

ANNUAL FINANCIAL REPORT

CITY OF HALE CENTER, TEXAS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

CITY OF HALE CENTER  
Hale Center, Texas

ANNUAL FINANCIAL REPORT  
For the Year Ended September 30, 2024

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CITY OF HALE CENTER  
Hale Center, Texas

ANNUAL FINANCIAL REPORT  
For the Year Ended September 30, 2024

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*INTRODUCTORY SECTION*

CITY OF HALE CENTER  
Hale Center, Texas

September 30, 2024

CITY COUNCIL

W.H. Johnson

Mayor

Janet Peoples

Mayor Pro Tem

Karen Boyce

Councilmember

Junior Garcia

Councilmember

Mario Martinez

Councilmember

ADMINISTRATIVE STAFF

Mike Cypert

City Manager

Patricia Isaguirre

City Secretary

*FINANCIAL SECTION*

# Terry & King, CPAs, P.C.

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Randel J. Terry, CPA  
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## Independent Auditors' Report on Financial Statements

Honorable Mayor and City Council  
City of Hale Center, Texas  
P.O. Box 532  
Hale Center, Texas 79041

### **Report on the Audit of the Financial Statements**

#### **Adverse, Qualified, and Unmodified Opinions**

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

#### *Summary of Opinions*

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Aggregate Discretely Presented Component Units	Adverse
General Fund	Unmodified
Water and Sewer Fund	Unmodified
Aggregate Remaining Fund Information	Qualified

#### *Adverse Opinion on the Aggregate Discretely Presented Component Units*

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Units and Qualified Opinion on Aggregate Remaining Fund Information" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City of Hale Center, as of September 30, 2024, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Qualified Opinion on the Aggregate Remaining Fund Information*

In our opinion, except for the effects of the matter described in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Units and Qualified Opinion on Aggregate Remaining Fund Information" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate remaining fund information of the City of Hale Center, as of September 30, 2024, 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.



*Unmodified Opinions on Governmental Activities, Business-type Activities, Each Major Fund, and Aggregate Remaining Fund Information*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Hale Center, Texas as of September 30, 2024, 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 Adverse Opinion on Aggregate Discretely Presented Component Units and Qualified Opinion on Aggregate Remaining Fund Information***

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

***Matter Giving Rise to Adverse Opinion on the Aggregate Discretely Presented Component Units and Qualified Opinion on the Aggregate Remaining Fund Information***

The financial statements referred to above do not include financial data for the Hale Center Volunteer Fire Department (HCVFD), a legally separate component unit of the City of Hale Center. Accounting principles generally accepted in the United States of America require financial data for those component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses of the HCVFD, an aggregate discretely presented component unit, have been omitted.

**Emphasis of Matter**

Discretely Presented Component Unit – *Ambulance Service of Hale Center, Inc.* – The accompanying financial statements of the Ambulance Service of Hale Center, Inc. have been prepared assuming that the Company will continue as a going concern. As discussed in Note M to the financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note M. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

**Responsibilities of Management for the Financial Statements**

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

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

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

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

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

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

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

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB schedules, identified as required supplementary information, 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.

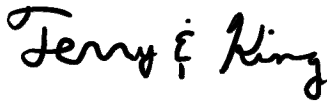
### **Supplementary Information**

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2025, on our consideration of the City of Hale Center, 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 the City of Hale Center, Texas' 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 Hale Center, Texas' internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "Terry & King". The signature is written in a cursive, flowing style.

Terry & King, CPAs, P.C.  
Lubbock, Texas  
June 6, 2025

## **MANAGEMENT’S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the City of Hale Center’s financial performance provides an overview of the City’s financial activities for the fiscal year ended September 30, 2024. Please read this in conjunction with the City’s financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

- The City’s net position decreased as a result of this year’s operations. While net position of our business-type activities increased by \$84,404 or 5%, net position of our governmental activities decreased by \$155,850.
- During the year, the City had expenses that were \$155,850 more than the \$944,395 generated in tax and other revenues for governmental programs before transfers.
- In the City’s business type activities, charges for services increased \$95,969 to \$730,353 (or 15%) while operating expenses decreased \$33,962 to \$768,872.
- The General Fund reported a deficit this year of \$135,196.
- The resources available for appropriation were \$34,496 less than budgeted for the General Fund. Expenditures for the General Fund were less than the budgeted amounts by \$40,942.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City’s finances. Fund financial statements start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City’s operations in more detail than the government-wide statements by providing information about the City’s most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

## **Reporting the City as a Whole -- The Statement of Net Position and the Statement of Activities**

Our analysis of the City as a whole begins on page 6. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net position* and changes in it. You can think of the City's net position—the differences between assets and liabilities—as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net position is one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities – Most of the City's basic services are reported here, including the ambulance, fire, police, sanitation, streets, and parks departments, and general administration. Property taxes, franchise taxes, charges to customers, and state and federal grants finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover the cost of certain services it provides. The City's water and sewer services are reported here.

## **Reporting the City's Most Significant Funds – Fund Financial Statements**

Our analysis of the City's major funds begins on page 10. The fund financial statements begin on page 15 and provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. At times a city council may establish other funds to help it control and manage money for particular purposes, such as special projects or to show that it is meeting legal responsibilities for using certain Federal or State grants. The City's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- *Governmental funds*—Most of the City’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The Governmental fund statements provide a detailed *short-term view* of the City’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in reconciliation on Exhibits C-1R and C-3.
- *Proprietary funds*—When the City charges customers for the services it provides—whether to outside customers or to other units of 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. In fact, the City’s enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

## **THE CITY AS A WHOLE**

The City’s combined net position was \$3,323,488. Our following analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the City’s government and business-type activities.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's combined net position was \$3,323,488 at September 30, 2024. (See Table A-1).

Table A-1  
City of Hale Center's Net Position

	Governmental Activities			Business-type Activities			Total Primary Government		
	2024	2023	Percentage Change	2024	2023	Percentage Change	2024	2023	Percentage Change
Current assets:									
Cash in Bank	437,011	488,547	-11%	6,861	-	100%	443,872	488,547	-9%
Receivables	77,991	114,559	-32%	99,670	101,415	-2%	177,661	215,974	-18%
Interfund Balances	-	65,383	-100%	-	(65,383)	-100%	-	-	0%
Total current assets:	515,002	668,489	-23%	106,531	36,032	196%	621,533	704,521	-12%
Noncurrent assets:									
Capital Assets	1,157,489	1,185,631	-2%	1,793,642	1,779,184	1%	2,951,131	2,964,815	0%
Total noncurrent assets	1,157,489	1,185,631	-2%	1,793,642	1,779,184	1%	2,951,131	2,964,815	0%
Total Assets	1,672,491	1,854,120	-10%	1,900,173	1,815,216	5%	3,572,664	3,669,336	-3%
Deferred Outflows of Resources									
Deferred Outflows - Pension	29,476	39,654	-26%	29,463	40,149	-27%	58,939	79,803	-26%
Deferred Outflows - OPEB	3,186	3,503	-9%	2,455	2,788	-12%	5,641	6,291	-10%
Total Deferred Outflows	32,662	43,157	-24%	31,918	42,937	-26%	64,580	86,094	-25%
Current Liabilities	14,489	32,773	-56%	22,083	8,321	165%	36,572	41,094	-11%
Customer Deposits	-	-	0%	86,576	86,106	1%	86,576	86,106	1%
Due within one year	-	-	0%	12,064	11,706	3%	12,064	11,706	3%
Net Pension Liability	53,772	62,000	-13%	54,172	62,775	-14%	107,944	124,775	-13%
Net OPEB Liability	10,098	10,006	1%	6,520	6,426	1%	16,618	16,432	1%
Due in more than one year	-	-	0%	38,493	50,513	-24%	38,493	50,513	-24%
Total Liabilities	78,359	104,779	-25%	219,908	225,847	-3%	298,267	330,626	-10%
Deferred Inflows of Resources									
Deferred Inflows - Pension	1,669	5,867	-72%	1,552	5,941	-74%	3,221	11,808	-73%
Deferred Inflows - OPEB	6,514	6,646	-2%	5,754	5,892	-2%	12,268	12,538	-2%
Deferred Inflows - Leases	-	5,524	-100%	-	-	0%	-	5,524	-100%
Deferred Inflows - Grant Proceeds	-	-	0%	-	-	0%	-	-	0%
Total Deferred Inflows	8,183	18,037	-55%	7,306	11,833	-38%	15,489	29,870	-48%
Net Position:									
Net investment in capital assets	1,157,489	1,185,631	-2%	1,743,085	1,716,965	2%	2,900,574	2,902,596	0%
Unrestricted	461,122	588,830	-22%	(38,208)	(96,492)	-60%	422,914	492,338	-14%
Total Net Position	1,618,611	1,774,461	-9%	1,704,877	1,620,473	5%	3,323,488	3,394,934	-2%

Net position of the City's governmental activities decreased (\$1,618,611 compared to \$1,774,461). Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - changed from \$588,830 at September 30, 2023 to \$461,122 at the end of this year. Net position of the City's business-type activities increased by 5%, from \$1,620,473 to \$1,704,877.

