



CITY OF QUINLAN, TX

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2024

ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2024



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ANNUAL FINANCIAL REPORT

of the

City of Quinlan, Texas

**For the Year Ended
September 30, 2024**

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City of Quinlan, Texas

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September 30, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Quinlan, Texas:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Quinlan, Texas (the "City") 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Quinlan, Texas, as of September 30, 2024, and the respective changes in financial position, and cashflows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 City of Quinlan, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City's 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 one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, 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.

Emphasis of Matter

As discussed in Note V.E. the financial statements, the City restated beginning net position for governmental activities for the correction in reporting of unearned revenue. In addition, the City restated beginning net position for the sanitation fund and business-type activities to correct customer deposits. In addition, the City restated the beginning net position for governmental activities for the correction of previously reported deferred revenue to unearned revenue. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of employer contributions to pension plan, and schedule of changes in the other postemployment benefits liability and related ratios, and budgetary comparison information be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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.



Brooks Watson & Co.
Certified Public Accountants
Houston, Texas
April 30, 2025

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***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

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City of Quinlan, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2024

The purpose of the Management's Discussion and Analysis (the "MD&A") is to give the readers an objective and easily readable analysis of the City of Quinlan's financial activities for the year ending September 30, 2024. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current-year results with those of the prior year, and discusses the positive and negative aspects of that comparison. GASB Statement No. 34 establishes the content of the minimum requirements for the MD&A. Please read the MD&A in conjunction with the City's financial statements, which follow this section.

The annual financial report is presented as compliant with the financial reporting model in effect pursuant to GASB Statement No. 34. This financial reporting model requires governments to present certain basic financial statements as well as an MD&A and certain other Required Supplementary Information (RSI). The basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements.

Financial Highlights

- The City's total combined net position was \$10,656,210 at September 30, 2024. Of this, \$3,559,280 (unrestricted net position) may be used to meet the City's ongoing obligations to its citizens and creditors.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$4,366,978, a decrease of \$286,325.
- As of the end of the year, the unassigned fund balance of the general fund was \$2,812,817 or 165% of total general fund expenditures.
- The City had an overall increase in net position of \$1,025,582, which is primarily attributed to current year grants and contributions of \$1,029,013.

Government-Wide Statements

The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City of Quinlan. These statements are prepared 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 even if cash has not yet changed hands.

City of Quinlan, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2024

The *statement of net position* presents information on all of the City's assets and liabilities. The difference between the two is reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

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

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

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate Quinlan Economic Development Corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City of Quinlan. They are usually segregated for specific activities or objectives. The City of Quinlan uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The two categories of City funds are governmental and proprietary.

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By

City of Quinlan, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

September 30, 2024

doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Quinlan maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund.

The City of Quinlan adopts an annual appropriated budget for its general, grant, debt service, public safety, capital equipment replacement, capital projects and utility funds. A budgetary comparison schedule has been provided to demonstrate compliance with for the general fund and grant fund.

Proprietary Funds

The City maintains two proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water distribution, wastewater collection/treatment, water construction operations and sanitation services. The proprietary fund financial statements provide separate information for the water distribution, wastewater collection/treatment fund, and sanitation funds. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

Notes to Financial Statements

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

Other Information

In addition to the basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI that GASB Statement No. 34 requires includes a budgetary comparison schedule for the general fund and schedule of funding progress for Texas Municipal Retirement System. RSI can be found after the basic financial statements.

City of Quinlan, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2024

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Quinlan, assets exceed liabilities by \$10,656,210 as of September 30, 2024, in the primary government.

The largest portion of the City's net position, \$5,438,703, reflects its investment in capital assets (e.g., land, city hall, police station, streets, and drainage systems, as well as the public works facilities), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Current and other assets for governmental activities decreased primarily due to the utilization of cash for capital projects in addition to operational expenses. Total governmental long-term liabilities decreased due to the pay down of debt in the current year. Total other liabilities increased primarily due to the rise in the current portion of long-term debt, as well as the timing of disbursements for capital projects in the year.

City of Quinlan, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2024

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2024			2023		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and						
other assets	\$ 4,783,670	\$ 970,837	\$ 5,754,507	\$ 5,194,834	\$ 1,020,548	\$ 6,215,382
Long-term assets	3,251,005	4,484,052	7,735,057	1,928,813	4,536,766	6,465,579
Total Assets	8,034,675	5,454,889	13,489,564	7,123,647	5,557,314	12,680,961
Deferred Outflows of Resources	86,817	24,045	110,862	133,378	37,139	170,517
Other liabilities	530,400	314,410	844,810	601,580	313,483	915,063
Long-term liabilities	916,617	1,129,777	2,046,394	1,025,020	1,214,095	2,239,115
Total Liabilities	1,447,017	1,444,187	2,891,204	1,626,600	1,527,578	3,154,178
Deferred Inflows of Resources	41,514	11,498	53,012	52,151	14,521	66,672
Net Position:						
Net investment						
in capital assets	2,108,360	3,330,343	5,438,703	845,586	3,337,526	4,183,112
Restricted	1,635,655	22,572	1,658,227	1,744,387	30,921	1,775,308
Unrestricted	2,888,946	670,334	3,559,280	2,988,301	683,907	3,672,208
Total Net Position	\$ 6,632,961	\$ 4,023,249	\$ 10,656,210	\$ 5,578,274	\$ 4,052,354	\$ 9,630,628

City of Quinlan, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2024

Statement of Activities:

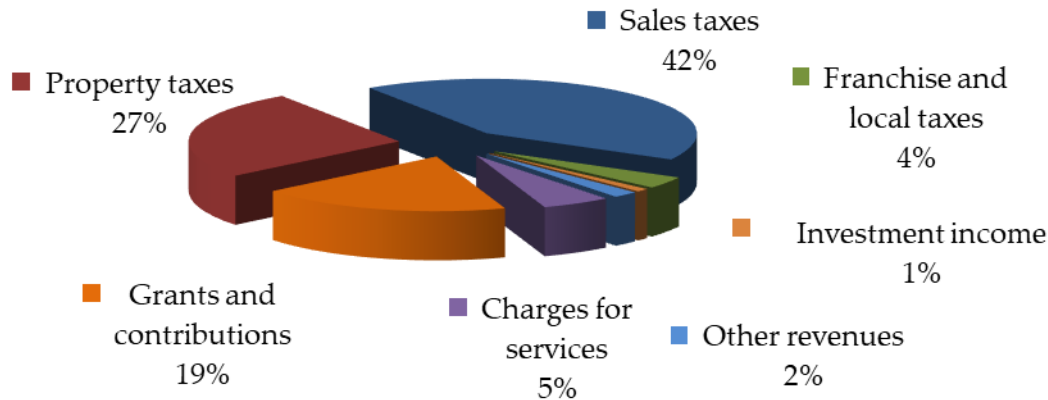
The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2024			For the Year Ended September 30, 2023		
			Total			Total
	Governmental	Business-Type	Primary	Governmental	Business-Type	Primary
	Activities	Activities	Government	Activities	Activities	Government
Revenues						
Program revenues:						
Charges for services	\$ 160,130	\$ 1,403,902	\$ 1,564,032	\$ 78,083	\$ 1,225,145	\$ 1,303,228
Grants and contributions	733,323	295,690	1,029,013	894,939	22,159	917,098
General revenues:						
Property taxes	800,871	-	800,871	643,842	-	643,842
Sales taxes	1,282,404	-	1,282,404	1,220,058	-	1,220,058
Franchise and local taxes	108,112	-	108,112	108,104	-	108,104
Investment income	28,942	4,972	33,914	790	5,478	6,268
Other revenues	58,696	-	58,696	54,973	-	54,973
Total Revenues	3,172,478	1,704,564	4,877,042	3,000,789	1,252,782	4,253,571
Expenses						
General government	587,222	-	587,222	557,786	-	557,786
Public safety	626,300	-	626,300	616,782	-	616,782
Code compliance	56,232	-	56,232	58,376	-	58,376
Public works	538,279	-	538,279	396,434	-	396,434
Community development	99,622	-	99,622	494,042	-	494,042
Interest and fiscal charges	48,115	23,941	72,056	32,677	24,626	57,303
Water, sewer, & sanitation	-	1,871,749	1,871,749	-	1,532,884	1,532,884
Total Expenses	1,955,770	1,895,690	3,851,460	2,156,097	1,557,510	3,713,607
Change in Net Position						
Before Transfers	1,216,708	(191,126)	1,025,582	844,692	(304,728)	539,964
Transfers	(162,021)	162,021	-	(68,088)	68,088	-
Total	(162,021)	162,021	-	(68,088)	68,088	-
Change in Net Position	1,054,687	(29,105)	1,025,582	776,604	(236,640)	539,964
Beginning Net Position	5,578,274	4,052,354	9,630,628	4,801,670	4,288,994	9,090,664
Ending Net Position	\$ 6,632,961	\$ 4,023,249	\$ 10,656,210	\$ 5,578,274	\$ 4,052,354	\$ 9,630,628

City of Quinlan, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2024

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.

