIANCE SECTION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gatesville, Texas, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Gatesville, Texas' basic financial statements, and have issued our report thereon dated March 24, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

OFFICE LOCATIONS

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

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

Waco, Texas
March 24, 2026