Table A-2  
Changes in City of Hale Center's Net Position

	Governmental Activities			Business-type Activities			Total Primary Government		
	2024	2023	Percentage Change	2024	2023	Percentage Change	2024	2023	Percentage Change
<b>Program Revenues:</b>									
Charges for Services	334,244	348,818	-4%	730,353	634,384	15%	1,064,597	983,202	8%
Grants & Contributions	22,845	175,514	-87%	124,655	225,345	-45%	147,500	400,859	-63%
<b>General Revenues:</b>									
Property Taxes	337,529	325,632	4%	-	-	0%	337,529	325,632	4%
Nonproperty Taxes	214,676	229,474	-6%	-	-	0%	214,676	229,474	-6%
Investment Earnings	18,781	13,283	41%	-	-	0%	18,781	13,283	41%
Other	16,320	42,282	-61%	-	-	0%	16,320	42,282	-61%
	<u>944,395</u>	<u>1,135,003</u>	<u>-17%</u>	<u>855,008</u>	<u>859,729</u>	<u>-1%</u>	<u>1,799,403</u>	<u>1,994,732</u>	<u>-10%</u>
<b>Expenses:</b>									
General Government	239,402	217,811	10%	-	-	0%	239,402	217,811	10%
Public Safety	457,901	438,546	4%	-	-	0%	457,901	438,546	4%
Animal Control	2,339	4,791	-51%	-	-	0%	2,339	4,791	-51%
Streets	81,928	107,001	-23%	-	-	0%	81,928	107,001	-23%
Health & Welfare	83,231	61,726	35%	-	-	0%	83,231	61,726	35%
Sanitation	180,560	183,956	-2%	-	-	0%	180,560	183,956	-2%
Culture and Recreation	54,884	44,058	25%	-	-	0%	54,884	44,058	25%
Interest on L-T Debt	-	-	0%	1,732	2,018	-14%	1,732	2,018	-14%
Water and Sewer	-	-	0%	768,872	802,834	-4%	768,872	802,834	-4%
	<u>1,100,245</u>	<u>1,057,889</u>	<u>4%</u>	<u>770,604</u>	<u>804,852</u>	<u>-4%</u>	<u>1,870,849</u>	<u>1,862,741</u>	<u>0%</u>
Increase (Decrease) in Net Position	(155,850)	77,114	302%	84,404	54,877	54%	(71,446)	131,991	-154%
Net Position - Beginning	<u>1,774,461</u>	<u>1,697,347</u>	<u>5%</u>	<u>1,620,473</u>	<u>1,565,596</u>	<u>4%</u>	<u>3,394,934</u>	<u>3,262,943</u>	<u>4%</u>
Net Position - Ending	<u>1,618,611</u>	<u>1,774,461</u>	<u>-9%</u>	<u>1,704,877</u>	<u>1,620,473</u>	<u>5%</u>	<u>3,323,488</u>	<u>3,394,934</u>	<u>-2%</u>

The City's total revenues were \$1,799,403. A significant portion, 48%, of the City's total revenue comes from the water and sewer operations. Revenues available to fund governmental activities consist of property taxes (36%), non-property taxes (23%), charges for services (35%), grants and contributions (2%), and other (4%).

The total cost of all programs and services was \$1,870,849; 41% of these costs were for water and sewer production and administration expenses. Expenses for governmental activities consisted of costs for general administration (22%), public safety (42%), streets (7%), health & welfare (8%), sanitation (16%), and culture and recreation (5%).

### **Governmental Activities**

Revenues for the City's governmental activities decreased \$190,608 or approximately 17%, while total expenses increased \$42,356 or 4%.

- Property tax rates decreased from \$0.6200 to \$0.556533 per \$100 valuation. The ad valorem tax levy for the previous fiscal year was \$319,278, compared to \$337,467 for the current year. Total tax collections were \$321,549 in the current year.
- Grant and contribution revenues decreased \$152,669. In the current year, the City recognized police equipment grants (\$22,042).
- The cost of all *governmental* activities this year was \$1,100,245. As shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through tax collections was \$337,529 because some of the costs were paid by those who directly benefited from the programs (\$334,244), by nonproperty taxes (\$214,676), or grants and contributions (\$22,845).

### **Business-type Activities**

Revenues of the City's business-type activities (see table A-2) decreased 1% (\$855,008 from \$859,729) and expenses decreased 4% (\$770,604 from \$804,852).

**THE CITY’S FUNDS**

As the City completed the fiscal year, its governmental funds (as presented in the balance sheet on Exhibit C-1) reported a *combined* fund balance of \$467,356, which is a decrease from the prior year’s total of \$602,552. The following items affecting fund balance should be noted:

- In the prior year, expenditures were less than revenues by \$44,384 prior to transfers and sale of capital assets. In the current year, expenditures were more than revenues by \$148,802 prior to transfers and sale of capital assets. This was primarily due to a decrease in grants and contributions of \$152,669.
- The revenues in the governmental funds decreased approximately 18% from the prior period and expenses for the governmental funds decreased 9% from the prior period.

**General Fund Budgetary Highlights**

Over the course of the year, the City Council revised the City’s budget once. Even with these adjustments, actual revenues were \$34,496 less than budgeted amounts and expenditures were \$40,942 less than final budget amounts.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2024, the City had \$7,046,387 invested in a broad range of capital assets, including buildings, furniture and equipment, and utilities facilities (see Table A-3). This amount represents a net increase (including additions and deductions) of \$134,653 over last year.

Table A-3  
Fixed Assets

Governmental Activities:	Balance 10-01-23	Additions	Deletions/ Reclassifications	Balance 09-30-24
Land	\$ 5,778	-	-	5,778
Infrastructure	1,483,814	69,381	-	1,553,195
Buildings& Improvements	541,885	38,050	-	579,935
Furniture & Equipment	1,020,754	-	(88,662)	932,092
Accumulated Depreciation	<u>(1,866,600)</u>	<u>(135,572)</u>	<u>(88,662)</u>	<u>(1,913,510)</u>
Net Capital Assets	<u>\$ 1,185,631</u>	<u>\$ (28,141)</u>	<u>\$ -</u>	<u>\$ 1,157,490</u>

Business-Type Activities:	Balance 10-01-23	Additions	Deletions/ Reclassifications	Balance 09-30-24
Land	\$ 206,281	-	-	206,281
Construction in Progress	240,239	-	(240,239)	-
Utility Systems	2,866,259	141,161	240,239	3,247,659
Vehicles & Equipment	546,725	-	(25,278)	521,447
Accumulated Depreciation	<u>(2,080,320)</u>	<u>(126,702)</u>	<u>(25,278)</u>	<u>(2,181,744)</u>
Net Capital Assets	\$ <u>1,779,184</u>	\$ <u>14,459</u>	\$ <u>-</u>	\$ <u>1,793,643</u>

More detailed information about the City's capital assets is presented in the notes to the financial statements.

### Debt

A municipal government can finance activities such as capital improvements and acquisitions through general tax bonds or revenue bonds. Additionally, a government may purchase items through the use of capital leases or notes payable with a financial institution.

Business-Type Activities:	Balance 10-01-23	Additions	Decreases	Balance 09-30-24	Due Within One Year
Public Property Finance	\$ <u>62,219</u>	\$ <u>-</u>	\$ <u>11,662</u>	\$ <u>50,557</u>	\$ <u>12,064</u>
Total	\$ <u>62,219</u>	\$ <u>-</u>	\$ <u>11,662</u>	\$ <u>50,557</u>	\$ <u>12,064</u>

More detailed information about the City's long-term obligations is presented in the notes to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected officials considered many factors when setting the fiscal year 2025 budget, tax rates, and fees. Factors considered include the current economy, property tax values and the needs of the City in the coming year. The Council has adopted tax rates, budgets and set fees accordingly.

If these estimates are realized, the City's budgetary general fund fund balance is expected to remain approximately the same by the close of 2025.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Administrator at the City's office located in Hale Center, Texas.