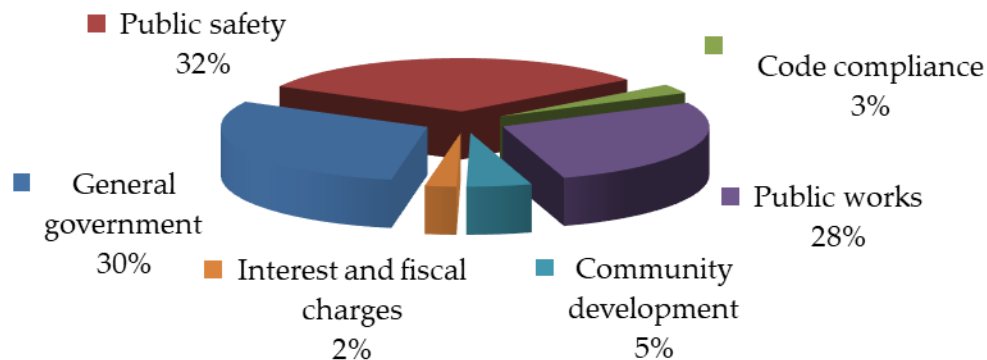
Governmental Activities - Revenues



For the year ended September 30, 2024, revenues from governmental activities totaled \$3,172,478. Property tax, sales tax, and grants and contributions are the City's largest revenue sources. Charges for services increased by \$82,047, or 105%, due to a rise in license and permits when compared to the previous year. Grants and contributions decreased by \$161,616, or over 18%, primarily due to the City receiving the TDCHA Home Program grant in the previous year. The current year included the wrap up of these grant projects in addition to capital contributions of \$467,410 from the Quinlan Economic Development Corporation. Property taxes increased by \$157,029, or 24%, as a result of a rise in appraised values. Investment income increased by \$28,152, or over 100%, due to the utilization of certificate of deposit accounts in the current year. All other revenues remained relatively stable when compared to the previous year.

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses



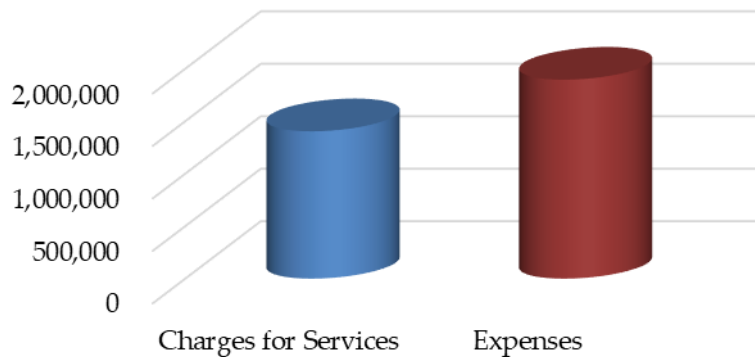
For the year ended September 30, 2024, expenses for governmental activities totaled \$1,955,770. This represents a decrease of \$200,327 or 9% from the prior year. General government expenses increased by

City of Quinlan, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2024

\$29,436, or 5%, primarily due to an increase in personnel and professional service costs in the current year. Public works increased by \$141,845, or 36%, due to nonrecurring street repairs and maintenance costs as well as engineering costs that were non-capital during the year. Community development decreased by \$394,420, or 80%, due to the nonrecurring expenses related to the TDHCA Home Program grants received in the previous year. Interest and fiscal charges increased by \$15,438, or 47%, due to the new interest payments related debt issuance in the previous year. All other expenses remained relatively consistent with the previous year.

Business-type activities are shown comparing operating costs to revenues generated by related services.

Business-Type Activities - Revenues and Expenses



For the year ended September 30, 2024, charges for services by business-type activities totaled \$1,403,902, and total expenses totaled \$1,895,690. Charges for services increased by \$178,757, or 15%, consistent with the rise in overall consumption. Grants and contributions increased by \$273,531, or over 100%, due primarily to nonrecurring contributions received for a CDBG project. Business-type expenses increased by \$338,180, or 22%, caused by an increase in depreciation expenses as well as nonrecurring professional services provided to perform feasibility studies for potential future projects.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

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

As of the end of the year the general fund reflected a total fund balance of \$2,812,817. The entire fund balance was unassigned as of yearend. The general fund decreased by \$207,148 compared to the prior

City of Quinlan, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2024

year. This decrease was primarily due to transfers out exceeding the revenues over expenditures, which is consistent with the adopted budget.

At the end of the year the capital projects fund reflected a total fund balance of \$732,874. The capital projects fund decreased by \$652,209 primarily due to the use of funds for capital projects in the current year.

At the end of the year the grant fund reflected a total fund balance of \$687,360. The grant fund increased by \$571,119 which is due to transfers into the grant fund from other funds.

There was a decrease in governmental fund balance of \$286,325 over the prior year. The decrease was primarily caused by the transfers out, which is consistent with what was budgeted.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a total positive budget variance of \$507,670 in the general fund. This is a combination of positive revenues and expenditure variances of \$110,290 and \$397,380, respectively. All actual general fund departmental expenditures were less than appropriations.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$3,169,511 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34. The City's business-type activities funds had invested \$4,461,480 in a variety of capital assets and infrastructure, net of accumulated depreciation. Major capital asset events during the current year include the following:

- Purchased new tractor equipment totaling \$140,828.
- Building improvements totaling \$82,175.
- City fire station construction totaling \$676,456.
- Park improvements totaling \$42,670.
- Sidewalk improvements contributed to the City from the EDC in the amount of \$467,410.
- Water Pump improvements totaling \$311,531

City of Quinlan, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2024

LONG-TERM DEBT

At the end of the current year, the City had total bonds outstanding of \$2,205,000. During the year, the City made principal payments on the outstanding bonds of \$130,000. At the end of the current year, the City had total lease liabilities outstanding of \$11,032 and made principal payments of \$3,720 during the current year. More detailed information about the City's long-term liabilities is presented in note IV. E to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Quinlan and improving services provided to their public citizens. The City is budgeting conservatively for the upcoming year and planning to maintain similar services.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of Quinlan's finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to the City Administrator, P.O. Box 2740, Quinlan, Texas 75474.

FINANCIAL STATEMENTS

City of Quinlan, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
September 30, 2024

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	QEDC
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 2,845,579	\$ 711,988	\$ 3,557,567	\$ 692,049
Restricted cash	-	120,370	120,370	-
Investments	1,642,987	-	1,642,987	2,534,850
Receivables, net	295,104	138,479	433,583	107,193
Total Current Assets	4,783,670	970,837	5,754,507	3,334,092
Noncurrent assets:				
Net pension asset	81,494	22,572	104,066	-
Capital assets:				
Non-depreciable	968,616	363,894	1,332,510	203,172
Net depreciable	2,200,895	4,097,586	6,298,481	-
Total Noncurrent Assets	3,251,005	4,484,052	7,735,057	203,172
Total Assets	8,034,675	5,454,889	13,489,564	3,537,264
<u>Deferred Outflows of Resources</u>				
Pension - TMRS	86,754	24,028	110,782	-
OPEB - TMRS	63	17	80	-
Total Deferred Outflows of Resources	\$ 86,817	\$ 24,045	\$ 110,862	\$ -

City of Quinlan, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
September 30, 2024

	Primary Government			Component Unit
	Governmental	Business-Type	Total	QEDC
	Activities	Activities		
<u>Liabilities</u>				
Current liabilities:				
Accounts payable and				
accrued liabilities	\$ 270,262	\$ 87,618	\$ 357,880	\$ 28,208
Customer deposits	-	134,020	134,020	-
Unearned revenues	83,323	-	83,323	-
Compensated absences - current	65,943	7,772	73,715	-
Current portion of long-term debt	110,872	85,000	195,872	-
Total Current Liabilities	530,400	314,410	844,810	28,208
Noncurrent liabilities:				
Compensated absences - noncurrent	7,327	863	8,190	-
Long-term debt - noncurrent	895,160	1,125,000	2,020,160	-
OPEB liability	14,130	3,914	18,044	-
Total Noncurrent Liabilities	916,617	1,129,777	2,046,394	-
Total Liabilities	1,447,017	1,444,187	2,891,204	28,208
<u>Deferred Inflows of Resources</u>				
Pension - TMRS	35,707	9,890	45,597	-
OPEB - TMRS	5,807	1,608	7,415	-
Total Deferred Inflows of				
Resources	41,514	11,498	53,012	-
<u>Net Position</u>				
Net investment in capital assets	2,108,360	3,330,343	5,438,703	203,172
Restricted for:				
Pension	81,494	22,572	104,066	-
Debt service	109,142	-	109,142	-
Capital projects	743,203	-	743,203	-
Municipal court	14,456	-	14,456	-
Grants	687,360	-	687,360	-
Economic development	-	-	-	3,305,884
Unrestricted	2,888,946	670,334	3,559,280	-
Total Net Position	\$ 6,632,961	\$ 4,023,249	\$ 10,656,210	\$ 3,509,056

See Notes to Financial Statements.