## *BASIC FINANCIAL STATEMENTS*

CITY OF HALE CENTER  
Hale Center, Texas  
  
STATEMENT OF NET POSITION  
September 30, 2024

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Hale Center Economic Development Corporation	Ambulance Service of Hale Center, Inc.	Hale Center Public Library, Inc.
<b>ASSETS:</b>						
Cash in Bank	\$ 437,011	\$ 6,861	\$ 443,872	\$ 256,657	\$ 6,842	\$ 84,483
Accounts Receivable, net	-	96,670	96,670	-	-	-
Taxes Receivable, net	33,157	-	33,157	-	-	-
Interfund Balances	-	-	-	-	-	-
Due from Primary Government	-	-	-	6,995	-	-
Due from Other Governments	850	3,000	3,850	-	-	-
Other Taxes Receivables	43,984	-	43,984	-	-	-
Capital Assets:						
Land	5,778	206,282	212,060	-	-	-
Construction in Progress	-	-	-	-	-	-
Infrastructure	440,991	-	440,991	-	-	-
Buildings & Improvements, net	288,366	1,395,309	1,683,675	-	-	-
Furniture & Equipment, net	422,354	192,051	614,405	11,572	4,700	-
<b>TOTAL ASSETS</b>	<b>\$ 1,672,491</b>	<b>\$ 1,900,173</b>	<b>\$ 3,572,664</b>	<b>\$ 275,224</b>	<b>\$ 11,542</b>	<b>\$ 84,483</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred Outflows - Pension	29,476	29,463	58,939	-	-	-
Deferred Outflows - OPEB	3,186	2,455	5,641	-	-	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>32,662</b>	<b>31,918</b>	<b>64,580</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>LIABILITIES:</b>						
<b>Current Liabilities:</b>						
Accounts Payable	\$ 10,517	\$ 21,034	\$ 31,551	\$ -	\$ -	\$ -
Accrued Interest	-	1,049	1,049	-	-	-
Accrued Payroll Withholdings	-	-	-	-	161,918	-
Due to Economic Development Corporation	3,972	-	3,972	-	-	-
<b>Noncurrent Liabilities:</b>						
Customer Deposits	-	86,576	86,576	-	-	-
Due Within One Year	-	12,064	12,064	-	7,872	-
Due in More Than One Year	-	38,493	38,493	-	4,017	-
Net Pension Liability	53,772	54,172	107,944	-	-	-
Total OPEB Liability	10,098	6,520	16,618	-	-	-
<b>Total Liabilities</b>	<b>\$ 78,359</b>	<b>\$ 219,908</b>	<b>\$ 298,267</b>	<b>\$ -</b>	<b>\$ 173,807</b>	<b>\$ -</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Inflows - Pension	1,669	1,552	3,221	-	-	-
Deferred Inflows - OPEB	6,514	5,754	12,268	-	-	-
Deferred Grant Proceeds	-	-	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>8,183</b>	<b>7,306</b>	<b>15,489</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	\$ 1,157,489	\$ 1,743,085	\$ 2,900,574	\$ 11,572	\$ -	\$ -
Unrestricted	461,122	(38,208)	422,914	263,652	(162,265)	84,483
<b>Total Net Position</b>	<b>\$ 1,618,611</b>	<b>\$ 1,704,877</b>	<b>\$ 3,323,488</b>	<b>\$ 275,224</b>	<b>\$ (162,265)</b>	<b>\$ 84,483</b>

The accompanying notes are an integral part of this statement.

CITY OF HALE CENTER  
Hale Center, Texas  
STATEMENT OF ACTIVITIES  
Year Ended September 30, 2024

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position					
	Expenses	Fees, Fines, Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		
					Governmental Activities	Business-type Activities	Total	Hale Center Economic Development Corporation	Ambulance Service of Hale Center, Inc.	Hale Center Public Library, Inc.
<b>Government Activities:</b>										
General Government	\$ 239,402	\$ 10,541	\$ -	\$ -	\$ (228,861)	\$ -	\$ (228,861)	\$ -	\$ -	\$ -
Public Safety	457,901	45,154	22,845	-	(389,902)	-	(389,902)	-	-	-
Animal Control	2,339	410	-	-	(1,929)	-	(1,929)	-	-	-
Streets	81,928	-	-	-	(81,928)	-	(81,928)	-	-	-
Health & Welfare	83,231	19,059	-	-	(64,172)	-	(64,172)	-	-	-
Sanitation	180,560	255,030	-	-	74,470	-	74,470	-	-	-
Culture and Recreation	54,884	4,050	-	-	(50,834)	-	(50,834)	-	-	-
<b>Total Governmental Activities</b>	<b>1,100,245</b>	<b>334,244</b>	<b>22,845</b>	<b>-</b>	<b>(743,156)</b>	<b>-</b>	<b>(743,156)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Business-type Activities</b>										
Water and Sewer	770,604	730,353	-	124,655	-	84,404	84,404	-	-	-
<b>Total Primary Government</b>	<b>\$ 1,870,849</b>	<b>\$ 1,064,597</b>	<b>\$ 22,845</b>	<b>\$ 124,655</b>	<b>\$ (743,156)</b>	<b>\$ 84,404</b>	<b>\$ (658,752)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Component Unit:</b>										
Hale Center Economic Development Corporation	\$ 38,641	\$ -	\$ -	\$ -				(38,641)	-	-
Ambulance Service of Hale Center, Inc.	237,499	74,802	172,736	-				-	10,039	-
Hale Center Public Library, Inc.	27,945	-	22,782	-				-	-	(5,163)
<b>Total Component Units</b>	<b>\$ 304,085</b>	<b>\$ 74,802</b>	<b>\$ 195,518</b>	<b>\$ -</b>				<b>\$ (38,641)</b>	<b>\$ 10,039</b>	<b>\$ (5,163)</b>
<b>General Revenues:</b>										
Property Taxes, Levied for General Purposes					337,529	-	337,529	-	-	-
Sales Taxes					96,973	-	96,973	47,912	-	-
Franchise Taxes					117,703	-	117,703	-	-	-
Unrestricted Investment Earnings					18,781	-	18,781	4,481	-	3,668
Miscellaneous					2,714	-	2,714	-	-	-
Gain on Sale of Assets					13,606	-	13,606	-	-	-
Transfers					-	-	-	-	-	-
<b>Total General Revenues and Transfers</b>					<b>587,306</b>	<b>-</b>	<b>587,306</b>	<b>52,393</b>	<b>-</b>	<b>3,668</b>
<b>Change in Net Position</b>					<b>(155,850)</b>	<b>84,404</b>	<b>(71,446)</b>	<b>13,752</b>	<b>10,039</b>	<b>(1,495)</b>
<b>Net Position -- Beginning</b>					<b>1,774,461</b>	<b>1,620,473</b>	<b>3,394,934</b>	<b>261,472</b>	<b>(172,304)</b>	<b>85,978</b>
<b>Net Position -- Ending</b>					<b>\$ 1,618,611</b>	<b>\$ 1,704,877</b>	<b>\$ 3,323,488</b>	<b>\$ 275,224</b>	<b>\$ (162,265)</b>	<b>\$ 84,483</b>

The accompanying notes are an integral part of this statement.

CITY OF HALE CENTER  
Hale Center, Texas

BALANCE SHEET -- GOVERNMENTAL FUNDS  
September 30, 2024

	General Fund	Total Governmental Funds
	<u>          </u>	<u>          </u>
<b>ASSETS</b>		
Cash	\$ 437,011	\$ 437,011
Property Taxes Receivable, net	33,157	33,157
Due from Other Funds	-	-
Due from Other Governments	850	850
Other Taxes Receivable	<u>43,984</u>	<u>43,984</u>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 515,002</u></b>	<b><u>\$ 515,002</u></b>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	\$ 10,517	\$ 10,517
Due to Other Funds	-	-
Due to Economic Development Corporation	<u>3,972</u>	<u>3,972</u>
<b><u>Total Liabilities</u></b>	<b><u>14,489</u></b>	<b><u>14,489</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable Revenue - Property Taxes	\$ 33,157	\$ 33,157
Deferred Grant Proceeds	<u>-</u>	<u>-</u>
<b><u>Total Deferred Inflows of Resources</u></b>	<b><u>\$ 33,157</u></b>	<b><u>\$ 33,157</u></b>
<b>FUND BALANCES:</b>		
Committed For:		
Capital Expenditures	27,154	27,154
Unassigned	<u>440,202</u>	<u>440,202</u>
<b><u>Total Fund Balances</u></b>	<b><u>467,356</u></b>	<b><u>467,356</u></b>
<b><u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u></b>	<b><u>\$ 515,002</u></b>	<b><u>\$ 515,002</u></b>

The accompanying notes are an integral part of this statement.

CITY OF HALE CENTER  
Hale Center, Texas

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
September 30, 2024

Total Fund Balances -- Governmental Funds Balance Sheet	\$ 467,356
Amounts reported for governmental activities in the statement of net position (A-1) are different because:	
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds	33,157
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,157,489
Included in the items related to noncurrent assets is the recognition of the City's proportionate share of the net pension liability required by GASB 68 in the amount of \$53,772, a deferred resource outflow related to Pensions in the amount of \$29,476, and a deferred resource inflow in the amount of \$1,669. This resulted in a decrease in net position by \$25,965.	(25,965)
Included in the items related to noncurrent liabilities is the recognition of the City's proportionate share of the net OPEB liability required by GASB 75 in the amount of \$10,098, a deferred resource outflow related to OPEB in the amount of \$3,186, and a deferred resource inflow of \$6,514. This resulted in a decrease in net position by \$13,426.	<u>(13,426)</u>
Net Position of Governmental Activities -- Statement of Net Position	<u>\$ 1,618,611</u>

The accompanying notes are an integral part of this statement.

CITY OF HALE CENTER  
Hale Center, Texas

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

For the Year Ended September 30, 2024

	<u>General Fund</u>	<u>Total Governmental Funds</u>
REVENUES:		
Property Taxes (Including Penalty & Interest)	\$ 332,012	\$ 332,012
Sales Taxes	96,973	96,973
Franchise Taxes	117,703	117,703
Sanitation and Recycling Fees	255,030	255,030
Mosquito Spraying Fees	19,059	19,059
Fees and Fines	45,154	45,154
Animal Control	410	410
Licenses and Permits	5,017	5,017
Leases and Rents	9,573	9,573
Investment Income	18,781	18,781
Grants	22,845	22,845
Miscellaneous	2,714	2,714
<u>Total Revenues</u>	<u>925,271</u>	<u>925,271</u>
EXPENDITURES		
Current		
General Government	239,905	239,905
Public Safety	373,242	373,242
Sanitation	178,715	178,715
Animal Control	734	734
Streets	113,289	113,289
Health & Welfare	83,230	83,230
Culture and Recreation	84,958	84,958
<u>Total Expenditures</u>	<u>1,074,073</u>	<u>1,074,073</u>
Excess of Revenues Over (Under) Expenditures	(148,802)	(148,802)
OTHER FINANCING SOURCES (USES)		
Transfers In/(Out)	-	-
Sale of Capital Assets	13,606	13,606
<u>Total Other Sources (Uses)</u>	<u>13,606</u>	<u>13,606</u>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	(135,196)	(135,196)
Fund Balance--Beginning of Year	602,552	602,552
<u>Fund Balance--End of Year</u>	<u>\$ 467,356</u>	<u>\$ 467,356</u>

The accompanying notes are an integral part of this statement.

CITY OF HALE CENTER  
Hale Center, Texas

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2024

Net Change in Fund Balances -- Total Governmental Funds		\$	(135,196)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount of capital outlays during the current period.			107,431
The depreciation of capital assets is not reported in the funds. This is the amount of current depreciation on these assets.			(135,573)
Certain property tax revenues are unavailable in the funds. These are the amounts that have not been collected and are therefore do not provide current financial resources. This is the amount that these accounts have changed during the current period.			5,517
Some expenses reported in the statement of activities do not require current financial resources and therefore are not reported as expenditures in governmental funds.			
Change in pension expense	2,248		
Change in OPEB expense	<u>(277)</u>		
			<u>1,971</u>
Change in Net Position -- Statement of Activities		\$	<u>(155,850)</u>

The accompanying notes are an integral part of this statement.

CITY OF HALE CENTER  
Hale Center, Texas

STATEMENT OF NET POSITION - PROPRIETARY FUND  
September 30, 2024

	Business-Type Activities-- <u>Enterprise Funds</u>
	<u>Water &amp; Sewer</u>
<b>ASSETS</b>	
<u>Current Assets:</u>	
Cash	\$ 6,861
Accounts Receivable, net (allowance for uncollectible accounts of \$13,854)	96,670
Due from Other Governments	3,000
<u>Total Current Assets</u>	<u>106,531</u>
<u>Non-Current Assets:</u>	
Land	206,282
Construction in Progress	-
Improvements other than buildings, net	1,395,309
Vehicles, Machinery and Equipment, net	192,051
<u>Total Non-Current Assets</u>	<u>1,793,642</u>
 <u>TOTAL ASSETS</u>	 <u>\$ 1,900,173</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Deferred Outflows - Pension	\$ 29,463
Deferred Outflows - OPEB	2,455
<u>TOTAL DEFERRED OUTFLOWS OF RESOURCES</u>	<u>\$ 31,918</u>
 <b>LIABILITIES</b>	
<u>Current Liabilities</u>	
Accounts Payable	\$ 21,034
Accrued Interest Payable	1,049
Due to Other Funds	-
<u>Non-current Liabilities</u>	
Customer Deposits	86,576
Due within one year	12,064
Due in more than one year	38,493
Net Pension Liability	54,172
Total OPEB Liability	6,520
<u>Total Liabilities</u>	<u>219,908</u>
 <b>DEFERRED INFLOWS OF RESOURCES:</b>	
Deferred Inflows - Pension	1,552
Deferred Inflows - OPEB	5,754
<u>Total Deferred Inflows of Resources</u>	<u>7,306</u>
 <b>NET POSITION</b>	
Net investment in capital assets	1,743,085
Unrestricted	(38,208)
<u>Total Net Position</u>	<u>\$ 1,704,877</u>

The accompanying notes are an integral part of this statement.

CITY OF HALE CENTER  
Hale Center, Texas

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

For the Year Ended September 30, 2024

	<u>Business-Type Activities-- Enterprise Funds</u>
	<u>Water &amp; Sewer</u>
<u>Operating Revenues</u>	
Water Sales	\$ 499,705
Sewer Charges	206,324
Reconnect and Late Fees	24,324
Miscellaneous Income	-
<u>Total Operating Revenues</u>	<u>730,353</u>
<u>Operating Expenses</u>	
Salaries	319,089
Payroll Taxes	25,434
Employee Benefits	61,860
Insurance	19,490
Supplies	19,072
Repairs and Maintenance	83,796
Utilities and Fuel	72,257
Professional Fees	23,625
Miscellaneous	17,546
Depreciation	126,703
<u>Total Operating Expenses</u>	<u>768,872</u>
<u>Operating Income (Loss)</u>	<u>(38,519)</u>
<u>Non-Operating Revenues (Expenses)</u>	
Gain on Sale of Assets	-
Interest Expense	(1,732)
<u>Total Non-Operating Revenues (Expenses)</u>	<u>(1,732)</u>
<u>Income Before Contributions and Transfers</u>	<u>(40,251)</u>
<u>Contributions and Transfers</u>	
Capital Contributions - Grants	124,655
Transfer from/(to) Other Funds	-
<u>Total Contributions and Transfers</u>	<u>124,655</u>
Change in Net Position	84,404
NET POSITION	
Net Position, Beginning of Year	<u>1,620,473</u>
Net Position, End of Year	<u>\$ 1,704,877</u>

The accompanying notes are an integral part of this statement.

CITY OF HALE CENTER  
Hale Center, Texas

STATEMENT OF CASH FLOWS--  
PROPRIETARY FUNDS  
For the Year Ended September 30, 2024

	<u>Business-Type Activities-- Enterprise Funds</u>
	<u>Water &amp; Sewer</u>
<u>Cash Flows from Operating Activities:</u>	
Receipts from Customers	\$ 720,685
Payments to Suppliers	(221,781)
Payments to Employees	(408,400)
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>90,504</u>
 <u>Cash Flows from Non-Capital Financing Activities:</u>	
Transfers to Other Funds	-
Payments for Interfund Balances	(65,383)
<u>Net Cash Provided (Used) by Non-Capital Financing Activities</u>	<u>(65,383)</u>
 <u>Cash Flows from Capital &amp; Related Financing Activities:</u>	
Acquisition of Capital Assets	(141,161)
Capital Contributions	136,538
Payments on Long-Term Debt	(13,637)
<u>Net Cash Provided (Used) by Capital &amp; Related Financing Activities</u>	<u>(18,260)</u>
 <u>Cash Flows from Investing Activities:</u>	
Interest and Dividends	-
<u>Net Cash Provided (Used) by Investing Activities</u>	<u>-</u>
 Net Increase (Decrease) in Cash & Cash Equivalents	6,861
 Cash & Cash Equivalents--Beginning of Year	-
 <u>Cash &amp; Cash Equivalents--End of Year</u>	<u>\$ 6,861</u>
 Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Operating Income (Loss)	\$ (38,519)
Adjustments to Reconcile to Net Cash Provided (Used) by Operating Activities:	
Depreciation	126,703
(Increase) Decrease in Receivables	(10,138)
(Increase) Decrease in Deferred Outflows	11,019
Increase (Decrease) in Liabilities	5,966
Increase (Decrease) in Deferred Inflows	(4,527)
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>\$ 90,504</u>

The accompanying notes are an integral part of this statement.

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS  
September 30, 2024

Note A: Summary of Significant Accounting Policies

The City of Hale Center (the City) was founded in 1921. The City operates under the Council-Manager form of government. Prior to the year ended September 30, 2009, the City operated under a Council-Mayor form of government. The City provides a full range of municipal services including public safety (police and fire), highway and streets, sanitation, culture and recreation, public improvement, planning and zoning, and general administrative services. In addition, the City provides water and sewer service as a proprietary function of the City.

The City of Hale Center is a Type A General-Law municipality governed by an elected mayor and five member City Council who appoint a City Manager. The accompanying financial statements present the City and its discretely presented component units.

This summary of significant accounting policies of the City is presented to assist in the understanding of the City's financial statements. The financial statements and notes are the representation of the City's management who is responsible for their integrity and objectivity. The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units.

1. The Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

In evaluating how to define the City for financial reporting purposes management has considered all potential component units. The decision to include any potential component unit in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39, GASB Statement No. 61, and GASB Statement No. 80. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS, Page 2  
September 30, 2024

Note A: Summary of Significant Accounting Policies (Continued)

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the City has four component units required to be reported under GASB Statements No. 14, No. 39, No. 61, and No. 80.

Discretely Presented Component Units

*The Hale Center Economic Development Corporation (HCEDC)*, a non-profit corporation, was created to promote future economic development in Hale Center, Texas. The HCEDC is included in the reporting entity because the City Council appoints the five-member Board of Directors and approves its annual budget. Accordingly, the City is financially accountable and is able to impose its will on the organization. The HCEDC is reported as a governmental fund type component unit, HCEDC's fiscal year end is March 31<sup>st</sup>, which differs from that of the City's September 30<sup>th</sup> year end. Accordingly, HCEDC's financial information included in the basic financial statements is as of March 31, 2024 rather than September 30, 2024. The difference in fiscal year ends results in inconsistencies in amounts reported in due to/from accounts. Significant transactions between the City and HCEDC included the City's disbursement of HCEDC's share of sales tax revenues to HCEDC amounting to \$47,912 for the year ended March 31, 2024. Separate HCEDC financial information can be obtained by writing to Hale Center Economic Development Corporation, P.O. Box 957, Hale Center, TX 79041.