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City of Quinlan, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2024

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Capital		Primary Government			
		Charges for Services	Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government							
Governmental Activities							
General government	\$ 587,222	\$ 123,050	\$ 265,913	\$ (198,259)	\$ -	\$ (198,259)	\$ -
Public safety	626,300	37,080	-	(589,220)	-	(589,220)	-
Code compliance	56,232	-	-	(56,232)	-	(56,232)	-
Public works	538,279	-	467,410	(70,869)	-	(70,869)	-
Community development	99,622	-	-	(99,622)	-	(99,622)	-
Interest and fiscal charges	48,115	-	-	(48,115)	-	(48,115)	-
Total Governmental Activities	1,955,770	160,130	733,323	(1,062,317)	-	(1,062,317)	-
Business-Type Activities							
Water & Sewer	1,548,013	1,017,290	295,690	-	(235,033)	(235,033)	-
Sanitation	347,677	386,612	-	-	38,935	38,935	-
Total Business-Type Activities	1,895,690	1,403,902	295,690	-	(196,098)	(196,098)	-
Total Primary Government	\$ 3,851,460	\$ 1,564,032	\$ 1,029,013	(1,062,317)	(196,098)	(1,258,415)	-
Component Unit							
Economic Development Corporation	657,178	-	-	-	-	-	(657,178)
Total Component Units	\$ 657,178	\$ -	\$ -	-	-	-	(657,178)
General Revenues:							
Taxes							
Property taxes							
Sales taxes							
Franchise and local taxes							
Investment income							
Other revenues							
Transfers							
Total General Revenues and Transfers							
Change in Net Position							
Beginning Net Position (as previously reported)							
Error correction							
Beginning Net Position (as restated)							
Ending Net Position							

See Notes to Financial Statements.

City of Quinlan, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2024

	General Fund	Capital Projects	Grant	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash and cash equivalents	\$ 1,075,400	\$ 735,254	\$ 938,693	\$ 96,232	\$ 2,845,579
Investments	1,642,987	-	-	-	1,642,987
Receivables, net	274,116	-	7,140	13,848	295,104
Due from other funds	-	-	-	37,016	37,016
Total Assets	\$ 2,992,503	\$ 735,254	\$ 945,833	\$ 147,096	\$ 4,820,686
<u>Liabilities</u>					
Accounts payable and accrued liabilities	\$ 87,011	\$ 2,380	\$ 175,150	\$ -	\$ 264,541
Due to other funds	37,016	-	-	-	37,016
Unearned revenue - grants	-	-	83,323	-	83,323
Total Liabilities	124,027	2,380	258,473	-	384,880
<u>Deferred Inflows of Resources</u>					
Unavailable revenue - property tax	55,659	-	-	13,169	68,828
Total Deferred Inflows of Resources	55,659	-	-	13,169	68,828
<u>Fund Balances</u>					
Restricted for:					
Debt service	-	-	-	109,142	109,142
Municipal Court	-	-	-	14,456	14,456
Capital Outlay	-	732,874	-	10,329	743,203
Grants	-	-	687,360	-	687,360
Unassigned reported in:					
General fund	2,812,817	-	-	-	2,812,817
Total Fund Balances	2,812,817	732,874	687,360	133,927	4,366,978
Inflows of Resources, and Fund Balances	\$ 2,992,503	\$ 735,254	\$ 945,833	\$ 147,096	\$ 4,751,858

See Notes to Financial Statements.

City of Quinlan, Texas

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

September 30, 2024

Fund Balances - Total Governmental Funds	\$ 4,366,978
Adjustments for the Statement of Net Position:	
Some assets are not reported as assets in the governmental funds.	
Net pension asset	81,494
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.	
Capital assets - non-depreciable	968,616
Capital assets - net depreciable	2,200,895
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
Property taxes	68,828
Intergovernmental grant revenues	
Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expenditure) until then.	
Pension	
Deferred outflow	86,754
Deferred inflow	(35,707)
OPEB	
Deferred outflow	63
Deferred inflow	(5,807)
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.	
Compensated absences due in one year	(65,943)
Compensated absences due in more than one year	(7,327)
Non-current liabilities due in one year	(110,872)
Non-current liabilities due in more than one year	(895,160)
Accrued interest payable on long-term debt	(5,721)
Net OPEB liability	(14,130)
Net Position of Governmental Activities	\$ 6,632,961

See Notes to Financial Statements.

City of Quinlan, Texas

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

For the Year Ended September 30, 2024

	General Fund	Capital Projects	Grant	Nonmajor Governmental Funds	Total Governmental Funds
<u>Revenues</u>					
Property tax	\$ 593,546	\$ -	\$ -	\$ 193,337	\$ 786,883
Sales tax	1,282,404	-	-	-	1,282,404
Franchise and local taxes	108,112	-	-	-	108,112
Intergovernmental	67,635	-	198,249	29	265,913
License and permits	123,050	-	-	-	123,050
Fines and forfeitures	35,666	-	-	1,414	37,080
Investment earnings	28,276	666	-	-	28,942
Other revenue	55,373	-	-	3,323	58,696
Total Revenues	2,294,062	666	198,249	198,103	2,691,080
<u>Expenditures</u>					
Current:					
General government	577,969	-	-	-	577,969
Police department	555,318	-	-	-	555,318
Municipal court	10,704	-	-	3,397	14,101
Code compliance	56,232	-	-	-	56,232
Public works	427,233	-	-	-	427,233
Community development	68,716	-	30,906	-	99,622
Debt Service:					
Principal	3,720	-	-	50,000	53,720
Interest and fiscal charges	522	-	-	41,872	42,394
Capital outlay	-	652,875	188,679	147,241	988,795
Total Expenditures	1,700,414	652,875	219,585	242,510	2,815,384
Excess of Revenues					
Over (Under) Expenditures	593,648	(652,209)	(21,336)	(44,407)	(124,304)
<u>Other Financing Sources (Uses)</u>					
Transfer in	-	-	592,455	150,500	742,955
Transfers (out)	(800,796)	-	-	(104,180)	(904,976)
Total Other Financing Sources (Uses)	(800,796)	-	592,455	46,320	(162,021)
Net Change in Fund Balances	(207,148)	(652,209)	571,119	1,913	(286,325)
Beginning fund balances	3,019,965	1,385,083	116,241	132,014	4,653,303
Ending Fund Balances	\$ 2,812,817	\$ 732,874	\$ 687,360	\$ 133,927	\$ 4,366,978

See Notes to Financial Statements.

City of Quinlan, 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

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

Net changes in fund balances - total governmental funds	\$	(286,325)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	977,448
Capital contribution	467,410
Depreciation expense	(180,685)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property tax adjustment	13,988
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(5,304)
Pension expense	21,492
OPEB expense	(1,336)

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these debt and related items.

Accrued interest	(5,721)
Principal payments	53,720

Change in Net Position of Governmental Activities	\$	<u>1,054,687</u>
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See Notes to Financial Statements.