*Ambulance Service of Hale Center, Inc. (HCEMS)* – HCEMS was established to provide emergency medical services within the corporate limits of the City of Hale Center, Texas. The City of Hale Center contributed \$77,000 to the operating budget of the HCEMS during the fiscal year ended September 30, 2024. The City also bears the cost of utilities and provides City-owned buildings for HCEMS operations. The City appoints 2 members to the HCEMS Board of Directors. HCEMS is reported as a discretely presented component unit in the statement of net position and statement of activities.

*Hale Center Public Library, Inc. (the Library)* – The Library was established to provide library services to all residents of the City of Hale Center, Texas. The City of Hale Center contributed \$5,400 to the operating budget of the Library during fiscal year ended September 30, 2024. The Library is reported as a discretely presented component unit in the statement of net position and statement of activities.

*Hale Center Volunteer Fire Department (HCVFD)* – HCVFD was established to provide fire prevention, fire protection, and emergency rescue services within the corporate limits of the City of Hale Center, Texas. The City of Hale Center contributes \$9,900 annually to the operating budget of the HCVFD. The City also allows the HCVFD to use City-owned firefighting equipment.

Although the HCVFD meets the requirements for being included in the City's financial statements as a component unit, the City Council has elected to forego this reporting requirement.

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS, Page 3  
September 30, 2024

Note A: Summary of Significant Accounting Policies (Continued)

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the over-reporting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all of taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

General Fund: This is the primary operating fund of the City. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

In addition, the City reports the following fund types:

Special Revenue Funds: Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for specific purposes.

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS, Page 4  
September 30, 2024

Note A: Summary of Significant Accounting Policies--Continued

Enterprise Funds: Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

b. Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims, and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS, Page 5  
September 30, 2024

Note A: Summary of Significant Accounting Policies (continued)

The Proprietary Fund Types are accounted for on a flow of economic resources measurement focus utilizing the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The fund equity is segregated in net investment in capital assets, restricted net position, and unrestricted net position.

c. Fund Balance Classification

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources 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. Currently, the City does not have any restricted fund balances.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. Currently, the City has \$27,154 committed for street improvements.

Unassigned: This classification includes the residual fund balance for the General Fund.

The City would typically use Restricted fund balances first, followed by Committed resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

3. Financial Statement Amounts

a. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

For purposes of the statement of cash flows, the City considers all highly liquid investments purchased with maturity of three months or less to be cash equivalents.

Investments having a maturity of one year or more, when purchased, are stated at fair value. Short-term investments are stated at cost or amortized cost.

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS, Page 6  
September 30, 2024

Note A: Summary of Significant Accounting Policies (continued)

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1<sup>st</sup> for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1<sup>st</sup> of the year following the year in which imposed. On January 1<sup>st</sup> of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. As of September 30, 2024, the amount deemed uncollectible by this estimate was \$61,314. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Inventories and Prepaid Items

The City records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory.

Certain payments to vendors reflect cost applicable to future periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair market value at the date of the donation. The City has elected not to retroactively report its infrastructure assets. Infrastructure assets acquired after the implementation of GASB 34 will be capitalized. The cost of normal maintenance and repairs that do not add to the value of the assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	20
Buildings	30
Building Improvements	15
System and Improvements	50
Vehicles	5-10
Office Equipment and Furniture	5-10
Computer Equipment	3

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS, Page 7  
September 30, 2024

Note A: Summary of Significant Accounting Policies (continued)

e. Receivable and Payable Balances

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/due from other funds” (i.e. the current portion of interfund loans) or “advances to/from other funds” (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from 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 trade receivables are shown net of an allowance for uncollectible. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectible.

f. Accrued Payroll Withholdings

The Ambulance Service of Hale Center, Inc., a discretely presented component unit, has \$161,918 accrued for unpaid fiduciary payroll taxes that were incurred in years 2019 and prior. This accrual does not include estimates for late filing, late payment, or any other penalties or interest associated with this liability.

g. Long-Term Debt

In the government-wide financial statements and the 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 straight line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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.

h. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management’s estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS, Page 8  
September 30, 2024

Note A: Summary of Significant Accounting Policies (continued)

i. 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.

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 currently has two types of items, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental fund balance sheet. The governmental funds report unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period when the amounts become available.

j. Pensions

For purposes of measuring the net pension liability/asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary 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.

j. Other Post Employment Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary 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.

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS, Page 9  
September 30, 2024

Note B: Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures", violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violations</u>	<u>Action Taken</u>
None Reported	Not Applicable

2. Fair Value Measurements

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.

Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 inputs are observable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities.

Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).

Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS, Page 10  
September 30, 2024

Note C: Deposits and Investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits

At September 30, 2024, the carrying amount of the City's deposits (cash, certificates of deposit, and interest bearing saving accounts included in temporary investments) was \$443,872 and the bank balance was \$552,576. The City's cash deposits at September 30, 2024 and during the year then ended were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

HCEDC's carrying and bank balance was \$256,657. All HCEDC's deposits were covered by FDIC insurance or pledged collateral held by the agent bank in HCEDC's name at March 31, 2024. Accordingly, the HCEDC had no custodial risk for deposits.

HCEMS' carrying amount of deposits was \$6,842, and the bank balance was \$7,110. All HCEDC's deposits were covered by FDIC insurance at September 30, 2024. Accordingly, the HCEMS had no custodial risk for deposits.

The Library's carrying and bank balance was \$84,483. All of the Library's deposits were covered by FDIC insurance at September 30, 2024. Accordingly, the Library had no custodial risk for deposits.

Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS, Page 11  
September 30, 2024

Note C: Deposits and Investments

The Public Funds Investment Act (“Act”) requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports an establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

Note D: Receivables

Receivables as of September 30, 2024 for the City’s major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts are as follows:

Governmental activities:

General Fund	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
Property taxes	\$ 95,321	\$ (61,314)	\$ 34,007
Franchise taxes	32,067	-	32,067
Sales taxes	11,917	-	11,917
Total governmental	<u>\$ 139,305</u>	<u>\$ (61,314)</u>	<u>\$ 77,991</u>

Business-type activities:

Water and Sewer Fund			
Customer accounts	\$ 115,237	\$ (18,567)	\$ 96,670
Grants	3,000	-	3,000
Total business-type	<u>\$ 118,237</u>	<u>\$ (18,567)</u>	<u>\$ 99,670</u>

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS, Page 12  
September 30, 2024

Note E: Interfund Balances and Activities

At September 30, 2024, there were no interfund balances.

Note F: Interfund Transfers

There were no Interfund transfers for the year ended September 30, 2024.

Note G: Leases Receivable

- a. The City, as lessor, had a lease agreement with a local businessman whereby a tract of land was being leased for the purpose of crop farming. The lease had an initial lease term of March 11, 2020 and terminated on March 10, 2025.

The agreed rent to be paid by the Tenant to the City is the sum of \$5,763 per year. Lease income of \$5,524 and interest income of \$239 was recognized for the fiscal year ending September 30, 2024.

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS, Page 13  
September 30, 2024

Note H: Capital Assets

Capital asset activity for the period ended September 30, 2024, was as follows:

<b>Governmental Activities:</b>	Balance <u>10-01-23</u>	<u>Additions</u>	Deletions/ <u>Reclassifications</u>	Balance <u>9-30-24</u>
Land	\$ 5,778	-	-	\$ 5,778
Infrastructure	1,483,814	69,381	-	1,553,195
Buildings & Improvements	541,885	38,050	-	579,935
Furniture & Equipment	<u>1,020,754</u>	<u>-</u>	<u>(88,662)</u>	<u>932,092</u>
Total Capital Assets	<u>\$ 3,052,231</u>	<u>\$107,431</u>	<u>\$ (88,662)</u>	<u>\$ 3,071,000</u>
 <u>Less Accumulated Depreciation:</u>				
Infrastructure	\$ 1,085,289	\$ 26,914	-	\$ 1,112,203
Buildings & Improvements	276,368	15,201	-	291,569
Furniture & Equipment	<u>504,943</u>	<u>93,457</u>	<u>(88,662)</u>	<u>509,738</u>
Total Accumulated Depreciation	<u>\$ 1,866,600</u>	<u>\$135,572</u>	<u>\$ (88,662)</u>	<u>\$ 1,913,510</u>
Net Capital Assets	<u>\$ 1,185,631</u>	<u>\$(28,141)</u>	<u>\$ -</u>	<u>\$ 1,157,490</u>
<b>Business-Type Activities:</b>	Balance <u>10-01-23</u>	<u>Additions</u>	Deletions/ <u>Reclassifications</u>	Balance <u>9-30-24</u>
Land	\$ 206,281	\$ -	-	\$ 206,281
Construction in Progress	240,239	-	(240,239)	-
Utility Systems & Improvements	2,866,259	141,161	240,239	3,247,659
Vehicles, Machinery & Furniture & Fixtures	<u>546,725</u>	<u>-</u>	<u>(25,278)</u>	<u>521,447</u>
Total Capital Assets	<u>\$ 3,859,504</u>	<u>\$141,161</u>	<u>\$ (25,278)</u>	<u>\$ 3,975,387</u>
 <u>Less Accumulated Depreciation:</u>				
Utility Systems & Improvements	\$ 1,778,441	\$ 73,908	-	\$ 1,852,349
Vehicles, Machinery Furniture & Fixtures	<u>301,879</u>	<u>52,794</u>	<u>(25,278)</u>	<u>329,395</u>
Total Accumulated Depreciation	<u>\$ 2,080,320</u>	<u>\$ 126,702</u>	<u>\$ (25,278)</u>	<u>\$ 2,181,744</u>
Net Capital Assets	<u>\$ 1,779,184</u>	<u>\$ 14,459</u>	<u>\$ -</u>	<u>\$ 1,793,643</u>