City of Quinlan, Texas
STATEMENT OF NET POSITION
PROPRIETARY FUNDS (Page 1 of 2)
September 30, 2024

	<u>Water & Sewer</u>	<u>Sanitation</u>	<u>Total</u>
<u>Assets</u>			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 651,278	\$ 60,710	\$ 711,988
Restricted cash	120,370	-	120,370
Receivables, net	100,325	38,154	138,479
Due from other funds	17,662	-	17,662
Total Current Assets	<u>889,635</u>	<u>98,864</u>	<u>988,499</u>
<u>Noncurrent Assets</u>			
Net pension asset	22,572	-	22,572
Capital assets:			
Non-depreciable	363,894	-	363,894
Net depreciable	4,097,586	-	4,097,586
Total Noncurrent Assets	<u>4,484,052</u>	<u>-</u>	<u>4,484,052</u>
Total Assets	<u>5,373,687</u>	<u>98,864</u>	<u>5,472,551</u>
<u>Deferred Outflows of Resources</u>			
Pension - TMRS	24,028	-	24,028
OPEB - TMRS	17	-	17
Total Deferred Outflows of Resources	<u>24,045</u>	<u>-</u>	<u>24,045</u>

City of Quinlan, Texas
STATEMENT OF NET POSITION
PROPRIETARY FUNDS (Page 2 of 2)
September 30, 2024

	<u>Water & Sewer</u>	<u>Sanitation</u>	<u>Total</u>
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts payable and accrued liabilities	57,501	30,117	87,618
Customer deposits	120,370	13,650	134,020
Due to other funds	-	17,662	17,662
Compensated absences - current	7,772	-	7,772
Current portion of long-term debt	85,000	-	85,000
Total Current Liabilities	<u>270,643</u>	<u>61,429</u>	<u>332,072</u>
<u>Noncurrent Liabilities</u>			
Compensated absences - noncurrent	863	-	863
Long-term debt due in more than one year	1,125,000	-	1,125,000
OPEB liability	3,914	-	3,914
Total Noncurrent Liabilities	<u>1,129,777</u>	<u>-</u>	<u>1,129,777</u>
Total Liabilities	<u>1,400,420</u>	<u>61,429</u>	<u>1,461,849</u>
<u>Deferred Inflows (Outflows) of Resources</u>			
Pension - TMRS	9,890	-	9,890
OPEB - TMRS	1,608	-	1,608
Total Deferred Inflows of Resources	<u>11,498</u>	<u>-</u>	<u>11,498</u>
<u>Net Position</u>			
Net investment in capital assets	3,330,343	-	3,330,343
Restricted for pension	22,572	-	22,572
Unrestricted	632,899	37,435	670,334
Total Net Position	<u>\$ 3,985,814</u>	<u>\$ 37,435</u>	<u>\$ 4,023,249</u>

See Notes to Financial Statements.

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City of Quinlan, Texas

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

For the Year Ended September 30, 2024

	Water & Sewer	Sanitation	Total
<u>Operating Revenues</u>			
Water sales	\$ 605,818	\$ -	\$ 605,818
Sewer revenue	390,702	-	390,702
Sanitation revenue	-	386,612	386,612
Other revenue	20,770	-	20,770
Total Operating Revenues	1,017,290	386,612	1,403,902
<u>Operating Expenses</u>			
Personnel services	319,998	-	319,998
Materials and supplies	108,049	-	108,049
Repairs and maintenance	163,928	-	163,928
Contractual services	528,921	347,677	876,598
Depreciation	403,176	-	403,176
Total Operating Expenses	1,524,072	347,677	1,871,749
Operating Income (Loss)	(506,782)	38,935	(467,847)
<u>Nonoperating Revenues (Expenses)</u>			
Intergovernmental	295,690	-	295,690
Investment earnings	4,972	-	4,972
Interest expense	(23,941)	-	(23,941)
Total Nonoperating Revenues (Expenses)	276,721	-	276,721
Income Before Capital Contributions and Transfers	(230,061)	38,935	(191,126)
<u>Transfers and capital contributions</u>			
Transfers in	222,021	-	222,021
Transfers (out)	(10,000)	(50,000)	(60,000)
Total Transfers and capital contributions	212,021	(50,000)	162,021
Change in Net Position	(18,040)	(11,065)	(29,105)
Beginning net position (as previously reported)	4,003,854	60,230	4,064,084
Error correction	-	(11,730)	(11,730)
Beginning Net Position (as adjusted)	4,003,854	48,500	4,052,354
Ending Net Position	\$ 3,985,814	\$ 37,435	\$ 4,023,249

See Notes to Financial Statements.

City of Quinlan, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Page 1 of 2)
For the Year Ended September 30, 2024

	Water & Sewer	Sanitation	Total
<u>Cash Flows from Operating Activities</u>			
Receipts from customers	\$ 1,016,206	\$ 390,168	\$ 1,406,374
Payments to employees	(323,816)	-	(323,816)
Payments to suppliers and contractors	(816,465)	(348,436)	(1,164,901)
Net Cash Provided by (Used) for Operating Activities	(124,075)	41,732	(82,343)
<u>Cash Flows from Noncapital Financing Activities</u>			
Transfers in from other funds	222,021	-	222,021
Transfers (out) to other funds	(10,000)	(50,000)	(60,000)
Net Cash Provided by (Used) Noncapital Financing Activities	212,021	(50,000)	162,021
<u>Cash Flows from Capital and Related Financing Activities</u>			
Capital grants	295,690	-	295,690
Capital purchases	(334,426)	-	(334,426)
Payments on outstanding debt	(80,000)	-	(80,000)
Interest expense paid on debt	(23,941)	-	(23,941)
Net Cash Provided by (Used) for Capital and Related Financing Activities	(142,677)	-	(142,677)
<u>Cash Flows from Investing Activities</u>			
Interest received	4,972	-	4,972
Net Cash Provided by Investing Activities	4,972	-	4,972
Net Increase (Decrease) in Cash and Cash Equivalents	(49,759)	(8,268)	(58,027)
Beginning Cash and Cash Equivalents	821,407	68,978	890,385
Ending Cash and Cash Equivalents	\$ 771,648	\$ 60,710	\$ 832,358

See Notes to Financial Statements.

City of Quinlan, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Page 2 of 2)
For the Year Ended September 30, 2024

	<u>Water & Sewer</u>	<u>Sanitation</u>	<u>Total</u>
<u>Reconciliation of Operating Income (Loss)</u>			
<u>to Net Cash Provided by (Used for) Operating Activities</u>			
Operating Income (Loss)	\$ (506,782)	\$ 38,935	\$ (467,847)
Adjustments to reconcile operating income to net cash provided:			
Depreciation	403,176	-	403,176
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in:			
Accounts receivable	(9,952)	1,636	(8,316)
Deferred Outflows of Resources:			
Pension - TMRS	13,047	-	13,047
OPEB - TMRS	47	-	47
Deferred Inflows of Resources:			
Pension - TMRS	(2,800)	-	(2,800)
OPEB - TMRS	(223)	-	(223)
Increase (Decrease) in:			
Accounts payable and accrued liabilities	(15,567)	(759)	(16,326)
Compensated absences	1,627	-	1,627
Customer deposits	8,868	1,920	10,788
Net pension liability (asset)	(16,036)	-	(16,036)
OPEB liability	520	-	520
Net Cash Provided by (Used for) Operating Activities	\$ (124,075)	\$ 41,732	\$ (82,343)

See Notes to Financial Statements.

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City of Quinlan, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Quinlan, Texas (the “City”) was incorporated on October 20, 1896 and operates under a Mayor-Council form of government. The City provides: general administrative services; public safety; public works; street repair and maintenance; parks; water; wastewater; and sanitation.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The Quinlan Economic Development Corporation, although legally separate, is considered part of the reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to 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.

Discretely Presented Component Unit

Quinlan Economic Development Corporation

The Quinlan Economic Development Corporation (the “EDC”) serves all citizens of the city and is governed by a board of seven directors, all of which are appointed by the City Council of the City of Quinlan and whom can be removed from office by the City Council at its will. The EDC was incorporated in the state of Texas in 1896, and is supported by a half-cent sales tax. The EDC does not provide services entirely, or almost entirely to the City, nor does it maintain debt of any type that are repaid using City resources. Accordingly, the EDC has been reported as a discretely presented component unit. The nature and significance of the

City of Quinlan, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2024

relationship between the primary government and the EDC is such that exclusion would cause the City's financial statements to be misleading or incomplete. Separately issued audited financial statements are available from the EDC, P.O. Box 2319, Quinlan, Texas, 75474.

The financial statements are formatted to allow the user to clearly distinguish between the primary government and the discretely presented component unit.

B. Financial Statement Presentation

These financial statements include implementation of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Requirements of the statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations;
- Financial statements prepared using full accrual accounting for all of the City's activities;
- A change in the fund financial statements to focus on the major funds.

GASB Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net position and a statement of activities. It requires the classification of net position into three components: invested in net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets**—This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted**—This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted**—This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information about the City as a whole. These

City of Quinlan, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2024

statements include all activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the 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. Program revenues include charges paid by the recipients of goods or services offered by the programs and grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, such as taxes and investment earnings, are presented as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. In the fund financial statements, the accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate.

The government reports the following major governmental funds:

General Fund

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government and public safety. The general service fund is considered a major fund for reporting purposes.

Capital Project Fund

The capital projects fund accounts for the acquisition and construction of the City's major capital facilities, other than those financed by proprietary funds. The capital project fund is considered a major fund for reporting purposes.

Grant Fund

The grant fund is used to track the City's grant activity. The grant fund is considered a major fund for reporting purposes.