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS, Page 14  
September 30, 2024

Note H: Capital Assets (continued)

Depreciation was charged to functions of the primary government as follows:

General Government	\$ -
Public Safety	86,126
Animal Control	1,606
Streets	27,768
Sanitation	1,845
Culture and Recreation	18,227
Water and Sewer	<u>126,702</u>
	<u>\$262,274</u>

<b><u>Hale Center Economic Development Corporation:</u></b>	Balance 10-01-23	Additions	Deletions/ Reclassifications	Balance 9-30-24
Vehicles & Equipment	\$ <u>38,883</u>	\$ -	\$ -	\$ <u>38,883</u>
Total Capital Assets	\$ <u>38,883</u>	\$ -	\$ -	\$ <u>38,883</u>
<u>Less Accumulated Depreciation:</u>				
Furniture & Equipment	\$ <u>21,756</u>	\$ <u>5,555</u>	\$ -	\$ <u>27,311</u>
Total Accumulated Depreciation	\$ <u>21,756</u>	\$ <u>5,555</u>	\$ -	\$ <u>27,311</u>
Net Capital Assets	\$ <u>17,127</u>	\$ <u>(5,555)</u>	\$ -	\$ <u>11,572</u>

<b><u>Ambulance Service of Hale Center, Inc.:</u></b>	Balance 10-01-23	Additions	Deletions/ Reclassifications	Balance 9-30-24
Vehicles & Equipment	\$ <u>104,491</u>	\$ -	\$ -	\$ <u>104,491</u>
Total Capital Assets	\$ <u>104,491</u>	\$ -	\$ -	\$ <u>104,491</u>
<u>Less Accumulated Depreciation:</u>				
Furniture & Equipment	\$ <u>90,391</u>	\$ <u>9,400</u>	\$ -	\$ <u>99,791</u>
Total Accumulated Depreciation	\$ <u>90,391</u>	\$ <u>9,400</u>	\$ -	\$ <u>99,791</u>
Net Capital Assets	\$ <u>14,100</u>	\$ <u>(9,400)</u>	\$ -	\$ <u>4,700</u>

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS, Page 15  
September 30, 2024

Note I: Long-Term Obligations

The City issued a Public Property Finance Act Contract for the purchase of a vehicle and utility equipment. This debt carries an effective interest rate of 3.112% and is due in 7 annual payments beginning November 2021 and ending November 2027.

Changes in long-term obligations for the year ended September 30, 2024 are as follows:

<b><u>Governmental Activities:</u></b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Net Pension Liability	\$ 62,000	\$ 9,401	\$ 17,629	\$ 53,772	\$ -
Total OPEB Liability	<u>10,006</u>	<u>241</u>	<u>149</u>	<u>\$ 10,098</u>	<u>-</u>
<b><u>Total Governmental Funds:</u></b>	<b><u>\$ 72,006</u></b>	<b><u>\$ 9,642</u></b>	<b><u>\$ 17,778</u></b>	<b><u>\$ 63,870</u></b>	<b><u>\$ -</u></b>
<b><u>Business-Type Activities:</u></b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Public Property Finance	\$ 62,219	\$ -	\$ 11,662	\$ 50,557	\$ 12,064
Net Pension Liability	62,775	9,828	18,431	54,172	-
Total OPEB Liability	<u>6,426</u>	<u>250</u>	<u>156</u>	<u>6,520</u>	<u>-</u>
<b><u>Total Business-Type Funds:</u></b>	<b><u>\$ 131,420</u></b>	<b><u>\$ 10,078</u></b>	<b><u>\$ 30,249</u></b>	<b><u>\$ 111,249</u></b>	<b><u>\$ 12,064</u></b>

Debt service requirements on business-type long-term obligations outstanding at September 30, 2024, are as follows:

<u>Business-Type Activities</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending September 30,			
2025	\$ 12,064	\$ 1,573	\$ 13,637
2026	12,440	1,198	13,638
2027	12,827	811	13,638
2028	<u>13,226</u>	<u>412</u>	<u>13,638</u>
Totals	<u>\$ 50,557</u>	<u>\$ 3,994</u>	<u>\$ 54,551</u>

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS, Page 16  
September 30, 2024

Note J: TMRS-Pension Plan

Plan Description

The City of Hale Center participates as one of 934 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan 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 employees of Texas participating cities. The TMRS Act places the administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at [tmrs.com](http://tmrs.com).

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

Benefits Provided

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

At retirement, the Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

	<u>Plan Year 2023</u>	<u>Plan Year 2022</u>
Employee deposit rate	5.0%	5.0%
Matching ratio (City to employee)	1 to 1	1 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100%	100%
Annuity Increase (to retirees)	70% of CPI	50% of CPI

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS, Page 17  
September 30, 2024

Note J: TMRS-Pension Plan (continued)

*Employees covered by benefit terms*

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

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	6
Active employees	<u>11</u>
Total	20

Contributions

Member contribution rates in TMRS are either 5%, 6% or 7% of the Member's total compensation, 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 city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City of Hale Center were required to contribute 5% of their annual compensation. The actuarially determined contribution rates for the City of Hale Center were 5.91% and 6.44% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2024 were \$38,819, which was equal to the required contributions.

Net Pension Liability

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

*Actuarial assumptions:*

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

Inflation	2.5% per year
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

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS, Page 18  
September 30, 2024

Note J: TMRS-Pension Plan (continued)

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 100% of 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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% 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 the most recent Scale MP-2021 to account for future mortality improvements subject to the 3% 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. The assumptions were adopted in 2023 and first used in the December 31, 2023 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 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 by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in fiscal year 2024 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	35.00%	6.70%
Core Fixed Income	6.00%	4.70%
Non-Core Fixed Income	20.00%	8.00%
Other Public and Private	12.00%	8.00%
Real Estate	12.00%	7.60%
Hedge Funds	5.00%	6.40%
Private Equity	<u>10.00%</u>	11.60%
Total	100.00%	

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS, Page 19  
September 30, 2024

Note J: TMRS-Pension Plan (continued)

*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 member 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 Members. 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.

*Change in the Net Pension Liability*

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/22	\$ 685,898	\$ 561,123	\$ 124,775
Changes for the year:			
Service cost	59,733		59,733
Interest	47,534		47,534
Change of benefit terms	-		-
Difference between expected and actual experience	5,876		5,876
Changes of assumptions	1,074		1,074
Contributions - employer		36,060	(36,060)
Contributions - employee		30,507	(30,507)
Net investment income		64,897	(64,897)
Benefit payments, including refunds of employee contributions	(23,121)	(23,121)	-
Administrative expense		(413)	413
Other changes		(3)	3
Net changes	<u>91,096</u>	<u>107,927</u>	<u>(16,831)</u>
Balance at 12/31/23	<u>\$ 776,994</u>	<u>\$ 669,050</u>	<u>\$ 107,944</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%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability/(asset)	\$ 220,221	\$ 107,944	\$ 15,516

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS, Page 20  
September 30, 2024

Note J: TMRS-Pension Plan (continued)

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan’s Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at [tmrs.com](http://tmrs.com).

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

For the year ended September 30, 2024, the city recognized pension expense of \$20,160.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 15,087	\$ 3,221
Changes in actuarial assumptions	\$ 1,019	\$ -
Difference between projected and actual investment earnings	\$ 13,135	\$ -
Contributions subsequent to the measure date December 31, 2023	<u>\$ 29,698</u>	<u>\$ -</u>
Total	\$ 58,939	\$ 3,221

\$29,698 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec 31:	
2024	\$ 6,045
2025	9,696
2026	13,673
2027	(3,394)
2028	-
Thereafter	<u>-</u>
Total	\$ 26,020

CITY OF HALE CENTER  
 Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS, Page 21  
 September 30, 2024

Note K: Supplemental Death Benefits Plan

1. Plan Description

The City participates in the single-employer unfunded defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City 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 SDBF had 823 participating cities as of December 31, 2023.