City of Quinlan, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

The government reports the following nonmajor governmental funds:

Capital Funds

Capital funds are used to account for the expenditures of resources accumulated from the sale of bonds and related interest earnings, contributed capital or transfers from other funds, other than those recorded in the enterprise funds, for acquisition of capital facilities.

Special Revenue Funds

The City accounts for resources restricted to, or designated for, specific purposes in special revenue funds.

Debt Service Fund

The debt service fund is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of governmental funds. The primary source of revenue for debt service is local property taxes.

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board (GASB) and all financial Accounting Standards Board's standards issued prior to November 30, 1989. Subsequent to this date, the City accounts for its enterprise funds as presented by GASB. The proprietary fund types used by the City include enterprise funds.

City of Quinlan, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

The government reports the following major enterprise funds:

Water & Sewer Fund

This fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water production and distribution system, water collection and treatment systems, and contract garbage services. The fund also accounts for the accumulation of resources for and the payment of long-term debt. All costs are financed through charges to utility customers.

Sanitation Fund

This fund is used to account for the provision of garbage services to the residents of the City. Activities of the fund include contract garbage services. All costs are financed through charges to utility customers.

D. Measurement Focus and Basis of Accounting

The government-wide statements of net position and statements of activities and all proprietary funds are accounted for on a flow of economic resources measurement focus, accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the balance sheet. Proprietary fund equity consists of net position. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and component units are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing resources) and decreases (i.e., expenditures and other financing uses) in net current position.

The City utilizes the modified accrual basis of accounting in the governmental fund type and component units. Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues available if they are collected within 60 days of the end of the current period. Revenues susceptible to accrual include charges for services and interest on temporary investments.

City of Quinlan, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2024

Property taxes, sales taxes, franchise taxes, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Other receipts and other taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due.

The accrual basis of accounting is used for the proprietary fund types. 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 statements of net position, statements of activities, and financial statements of proprietary fund types are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized in the accounting period in which they are earned, and expenses in the accounting period in which they are incurred.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

E. Assets, Liabilities, and Fund Equity or Net Position

1. 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 the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexSTAR, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code.

City of Quinlan, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

2. Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either “interfund receivables/payables” (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” in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as “due to/from component unit/primary government.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds are offset by a fund balance reserve account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

3. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 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 of the year following the year in which imposed. Penalties are calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is calculated after February 1 at the rate of 1% per month up to the date collected by the government. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

4. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories are valued at the lower of cost or market using the first-in/first-out method. Certain payments to vendors

City of Quinlan, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

Asset Description	Estimated Useful Life
Buildings	30 to 39 years
Water and Sewer System	15 to 40 years
Vehicles	5 years
Infrastructure	7 to 20 years
Furniture, fixtures and equipment	4 to 10 years

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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.

An example is a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

City of Quinlan, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2024

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 government has only one type of item, 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 funds balance sheet. The governmental funds report unavailable revenues from property taxes and fines and forfeitures. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources can also occur at the government wide level due to differences between investment gains and losses realized on pension investments compared to assumption used within the pension actuarial valuation model.

7. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

8. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

9. Fund Balance Policies

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

City of Quinlan, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2024

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

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

10. 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.

11. Other Postemployment Benefits ("OPEB")

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary, calculated based on the employee's actual earnings on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is \$7,500. GASB No. 75 requires the

City of Quinlan, Texas
NOTES TO FINANCIAL STATEMENTS, *Continued*
September 30, 2024

liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

12. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Vested or accumulated vacation leave and compensated leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

It is the City's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the City's governmental funds recognize accrued compensated absences when it is paid.

13. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

City of Quinlan, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2024

Assets acquired under the terms of leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

14. Estimates

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

15. Fair Value Measurement

The City has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

16. Leases

Lessee: The City is a lessee for a noncancellable lease of equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

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

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

City of Quinlan, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2024

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

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

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general, grant, and utility funds. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control is the department. No funds can be transferred or added to a budgeted item without Council

City of Quinlan, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

approval. Appropriations lapse at the end of the year. Expenditures were under appropriations at the legal level of control within the general and grant funds.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2024, the primary government had the following investments:

Investment Type	Carrying Value	Weighted Average Maturity (Years)
Certificates of deposit	\$ 1,642,987	0.37
Total carrying value	<u>\$ 1,642,987</u>	
Portfolio weighted average maturity		

As of September 30, 2024, the component unit had the following investments:

Investment Type	Carrying Value	Weighted Average Maturity (Years)
Certificates of deposit	\$ 2,534,850	0.42
Total carrying value	<u>\$ 2,534,850</u>	
Portfolio weighted average maturity		

Interest rate risk In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed five years; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

Credit risk The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAAM, or equivalent, by at least one nationally recognized rating service.

Custodial credit risk – deposits In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or

City of Quinlan, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2024

its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2024, the market values of pledged securities and FDIC exceeded bank balances.

Custodial credit risk – investments For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

B. Receivables

The following comprise receivable balances of the primary government at year end:

	Nonmajor					
	General	Grants	Governmental Funds	Water & Sewer	Sanitation	Total
Property taxes	\$ 56,808	\$ -	\$ 13,848	\$ -	\$ -	\$ 70,656
Sales tax	214,386	-	-	-	-	214,386
Franchise taxes	915	-	-	-	-	915
Accounts	2,007	-	-	101,842	38,154	142,003
Grants	-	7,140	-	-	-	7,140
Allowance	-	-	-	(1,517)	-	(1,517)
Total	<u><u>\$ 274,116</u></u>	<u><u>\$ 7,140</u></u>	<u><u>\$ 13,848</u></u>	<u><u>\$ 100,325</u></u>	<u><u>\$ 38,154</u></u>	<u><u>\$ 433,583</u></u>

The following comprise receivable balances of the component unit at year end:

	Component Unit
Sales tax	<u>\$ 107,193</u>
	<u><u>\$ 107,193</u></u>

City of Quinlan, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

C. Capital Assets

A summary of changes in governmental activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 114,884	\$ -	\$ -	\$ 114,884
Construction in progress	126,160	727,572	-	853,732
Total capital assets not being depreciated	<u>241,044</u>	<u>727,572</u>	<u>-</u>	<u>968,616</u>
Capital assets, being depreciated:				
Buildings and improvements	1,492,126	576,458	-	2,068,584
Vehicles	664,313	-	-	664,313
Infrastructure	2,128,651	-	-	2,128,651
Equipment and furniture	249,566	140,828	-	390,394
Right of use	19,262	-	-	19,262
Total capital assets being depreciated	<u>4,553,918</u>	<u>717,286</u>	<u>-</u>	<u>5,271,204</u>
Less accumulated depreciation				
Buildings and improvements	423,573	65,742	-	489,315
Vehicles	415,164	67,920	-	483,084
Infrastructure	1,846,550	14,195	-	1,860,745
Equipment and furniture	196,633	28,976	-	225,609
Right of use	7,704	3,852	-	11,556
Total accumulated depreciation	<u>2,889,624</u>	<u>180,685</u>	<u>-</u>	<u>3,070,309</u>
Net capital assets being depreciated	<u>1,664,294</u>	<u>536,601</u>	<u>-</u>	<u>2,200,895</u>
Total capital assets	<u>\$ 1,905,338</u>	<u>\$ 1,264,173</u>	<u>\$ -</u>	<u>\$ 3,169,511</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 16,084
Public safety	61,173
Public works	103,428
Total Governmental Activities Depreciation Expense	<u><u>\$ 180,685</u></u>

City of Quinlan, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

A summary of changes in business-type activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 52,363	\$ -	\$ -	\$ 52,363
Construction in progress	-	311,531	-	311,531
Total capital assets not being depreciated	<u>52,363</u>	<u>311,531</u>	<u>-</u>	<u>363,894</u>
Capital assets, being depreciated:				
Utility system	9,474,118	-	-	9,474,118
Vehicles	110,153	-	(31,096)	79,057
Equipment	1,025,858	22,895	-	1,048,753
Total capital assets being depreciated	<u>10,610,129</u>	<u>22,895</u>	<u>(31,096)</u>	<u>10,601,928</u>
Less accumulated depreciation				
Utility system	5,106,927	371,990	-	5,478,917
Vehicles	110,153	-	(31,096)	79,057
Equipment	915,182	31,186	-	946,368
Total accumulated depreciation	<u>6,132,262</u>	<u>403,176</u>	<u>(31,096)</u>	<u>6,504,342</u>
Net capital assets being depreciated	<u>4,477,867</u>	<u>(380,281)</u>	<u>-</u>	<u>4,097,586</u>
Total capital assets	<u>\$ 4,530,230</u>	<u>\$ (68,750)</u>	<u>\$ -</u>	<u>\$ 4,461,480</u>

Depreciation was charged to business-type activities as follows:

Water	\$ 353,564
Sewer	49,612
Total Business-Type Activities Depreciation Expense	<u><u>\$ 403,176</u></u>

City of Quinlan, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

A summary of changes in the component unit activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 203,172	\$ -	\$ -	\$ 203,172
Construction in progress	97,538	369,872	(467,410)	-
Total capital assets not being depreciated	<u>300,710</u>	<u>369,872</u>	<u>(467,410)</u>	<u>203,172</u>
Total capital assets	<u>\$ 300,710</u>	<u>\$ 369,872</u>	<u>\$ (467,410)</u>	<u>\$ 203,172</u>

Upon completion of the Downtown Revitalization Sidewalks construction-in-progress project, the component unit contributed the asset to the City. The total value of the contributed asset was \$467,410.