2. OPEB Plan Fiduciary Net Position

Detailed information about the fiduciary net position of the Supplemental Death Benefits Fund is available in the separately-issued TMRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [tmrs.com](http://tmrs.com) or by writing to TMRS at P.O. Box 149153, Austin, TX 78714-9153.

3. Benefits Provided

The death benefit for active members provides a lump-sum payment approximately equal to the member’s annual salary (calculated based on the members’s actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an “other post-employment benefit” (“OPEB”) and is a fixed amount of \$7,500. The obligations of this plan are payable only from the SDBF and are not an obligation of the Pension Trust Fund. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

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

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>11</u>
Total	13

4. Contributions

The City contributes to the SDBF monthly based on the payroll of their covered members at an annually actuarially determined rate. There is a one-year delay between the actuarial valuation that serves as the basis for the city’s contribution rate and the calendar year when the rate goes into effect.

TMRS pools the SDBF contributions with those of the Pension Trust Fund for investment purposes. The SDBF’s funding policy assures that adequate resources are available to meet all death benefit payments for the upcoming year. The SDBF is a pay-as-you-go fund, and any excess contributions are available for future SDBF benefits.

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 22  
September 30, 2024

Note K: Supplemental Death Benefits Plan (continued)

	<u>Contribution Rates</u>	
City	<u>2023</u>	<u>2024</u>
	0.26%	0.28%
<b>Current Fiscal Year Employer Contributions</b>	<b>\$ 1,693</b>	

5. Actuarial Assumptions

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

**Summary of Actuarial Methods and Assumptions**

Valuation Date	December 31, 2023
Actuarial Cost Method	Entry Age Normal
Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Discount Rate*	3.77%*
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under 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 set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

\*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

CITY OF HALE CENTER  
 Hale Center, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 23  
 September 30, 2024

Note K: Supplemental Death Benefits Plan (continued)

6. Discount Rate

As of December 31, 2023, the discount rate used in the development of the Total OPEB Liability was 3.77% compared to 4.05% as of December 31, 2022. In accordance with GASB No. 75, paragraph 155, the applicable discount rate for an unfunded OPEB is based on an index of tax exempt 20-year municipal bond rates rated as AA or higher. The projection of cash flows used to determine the discount rate assumed that contributions are made at the actuarially determined rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to *not be able to* make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of December 31, 2023.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.77%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (2.77%)	Discount Rate (3.77%)	1% Increase in Discount Rate (4.77%)
Total OPEB Liability	\$ 19,732	\$ 16,618	\$ 14,058

8. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At September 30, 2024, the City reported a liability of \$16,618 for total OPEB liability. The total OPEB liability was measured as of December 31, 2023 by an actuarial valuation as of that date.

**Changes Since the Prior Actuarial Valuation** – The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

As of December 31, 2023, the discount rate used in the development of the Total OPEB Liability was 3.77% compared to 4.05% as of December 31, 2022. Beginning with the December 31, 2019 actuarial valuation, mortality rates are based on the 2019 Municipal Retirees of Texas Mortality Tables. Prior to the December 31, 2019 actuarial valuation, mortality rates were based on the RP2000 Combined Mortality Table with Blue Collar Adjustment.

For the year ended September 30, 2024, the City recognized OPEB expense of \$2,259.

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 24  
September 30, 2024

Note K: Supplemental Death Benefits Plan (continued)

*Change in the Total OPEB Liability*

	Total OPEB Liability (a)
Balance at 12/31/22	\$ 16,432
Changes for the year:	
Service cost	1,464
Interest	689
Change of benefit terms	-
Difference between expected and actual experience	(2,144)
Changes of assumptions	482
Benefit payments, including refunds of employee contributions	(305)
Other changes	-
Net changes	<u>186</u>
Balance at 12/31/23	<u>\$ 16,618</u>

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experiences	\$ 289	\$ 5,118
Changes in actuarial assumptions	\$ 4,060	\$ 7,150
Difference between projected and actual investment earnings	<u>\$ -</u>	<u>\$ -</u>
Total as of Dec. 31, 2023 measurement date	\$ 4,349	\$ 12,268
Contributions paid to TRS subsequent to the measurement date	<u>\$ 1,292</u>	<u>\$ -</u>
Total as of fiscal year-end	<u>\$ 5,641</u>	<u>\$ 12,268</u>

The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended December 31:</u>	<u>OPEB Expense Amount</u>
2024	\$ (1,172)
2025	(1,259)
2026	(1,164)
2027	(1,217)
2028	(1,484)
Thereafter	(1,623)

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS, Page 25  
September 30, 2024

Note L: Litigation

There was no reportable litigation at September 30, 2024.

Note M: Going Concern – Ambulance Service of Hale Center, Inc. (component unit)

The Ambulance Service of Hale Center, Inc., while a component unit of the City of Hale Center, is a separate entity, a Texas non-profit corporation. The entity has continued to operate at a deficit. Additionally, the entity has \$161,918 of unpaid federal payroll fiduciary taxes, prior to penalties and interest, that originated in prior years.

There is substantial doubt that this entity will be able to address this issue in a manner that will allow its continuation of operations. The City of Hale Center has other options that are being explored to continue to provide this service to its citizens either as another new entity formed for such purpose or obtaining additional funding sources. The City will not be significantly impacted by this entity.

*REQUIRED SUPPLEMENTARY INFORMATION*

CITY OF HALE CENTER  
Hale Center, Texas

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Fiscal Year Ended September 30, 2024

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>				
Property Taxes (Including Penalty & Interest)	\$ 343,611	\$ 343,611	\$ 332,012	\$ (11,599)
Sales Taxes	95,330	95,330	96,973	1,643
Franchise Taxes	144,200	144,200	117,703	(26,497)
Sanitation Fees	259,500	259,500	255,030	(4,470)
Mosquito Spraying Fees	18,940	18,940	19,059	119
Fees and Fines	58,400	58,400	45,154	(13,246)
Animal Control	3,500	3,500	410	(3,090)
Licenses and Permits	4,200	4,200	5,017	817
Leases and Rents	8,325	8,325	9,573	1,248
Investment Income	120	120	18,781	18,661
Grants	23,141	23,141	22,845	(296)
Miscellaneous	500	500	2,714	2,214
<u>Total Revenues</u>	<u>959,767</u>	<u>959,767</u>	<u>925,271</u>	<u>(34,496)</u>
<u>Expenditures</u>				
Current				
General Government	237,143	237,143	239,905	(2,762)
Public Safety	392,068	393,028	373,242	19,786
Sanitation	187,866	187,866	178,715	9,151
Animal Control	3,000	3,000	734	2,266
Streets	126,750	126,750	113,289	13,461
Health and Welfare	76,250	80,702	83,230	(2,528)
Culture and Recreation	47,800	86,526	84,958	1,568
<u>Total Expenditures</u>	<u>1,070,877</u>	<u>1,115,015</u>	<u>1,074,073</u>	<u>40,942</u>
<u>Other Financing Sources (Uses)</u>				
Transfer In/(Out)	-	-	-	-
Sale of Capital Assets	2,000	2,000	13,606	11,606
<u>Total Other Financing Sources (Uses)</u>	<u>2,000</u>	<u>2,000</u>	<u>13,606</u>	<u>11,606</u>
<u>Excess of Revenues and Other Sources</u>				
<u>Over (Under) Expenditures and Other Uses</u>	<u>(109,110)</u>	<u>(153,248)</u>	<u>(135,196)</u>	<u>18,052</u>
Fund Balance, Beginning of Year	602,552	602,552	602,552	-
<u>Fund Balance, End of Year</u>	<u>\$ 493,442</u>	<u>\$ 449,304</u>	<u>\$ 467,356</u>	<u>\$ 18,052</u>

CITY OF HALE CENTER  
Hale Center, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/ASSET  
AND RELATED RATIOS - TMRS  
(unaudited)

	Measurement Year									
	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
<b>Total Pension Liability</b>										
Service Cost	\$ 59,733	\$ 53,135	\$ 49,297	\$ 40,403	\$ 37,860	\$ 30,425	\$ 27,515	\$ 25,789	\$ 22,383	\$ 24,345
Interest (on the Total Pension Liability)	47,534	41,726	35,196	31,796	31,200	23,237	20,397	17,712	17,477	21,375
Changes of benefit terms	-	24,469	-	-	74,764	-	-	-	-	-
Difference between expected and actual experience	5,876	8,687	11,714	1,263	(45,581)	(1,420)	841	759	(25,622)	(83,306)
Change of assumptions	1,074	-	-	-	2,287	-	-	-	8,372	-
Benefit payments, including refunds of employee contributions	(23,121)	(18,480)	(33,230)	(21,844)	(14,588)	(10,924)	(5,343)	(5,343)	(17,813)	(16,442)
<b>Net change in Total Pension Liability</b>	91,096	109,537	62,977	51,618	85,942	41,318	43,410	38,917	4,797	(54,028)
<b>Total Pension Liability - Beginning</b>	685,898	576,361	513,384	461,766	375,824	334,506	291,096	252,179	247,382	301,410
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 776,994</b>	<b>\$ 685,898</b>	<b>\$ 576,361</b>	<b>\$ 513,384</b>	<b>\$ 461,766</b>	<b>\$ 375,824</b>	<b>\$ 334,506</b>	<b>\$ 291,096</b>	<b>\$ 252,179</b>	<b>\$ 247,382</b>
<b>Plan Fiduciary Net Position</b>										
Contributions - employer	36,060	27,705	22,947	23,649	8,761	8,406	7,479	6,524	9,795	8,922
Contributions - employee	30,507	27,761	26,997	24,281	22,349	22,047	19,996	18,742	17,056	19,239
Net investment income	64,897	(41,201)	63,193	32,344	54,856	(10,351)	39,384	16,725	355	12,389
Benefit payments, including refunds of employee contributions	(23,121)	(18,480)	(33,230)	(21,844)	(14,588)	(10,924)	(5,343)	(5,343)	(17,813)	(16,442)
Administrative expense	(413)	(357)	(293)	(210)	(311)	(201)	(206)	(191)	(216)	(129)
Other	(3)	426	3	(10)	(9)	(11)	(10)	(10)	(11)	(11)
<b>Net Change in Plan Fiduciary Net Position</b>	107,927	(4,146)	79,617	58,210	71,058	8,966	61,300	36,447	9,166	23,968
<b>Plan Fiduciary Net Position - Beginning</b>	561,123	565,269	485,652	427,442	356,384	347,418	286,118	249,671	240,505	216,537
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 669,050</b>	<b>\$ 561,123</b>	<b>\$ 565,269</b>	<b>\$ 485,652</b>	<b>\$ 427,442</b>	<b>\$ 356,384</b>	<b>\$ 347,418</b>	<b>\$ 286,118</b>	<b>\$ 249,671</b>	<b>\$ 240,505</b>
<b>Net Pension Liability/(Asset) - Ending (a) - (b)</b>	<b>\$ 107,944</b>	<b>\$ 124,775</b>	<b>\$ 11,092</b>	<b>\$ 27,732</b>	<b>\$ 34,324</b>	<b>\$ 19,440</b>	<b>\$ (12,912)</b>	<b>\$ 4,978</b>	<b>\$ 2,508</b>	<b>\$ 6,877</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	86.11%	81.81%	98.08%	94.60%	92.57%	94.83%	103.86%	98.29%	99.01%	97.22%
<b>Covered Employee Payroll</b>	\$ 610,146	\$ 555,223	\$ 539,940	\$ 485,610	\$ 446,989	\$ 440,941	\$ 399,927	\$ 374,839	\$ 342,767	\$ 384,773
<b>Net Pension Liability/(Asset) as a Percentage of Covered Payroll</b>	17.69%	22.47%	2.05%	5.71%	7.68%	4.41%	-3.23%	1.33%	0.73%	1.79%

The accompanying notes are an integral part of this statement.

CITY OF HALE CENTER  
Hale Center, Texas

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY  
AND RELATED RATIOS - TMRS  
(unaudited)

	Measurement Year December 31,						
	2023	2022	2021	2020	2019	2018	2017
<b>Total OPEB Liability</b>							
Service Cost	\$ 1,464	\$ 2,610	\$ 2,808	\$ 1,700	\$ 1,609	\$ 1,720	\$ 1,360
Interest (on the Total OPEB Liability)	689	467	420	460	519	459	407
Changes of benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	(2,144)	(1,523)	487	(1,273)	(3,244)	(809)	-
Change of assumptions	482	(9,124)	867	2,951	3,862	(1,156)	1,191
Benefit payments, including refunds of employee contributions	(305)	(111)	(162)	(49)	(45)	(44)	(40)
<b>Net change in Total OPEB Liability</b>	186	(7,681)	4,420	3,789	2,701	170	2,918
<b>Total OPEB Liability - Beginning</b>	16,432	24,113	19,693	15,904	13,203	13,033	10,115
<b>Total OPEB Liability - Ending</b>	<u>\$ 16,618</u>	<u>\$ 16,432</u>	<u>\$ 24,113</u>	<u>\$ 19,693</u>	<u>\$ 15,904</u>	<u>\$ 13,203</u>	<u>\$ 13,033</u>
<b>Covered Employee Payroll</b>	\$ 610,146	\$ 555,223	\$ 539,940	\$ 485,610	\$ 446,989	\$ 440,941	\$ 399,927
<b>Total OPEB Liability/(Asset) as a Percentage of Covered Payroll</b>	2.72%	2.96%	4.47%	4.06%	3.56%	2.99%	3.26%

The accompanying notes are an integral part of this statement.

CITY OF HALE CENTER  
Hale Center, Texas

SCHEDULE OF CONTRIBUTIONS - TMRS PENSION  
(unaudited)

	Fiscal Year September 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 38,819	\$ 34,168	\$ 26,259	\$ 24,396	\$ 19,418	\$ 8,614	\$ 8,152	\$ 7,132	\$ 7,562	\$ 9,179
Contributions in relation to the actuarially determined contribution	<u>38,819</u>	<u>34,168</u>	<u>26,259</u>	<u>24,396</u>	<u>19,418</u>	<u>8,614</u>	<u>8,152</u>	<u>7,132</u>	<u>7,562</u>	<u>9,179</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 615,481	\$ 600,602	\$ 546,182	\$ 543,662	\$ 476,646	\$ 442,741	\$ 429,219	\$ 388,549	\$ 371,123	\$ 338,284
Contributions as a percentage of covered employee payroll	6.31%	5.69%	4.81%	4.49%	4.07%	1.95%	1.90%	1.84%	2.04%	2.71%

The accompanying notes are an integral part of this statement.

CITY OF HALE CENTER  
Hale Center, Texas

SCHEDULE OF CONTRIBUTIONS - TMRS OPEB  
(unaudited)

	Fiscal Year September 30,						
	2023	2023	2022	2021	2020	2019	2018
Actuarially Determined Contribution	\$ 1,693	\$ 1,399	\$ 784	\$ 881	\$ 1,163	\$ 1,007	\$ 921
Contributions in relation to the actuarially determined contribution	<u>1,693</u>	<u>1,399</u>	<u>784</u>	<u>881</u>	<u>1,163</u>	<u>1,007</u>	<u>921</u>
Contribution (deficiency) excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 615,481	\$ 600,602	\$ 546,182	\$ 543,662	\$ 476,646	\$ 442,741	\$ 429,219
Contributions as a percentage of covered employee payroll	0.28%	0.23%	0.14%	0.16%	0.24%	0.23%	0.21%

The accompanying notes are an integral part of this statement.

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
September 30, 2024

Schedule of Pension Contributions – TMRS

**Valuation Date:**

Notes 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 (longest amortization ladder)
Asset Valuation Method	10 year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
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). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. 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.

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
September 30, 2024

Schedule of Contributions for OPEB – TMRS

**Valuation Date:**

Notes

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

Asset Valuation

For purposes of calculating the Total OPEB Liability, the plan is considered to be unfunded and therefore no assets are accumulated for OPEB.

Inflation

2.5%

Salary Increases

3.60% to 11.85% including inflation

Discount Rate\*

3.77%

Retirees' share of benefit-related costs

0\$

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 set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

\*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.

Note: The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

*OTHER SUPPLEMENTARY INFORMATION*

CITY OF HALE CENTER  
Hale Center, Texas

SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
For the Year Ended September 30, 2024

Year of Levy	Original Tax Levy	Balance 10/01/23	Add: Current Levy	Less: Collections	Total Year's Adjustments	Balance 09/30/24
2014 and Prior	\$ --	\$ 15,560	\$ -	\$ 70	\$ -	\$ 15,490
2015	278,028	2,403	-	157	-	2,246
2016	290,273	3,457	-	-	-	3,457
2017	302,919	4,819	-	224	(160)	4,435
2018	310,142	6,277	-	829	(165)	5,283
2019	298,877	8,463	-	816	(154)	7,493
2020	285,464	8,387	-	946	(146)	7,295
2021	285,464	10,856	-	1,736	(145)	8,975
2022	319,278	21,613	-	5,703	(759)	15,151
2023	337,467	-	337,467	311,068	(1,753)	24,646
	<u>Totals</u>	<u>\$ 81,835</u>	<u>\$ 337,467</u>	<u>\$ 321,549</u>	<u>\$ (3,282)</u>	<u>\$ 94,471</u>

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## Independent Auditors' Report

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

To the Honorable Mayor and City Council  
City of Hale Center, Texas  
P.O. Box 532  
Hale Center, Texas 79041

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hale Center, Texas, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Hale Center's basic financial statements, and have issued our report thereon dated June 6, 2025.

#### Internal Control Over Financial Reporting

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

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



Independent Auditors' Report  
Page 2

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

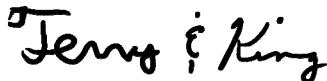
Report on Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in black ink that reads "Terry & King". The signature is written in a cursive, flowing style.

Terry & King, CPAs, P.C.  
Lubbock, Texas  
June 6, 2025

CITY OF HALE CENTER  
Hale Center, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2024

A. **Findings Required to be Reported in Accordance with Government Auditing Standards**

None – N/A

CITY OF HALE CENTER  
Hale Center, Texas

SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS  
For the Year Ended September 30, 2024

**A. Findings Required to be Reported in Accordance with *Government Auditing Standards***

None