D. Other Long-term Liabilities

The following summarizes the changes in other long-term liabilities of the primary government during the year. In general, the City uses the general fund and water and sewer fund to liquidate compensated absences.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Governmental Activities:					
Compensated absences	\$ 67,966	\$ 38,987	\$ (33,683)	\$ 73,270	\$ 65,943
Total Governmental Activities	<u>\$ 67,966</u>	<u>\$ 38,987</u>	<u>\$ (33,683)</u>	<u>\$ 73,270</u>	<u>\$ 65,943</u>
Long-term liabilities due in more than one year				<u>\$ 7,327</u>	
Business-Type Activities:					
Compensated absences	\$ 7,008	\$ 13,757	\$ (12,130)	\$ 8,635	\$ 7,772
Total Business-Type Activities	<u>\$ 7,008</u>	<u>\$ 13,757</u>	<u>\$ (12,130)</u>	<u>\$ 8,635</u>	<u>\$ 7,772</u>
Long-term liabilities due in more than one year				<u>\$ 863</u>	

City of Quinlan, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

E. Long-term Debt

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended. In general, the City uses the debt service fund and the water and sewer fund to liquidate governmental and business-type long-term debt, respectively.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities:					
Certificates of Obligation Bonds	\$ 1,045,000	\$ -	\$ (50,000)	\$ 995,000	\$ 107,000
Lease liabilities	14,752	-	(3,720)	11,032	3,872
Total Governmental Activities	<u>\$ 1,059,752</u>	<u>\$ -</u>	<u>\$ (53,720)</u>	<u>\$ 1,006,032</u>	<u>\$ 110,872</u>
 Long-term liabilities due in more than one year				<u>\$ 895,160</u>	
 Business-Type Activities:					
Certificates of Obligation	\$ 1,290,000	\$ -	\$ (80,000)	\$ 1,210,000	\$ 85,000
Total Business-Type Activities	<u>\$ 1,290,000</u>	<u>\$ -</u>	<u>\$ (80,000)</u>	<u>\$ 1,210,000</u>	<u>\$ 85,000</u>
 Long-term liabilities due in more than one year				<u>\$ 1,125,000</u>	

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

City of Quinlan, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

Long-term debt at year end was comprised of the following debt issues:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Certificates of Obligation:			
\$1,450,000 Certificates of Obligation, Series 2023, due in annual installments through 2030, interest at 4.5%	\$ 995,000	\$ -	\$ 995,000
\$1,675,000 Certificates of Obligation, Series 2017, due in annual installments through 2037, interest from 0.08% to 2.21%	-	1,210,000	1,210,000
Total Certificates of Obligation	<u>\$ 995,000</u>	<u>\$ 1,210,000</u>	<u>\$ 2,205,000</u>
Lease Liabilities:			
\$19,262 Xerox Leases due in monthly installments through 6/15/2027, interest at 4%	\$ 11,032	\$ -	\$ 11,032
Lease Liabilities	<u>\$ 11,032</u>	<u>\$ -</u>	<u>\$ -</u>
Total Debt	<u><u>\$ 1,006,032</u></u>	<u><u>\$ 1,210,000</u></u>	<u><u>\$ 2,205,000</u></u>

The annual requirements to amortize governmental activities debt issues outstanding at year ending were as follows:

<u>Year ending September 30,</u>	<u>Certificates of Obligation</u>	
	<u>Principal</u>	<u>Interest</u>
2025	\$ 107,000	\$ 42,368
2026	160,000	36,360
2027	165,000	29,048
2028	178,000	21,330
2029	187,000	13,118
2030	198,000	4,455
Total	<u><u>\$ 995,000</u></u>	<u><u>\$ 146,679</u></u>

The City of Quinlan issued Certificate of Obligation Bonds, Series 2023, in the amount of \$1,450,000 dated September 14, 2023. The funds were used for the purpose of paying construction of public works and the purchase of materials, supplies, equipment, machinery, buildings, lands and right-of-way for the City. In addition, the funds will be used for the construction, improvement and equipment of public safety facilities, which includes a new fire station. The bonds accrue an interest rate of 4.5% and payments will continue through 2030. Interest and principal payments are due February 15 and August 15 of each year.

City of Quinlan, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

Year ending September 30,	Lease Liabilities	
	Principal	Interest
2025	\$ 3,872	\$ 371
2026	4,030	213
2027	3,130	52
Total	\$ 11,032	\$ 636

The annual requirements to amortize business-type activities debt issues outstanding at year ending were as follows:

Year ending September 30,	Certificates of Obligation	
	Principal	Interest
2025	\$ 85,000	\$ 22,586
2026	85,000	21,447
2027	85,000	20,164
2028	85,000	18,748
2029	90,000	17,190
2030	90,000	15,507
2031	90,000	13,756
2032	95,000	11,891
2033	95,000	9,915
2034	95,000	7,897
2035	100,000	5,800
2036	105,000	3,576
2037	110,000	1,216
Total	\$ 1,210,000	\$ 169,693

The City of Quinlan issued Certificate of Obligation Bonds, Series 2017, in the amount of \$1,675,000 dated February 18, 2018. The funds were used for the purpose of paying contractual obligations incurred in connection with the planning, designing, acquiring, constructing, and installing improvements and equipment for the City's sewer system, including the wastewater treatment plant and related facilities and sewer lines. The bonds accrue an interest rate ranging from 0.08% to 2.21% and payments will continue through 2037. Repayment of these bonds will be made from the City taxed levied. Interest and principal payments are due February 15 and August 15 of each year.

City of Quinlan, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

F. Interfund Transactions

Transfers between the primary government funds during the 2024 year were as follows:

Transfer Out:	Transfer In:			Total
	Water & Sewer	Grants	Nonmajor Governmental	
General	\$ 117,841	\$ 592,455	\$ 90,500	\$ 800,796
Water & Sewer	-	-	10,000	10,000
Nonmajor Governmental	104,180	-	-	104,180
Sanitation	-	-	50,000	50,000
Total	\$ 222,021	\$ 592,455	\$ 150,500	\$ 964,976

The composition of interfund balances as of yearend were as follows:

Due to other funds (Payable Fund):			
Due from other funds (Receiving Fund):	General	Sanitation	Total
Nonmajor governmental	\$ 37,016	\$ -	\$ 37,016
Water & Sewer	-	17,662	17,662
Total	\$ 37,016	\$ 17,662	\$ 54,678

During the year, transfers were used to move a portion of revenues from the fund with collection authorization to the fund paying the principle and interest payments, and to move general fund resources to the enterprise fund.

G. Fund Balance and Net Position Restrictions

The City records fund balance restrictions on the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditures.

The following is a list of restricted fund balances and net position balances of the City:

	Governmental Funds	Governmental Activities	Business-Type Activities
Pension	\$ -	\$ 81,494	\$ 22,572
Debt service	109,142	109,142	-
Capital projects	743,203	743,203	-
Municipal court	14,456	14,456 *	-
Grants	687,360	687,360	-
Total	\$ 1,554,161	\$ 1,635,655	\$ 22,572

*Restricted by enabling legislation

City of Quinlan, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with over 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

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

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

C. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the City could result. The City does anticipate that it will have an arbitrage liability and performs annual calculations to estimate this potential liability. The City will also engage an arbitrage consultant to perform the calculations in accordance with Internal Revenue Service's rules and regulations if indicated.

City of Quinlan, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

D. Pension Plans

Texas Municipal Retirement System

1. Plan Description

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

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

2. Benefits Provided

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

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

City of Quinlan, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2024

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

	<u>Plan Year 2023</u>	<u>Plan Year 2022</u>
Employee deposit rate	6%	6%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/25
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

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	4
Inactive employees entitled to but not yet receiving benefits	22
Active employees	<u>19</u>
Total	<u>45</u>

3. Contributions

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

Employees for the City of Quinlan, Texas were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Quinlan, Texas were 10.43% and 10.33% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2024, were \$112,978, and were equal to the required contributions.

City of Quinlan, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

4. Net Pension Liability (Asset)

The City's Net Pension Liability (Asset) was measured as of December 31, 2023, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability (Asset) 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
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum 16 mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

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

City of Quinlan, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2024

return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 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	35.0%	6.70%
Core Fixed Income	6.0%	4.70%
Non-Core Fixed Income	20.0%	8.00%
Real Return	12.0%	8.00%
Real Estate	12.0%	7.60%
Absolute Return	5.0%	6.40%
Private Equity	10.0%	11.60%
Total	100.0%	

Discount Rate

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

Sensitivity of the Net Pension Liability (Asset) 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 (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 179,450	\$ (104,066)	\$ (329,126)

City of Quinlan, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

Changes in the Net Pension (Asset) Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) – (b)
Balance at 12/31/22	\$ 1,335,023	\$ 1,365,034	\$ (30,011)
Changes for the year:			
Service cost	171,178	-	171,178
Interest	95,141	-	95,141
Change in benefit terms	-	-	-
Difference between expected and actual experience	(15,421)	-	(15,421)
Changes of assumptions	(515)	-	(515)
Contributions – employer	-	104,357	(104,357)
Contributions – employee	-	61,872	(61,872)
Net investment income	-	159,221	(159,221)
Benefit payments, including refunds of emp. contributions	(22,235)	(22,235)	-
Administrative expense	-	(1,005)	1,005
Other changes	-	(7)	7
Net changes	228,148	302,203	(74,055)
Balance at 12/31/22	\$ 1,563,171	\$ 1,667,237	\$ (104,066)

Pension Plan Fiduciary Net Position

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

5. 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 \$82,189.

City of Quinlan, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2024

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between projected and investment earnings	\$ -	\$ (45,225)
Differences between expected and actual economic experience	29,748	-
Change in assumptions	-	(372)
Contributions subsequent to the measurement date	81,034	-
Total	\$ 110,782	\$ (45,597)

The City reported \$81,034 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Net Deferred Outflows (Inflows) of Resources
2024	\$ (5,645)
2025	(5,828)
2026	11,853
2027	(16,229)
2028	-
Thereafter	-
	\$ (15,849)

6. Supplemental Death Benefits Plan

The City also participates in a defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. 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.

City of Quinlan, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2024

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB. The SDBF covers both active and retiree benefits with no segregation of assets and, therefore, doesn't meet the definition of a trust under GASB No. 75, paragraph 4b, (i.e., no assets are accumulated for OPEB). As such, the SDBF is considered to be a single-employer unfunded OPEB plan (and not a cost sharing plan) with benefit payments treated as being equal to the employer's yearly contributions for retirees.

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

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	2
Inactive employees entitled to but not yet receiving benefits	1
Active employees	19
Total	22

The City's retiree contribution rates to the TMRS SDBF for the years ended 2024, 2023 and 2022 were \$198, \$404, and \$377, respectively, which equaled the required contribution each year.

Three-Year Contribution Information

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2022	0.04%	0.04%	100.0%
2023	0.04%	0.04%	100.0%
2024	0.01%	0.01%	100.0%

Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2023, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

City of Quinlan, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2024

Actuarial assumptions:

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

Inflation	2.5% per year
Overall payroll growth	3.6% to 11.85%, including inflation per year
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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 3.77%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.05%, as well as what the City's total OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (2.77%) or 1-percentage-point higher (4.77%) than the current rate:

1% Decrease 2.77%	Current Single Rate Assumption 3.77%	1% Increase 4.77%
\$ 23,034	\$ 18,044	\$ 14,390

City of Quinlan, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/21	\$ 24,543
Changes for the year:	
Service Cost	4,377
Interest	488
Difference between expected and actual experience	(1,889)
Changes of assumptions	(11,545)
Benefit payments	(389)
Net changes	(8,958)
Balance at 12/31/22	\$ 15,585

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

For the year ended September 30, 2024, the City recognized OPEB expense of \$1,881.

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between projected and investment earnings	\$ -	\$ (2,850)
Differences between expected and actual economic experience	-	(4,565)
Contributions subsequent to the measurement date	80	-
Total	\$ 80	\$ (7,415)

The City reported \$80 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2025.

City of Quinlan, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Net Deferred Outflows (Inflows) of Resources
2024	\$ (846)
2025	(846)
2026	(846)
2027	(848)
2028	(996)
Thereafter	(3,033)
	<u>\$ (7,415)</u>

E. Restatements

The City restated beginning net position for governmental activities for the correction in reporting of the previously reported deferred revenue which was corrected to reported as unearned revenue. In addition, the City restated beginning fund balance for the sanitation fund and the beginning net position for business-type activities to correct customer deposits. The restatement is as follows:

	Governmental Activities	
Prior year ending net position as reported	\$ 5,807,606	
Correct reporting of unearned revenue previously reported as deferred revenue	(229,332)	
Restated beginning net position/fund balance	<u>\$ 5,578,274</u>	

	Business-type Activities	Sanitation
Prior year ending net position as reported	\$ 4,064,084	\$ 60,230
To record customer deposits	(11,730)	(11,730)
Restated beginning net position	<u>\$ 4,052,354</u>	<u>\$ 48,500</u>

F. Subsequent Events

There were no material subsequent events through April 30, 2025, the date the financial statements were issued.

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REQUIRED SUPPLEMENTARY INFORMATION

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City of Quinlan, Texas

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

For the Year Ended September 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Property tax	\$ 605,489	\$ 605,489	\$ 593,546	\$ (11,943)
Sales tax	1,282,832	1,282,832	1,282,404	(428)
Franchise and local taxes	109,600	109,600	108,112	(1,488)
Intergovernmental	69,701	69,701	67,635	(2,066)
License and permits	51,800	51,800	123,050	71,250
Fines and forfeitures	30,200	30,200	35,666	5,466
Investment earnings	500	500	28,276	27,776
Other revenue	33,650	33,650	55,373	21,723
Total Revenues	2,183,772	2,183,772	2,294,062	110,290
<u>Expenditures</u>				
Current:				
General government	779,558	775,316	577,969	197,347
Police department	618,929	618,929	555,318	63,611
Municipal court	13,665	13,665	10,704	2,961
Code compliance	119,950	119,950	56,232	63,718
Public works	495,670	495,670	427,233	68,437
Community development	70,022	70,022	68,716	1,306
Debt service:				
Principal	-	3,720	3,720	-
Interest	-	522	522	-
Total Expenditures	2,097,794	2,097,794	1,700,414	397,380
Revenues Over (Under)				
Expenditures	85,978	85,978	593,648	507,670
<u>Other Financing Sources (Uses)</u>				
Transfers (out)	(255,000)	(800,796)	(800,796)	-
Total Other Financing Sources (Uses)	(255,000)	(800,796)	(800,796)	-
Net Change in Fund Balance	\$ (169,022)	\$ (714,818)	(207,148)	\$ 507,670
Beginning fund balance			3,019,965	
Ending Fund Balance			\$ 2,812,817	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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City of Quinlan, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GRANT FUND

For the Year Ended September 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Intergovernmental revenues	\$ 1,660,000	\$ 1,660,000	\$ 198,249	\$ (1,461,751)
Total Revenues	<u>1,660,000</u>	<u>1,660,000</u>	<u>198,249</u>	<u>(1,461,751)</u>
<u>Expenditures</u>				
Current:				
Community development	30,906	30,906	30,906	-
Capital outlay	1,615,935	2,559,222	188,679	2,370,543
Total Expenditures	<u>1,646,841</u>	<u>2,590,128</u>	<u>219,585</u>	<u>2,370,543</u>
Revenues Over (Under)				
Expenditures	<u>13,159</u>	<u>(930,128)</u>	<u>(21,336)</u>	<u>908,792</u>
<u>Other Financing (Uses)</u>				
Transfers (out)	210,000	1,153,287	592,455	(560,832)
Total Other Financing (Uses)	<u>210,000</u>	<u>1,153,287</u>	<u>592,455</u>	<u>(560,832)</u>
Net Change in Fund Balance	<u>\$ 223,159</u>	<u>\$ 223,159</u>	<u>571,119</u>	<u>\$ 347,960</u>
Beginning fund balance			116,241	
Ending Fund Balance			<u>\$ 687,360</u>	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Quinlan, Texas

SCHEDULE OF CHANGES IN NET PENSION (ASSET) LIABILITY AND RELATED RATIOS

Years Ended:

	12/31/2023	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Total pension liability										
Service cost	\$ 171,178	\$ 158,948	\$ 137,869	\$ 129,932	\$ 117,445	\$ 110,029	\$ 103,909	\$ 102,310	\$ 96,293	\$ 43,366
Interest	95,141	84,174	69,615	55,586	51,256	44,819	37,339	31,666	30,305	24,736
Changes in benefit terms	-	-	20,366	-	-	-	-	-	-	93,863
Differences between expected and actual experience	(15,421)	(65,317)	12,668	10,743	(83,346)	(28,254)	(15,714)	(39,227)	(78,489)	12,744
Changes of assumptions	(515)	-	-	-	4,697	-	-	-	11,091	-
Benefit payments, including refunds of participant contributions	(22,235)	(20,646)	(9,377)	(16,141)	(48,138)	(21,746)	(13,823)	(9,187)	(42,837)	(12,664)
Net change in total pension liability	228,148	157,159	231,141	180,120	41,914	104,848	111,711	85,562	16,363	162,045
Total pension liability - beginning	1,335,023	1,177,864	946,723	766,603	724,689	619,841	508,130	422,568	406,205	244,160
Total pension liability - ending (a)	1,563,171	1,335,023	1,177,864	946,723	766,603	724,689	619,841	508,130	422,568	406,205
Plan fiduciary net position										
Contributions - employer	\$ 104,357	\$ 100,295	\$ 80,333	\$ 79,983	\$ 72,840	\$ 65,755	\$ 68,483	\$ 68,948	\$ 64,493	\$ 11,009
Contributions - members	61,872	58,365	49,742	48,182	43,660	41,312	40,563	39,476	38,389	29,124
Net investment income	159,221	(97,205)	139,420	67,330	109,681	(19,253)	66,561	24,235	440	14,641
Benefit payments, including refunds of participant contributions	(22,235)	(20,646)	(9,377)	(16,141)	(48,138)	(21,746)	(13,823)	(9,187)	(42,837)	(12,664)
Administrative expenses	(1,005)	(836)	(642)	(435)	(619)	(372)	(346)	(273)	(268)	(153)
Other	(7)	998	4	(17)	(19)	(19)	(17)	(15)	(12)	(13)
Net change in plan fiduciary net position	302,203	40,971	259,480	178,902	177,405	65,677	161,421	123,184	60,205	41,944
Plan fiduciary net position - beginning	1,365,034	1,324,063	1,064,583	885,681	708,276	642,599	481,178	357,994	297,789	255,845
Plan fiduciary net position - ending (b)	\$ 1,667,237	\$ 1,365,034	\$ 1,324,063	\$ 1,064,583	\$ 885,681	\$ 708,276	\$ 642,599	\$ 481,178	\$ 357,994	\$ 297,789
Fund's net pension liability (asset) - ending (a) - (b)	\$ (104,066)	\$ (30,011)	\$ (146,199)	\$ (117,860)	\$ (119,078)	\$ 16,413	\$ (22,758)	\$ 26,952	\$ 64,574	\$ 108,416
Plan fiduciary net position as a percentage of the total pension liability	106.66%	102.25%	112.41%	112.45%	115.53%	97.74%	103.67%	94.70%	84.72%	73.31%
Covered payroll	\$ 1,031,195	\$ 972,754	\$ 829,036	\$ 803,041	\$ 727,665	\$ 688,541	\$ 676,051	\$ 657,941	\$ 639,822	\$ 582,484
Fund's net position as a percentage of covered payroll	-10.09%	-3.09%	-17.63%	-14.68%	-16.36%	2.38%	-3.37%	4.10%	10.09%	18.61%

City of Quinlan, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Fiscal Years Ended:

	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Actuarially determined employer contributions	\$ 112,978	\$ 104,209	\$ 95,593	\$ 77,761	\$ 76,479	\$ 71,783	\$ 65,444	\$ 68,722	\$ 70,150	\$ 49,964
Contributions in relation to the actuarially determined contribution	\$ 112,978	\$ 104,209	\$ 95,593	\$ 77,761	\$ 76,479	\$ 71,783	\$ 65,444	\$ 68,722	\$ 70,150	\$ 49,964
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Annual covered payroll	\$ 1,095,236	\$ 1,009,479	\$ 941,830	\$ 796,611	\$ 766,979	\$ 725,032	\$ 675,593	\$ 672,999	\$ 676,026	\$ 627,250
Employer contributions as a percentage of covered payroll	10.32%	10.32%	10.15%	9.76%	9.97%	9.90%	9.69%	10.21%	10.38%	7.97%

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

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	N/A
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
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.

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City of Quinlan, Texas

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM

	Years Ended:					
	12/31/2023	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018
Total OPEB liability						¹
Service cost	\$ 2,062	\$ 4,377	\$ 3,150	\$ 2,409	\$ 2,110	\$ 1,584
Interest	665	488	471	477	378	284
Differences between expected and actual experience	(794)	(1,889)	(1,683)	20	1,848	(1,193)
Changes of assumptions	938	(11,545)	787	3,136	2,757	(643)
Benefit payments	(412)	(389)	(332)	(80)	(73)	(69)
Net changes	2,459	(8,958)	2,393	5,962	7,020	7
Total OPEB liability - beginning	15,585	24,543	22,150	16,188	9,168	6,869
Total OPEB liability - ending	18,044	15,585	24,543	22,150	16,188	9,168
						²
Covered payroll	\$ 1,031,195	\$ 972,754	\$ 829,036	\$ 803,041	\$ 727,665	\$ 688,541
Total OPEB Liability as a percentage of covered payroll	1.75%	1.60%	2.96%	2.76%	2.22%	1.33%
						1.36%

Notes to schedule:

- 1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.
- 2) No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

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OTHER SUPPLEMENTARY INFORMATION

City of Quinlan, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2024

	Public Safety Fund	Local Truancy Fund	Municipal Jury Fund	Time Payment Reimbursement
<u>Assets</u>				
Cash and cash equivalents	\$ 6,369	\$ 4,658	\$ 94	\$ 1,725
Receivables, net	-	-	-	-
Due from other funds	-	-	-	-
Total Assets	6,369	4,658	94	1,725
<u>Deferred Inflows of Resources</u>				
Unavailable revenue-property taxes	-	-	-	-
Total Deferred Inflows of	-	-	-	-
<u>Fund Balances</u>				
Restricted for:				
Debt service	-	-	-	-
Municipal court	6,369	4,658	94	1,725
Capital outlay	-	-	-	-
Total Fund Balances	6,369	4,658	94	1,725
Total Deferred Inflows of				
Resources and Fund Balances	\$ 6,369	\$ 4,658	\$ 94	\$ 1,725

Court Technology Fund	Seized Asset Fund	Capital Equipment Fund	Debt Service	Total
\$ 1,165	\$ 445	\$ 10,329	\$ 71,447	\$ 96,232
-	-	-	13,848	13,848
-	-	-	37,016	37,016
1,165	445	10,329	122,311	147,096
-	-	-	13,169	13,169
-	-	-	13,169	13,169
-	-	-	109,142	109,142
1,165	445	-	-	14,456
-	-	10,329	-	10,329
1,165	445	10,329	109,142	133,927
\$ 1,165	\$ 445	\$ 10,329	\$ 122,311	\$ 147,096

City of Quinlan, Texas

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

For the Year Ended September 30, 2024

	Public Safety Fund	Local Truancy Fund	Municipal Jury Fund	Time Payment Reimbursement
<u>Revenues</u>				
Property tax	\$ -	\$ -	\$ -	\$ -
Grant revenue	-	-	29	-
Fines and forfeitures	1,414	-	-	-
Other revenues	-	1,400	-	759
Total Revenues	1,414	1,400	29	759
<u>Expenditures</u>				
Current:				
Municipal court	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	-	-	-	-
Revenues Over (Under)				
Expenditures	1,414	1,400	29	759
<u>Other Financing Sources (Uses)</u>				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total Other Financing (Uses)	-	-	-	-
Net Change in Fund Balances	1,414	1,400	29	759
Beginning fund balances	4,955	3,258	65	966
Ending Fund Balances	\$ 6,369	\$ 4,658	\$ 94	\$ 1,725

Court Technology Fund	Seized Asset Fund	Capital Equipment Fund	Debt Service	Total
\$ -	\$ -	\$ -	\$ 193,337	\$ 193,337
-	-	-	-	29
-	-	-	-	1,414
1,164	-	-	-	3,323
1,164	-	-	193,337	198,103
1,000	2,397	-	-	3,397
-	-	-	50,000	50,000
-	-	-	41,872	41,872
-	-	147,241	-	147,241
1,000	2,397	147,241	91,872	242,510
164	(2,397)	(147,241)	101,465	(44,407)
-	-	150,500	-	150,500
-	-	-	(104,180)	(104,180)
-	-	150,500	(104,180)	46,320
164	(2,397)	3,259	(2,715)	1,913
1,001	2,842	7,070	111,857	132,014
\$ 1,165	\$ 445	\$ 10,329	\$ 109,142	\$ 133,927

