



City of Decatur, Texas

Independent Auditor's Reports and Financial Statements

September 30, 2023



City of Decatur, Texas
September 30, 2023

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Independent Auditor's Report

The Honorable Mayor and Members of City Council
City of Decatur, Texas
Decatur, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the City of Decatur, Texas (City), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

FORVIS,LLP

**Dallas, Texas
February 16, 2024**

City of Decatur, Texas

Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2023

The following discussion and analysis of the City of Decatur, Texas (City) financial performance gives an overview of the City's financial activities for the year ended September 30, 2023. The analysis should be read in conjunction with the financial statements that follow.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$50,641,332 (net position). Of this amount, \$2,701,649 represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$617,342 from prior year. \$153,517 of this increase was attributed to governmental activities and \$463,825 was due to business-type activities.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$36,036,694. Approximately 6% of this amount (\$2,034,790) is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unrestricted fund balance (the total of the assigned and unassigned components of fund balance) for the general fund was \$3,787,606, or approximately 24% of total general fund expenditures.
- The City's total outstanding long-term debt, excluding unamortized premiums, increased by \$7,333,834 during the current fiscal year because of a new bond and lease issuance.

Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes required supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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

The *statement of net position* presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference 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.

City of Decatur, Texas

Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2023

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's 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, streets, economic development, tax and court, and recreation. The business-type activities of the City include the City's water and wastewater system and garbage collection.

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

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 fiscal year. Such information may be useful in assessing a government'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 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 maintains four 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, the special revenue fund, debt service fund, and capital project fund, which are considered to be major funds.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

City of Decatur, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2023

Proprietary Funds. The City maintains one type of proprietary fund, an enterprise fund. An enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and wastewater system and garbage collection services.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Enterprise Fund, which is considered to be a major fund of the City.

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's general fund budget and progress in funding its obligation to provide pension and OPEB benefits to its employees.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City's, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$50,641,332, at the close of the most recent fiscal year.

A condensed version of the government-wide statement of net position follows:

	Governmental Activities		Business-type Activities		Government Totals	
	FY2023	FY2022	FY2023	FY2022	FY2023	FY2022
Current and other assets	\$ 38,778,795	\$ 39,954,420	\$ 8,376,341	\$ 13,063,870	\$ 47,155,136	\$ 53,018,290
Capital and lease assets, net	42,780,688	33,245,566	21,729,687	17,621,947	64,510,375	50,867,513
Total assets	<u>81,559,483</u>	<u>73,199,986</u>	<u>30,106,028</u>	<u>30,685,817</u>	<u>111,665,511</u>	<u>103,885,803</u>
Deferred outflows of resources	<u>3,307,342</u>	<u>1,154,114</u>	<u>942,786</u>	<u>325,668</u>	<u>4,250,128</u>	<u>1,479,782</u>
Current liabilities	4,884,039	4,587,895	1,381,706	2,064,844	6,265,745	6,652,739
Noncurrent liabilities	45,394,438	33,942,927	13,426,541	12,772,711	58,820,979	46,715,638
Total liabilities	<u>50,278,477</u>	<u>38,530,822</u>	<u>14,808,247</u>	<u>14,837,555</u>	<u>65,086,724</u>	<u>53,368,377</u>
Deferred inflows of resources	<u>137,102</u>	<u>1,525,549</u>	<u>50,481</u>	<u>447,669</u>	<u>187,583</u>	<u>1,973,218</u>
Net position:						
Net investment in capital assets	22,883,108	22,352,046	14,119,237	13,101,778	37,002,345	35,453,824
Restricted	10,937,338	9,624,666	-	19,303	10,937,338	9,643,969
Unrestricted	<u>630,800</u>	<u>2,321,017</u>	<u>2,070,849</u>	<u>2,605,180</u>	<u>2,701,649</u>	<u>4,926,197</u>
Total net position	<u>\$ 34,451,246</u>	<u>\$ 34,297,729</u>	<u>\$ 16,190,086</u>	<u>\$ 15,726,261</u>	<u>\$ 50,641,332</u>	<u>\$ 50,023,990</u>

City of Decatur, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2023

By far, the largest portion of the City's net position (73%) reflects its investment in capital and lease assets (e.g., land, buildings, machinery, equipment, vehicles, infrastructure, and lease assets), net of accumulated depreciation/amortization, and less any related outstanding debt that was used to acquire those assets. The City uses these capital and lease assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital and lease assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (22%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,701,649 is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

The City's net position increased \$617,342 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$153,517 from the prior fiscal year for an ending balance of \$34,451,246. The increase in net position is primarily due to increases in charges for services related to an increase in bookings at the conference center and building permits, ad valorem tax revenues due to increased valuations and sales tax revenues due to a spike in inflation.

Business-type Activities. For the City's business-type activities, the results for the current fiscal year were positive in that overall net position increased to reach an ending balance of \$16,190,086. The total increase in net position for business-type activities was \$463,825 from the prior fiscal year. Operations in 2023 and 2022 were relatively consistent. In 2023, business type activities received \$910,1000 in capital asset contributions from developers, which did not occur in 2022.

City of Decatur, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2023

A summary of the government-wide statement of activities follows:

	Governmental Activities		Business-type Activities		Government Totals	
	FY2023	FY2022	FY2023	FY2022	FY2023	FY2022
Revenues						
Program revenues:						
Charges for services	\$ 2,633,120	\$2,775,002	\$ 6,081,189	\$5,758,240	\$ 8,714,309	\$ 8,533,242
Operating grants and contributions	403,996	527,667	-	-	403,996	527,667
Capital grants and contributions	563,885	65,157	910,100	-	1,473,985	65,157
Total program revenues	<u>3,601,001</u>	<u>3,367,826</u>	<u>6,991,289</u>	<u>5,758,240</u>	<u>10,592,290</u>	<u>9,126,066</u>
General revenues:						
Ad valorem taxes	6,687,323	5,231,054	403,415	764,928	7,090,738	5,995,982
Sales taxes	6,666,226	6,093,094	-	-	6,666,226	6,093,094
Franchise, occupancy and other taxes	1,359,894	1,299,259	-	-	1,359,894	1,299,259
Interest on investments	936,793	246,896	278,756	91,084	1,215,549	337,980
Gain on sale of assets	455,497	-	-	-	455,497	-
Miscellaneous	340,733	640,152	-	-	340,733	640,152
Total general revenues	<u>16,446,466</u>	<u>13,510,455</u>	<u>682,171</u>	<u>856,012</u>	<u>17,128,637</u>	<u>14,366,467</u>
Total revenues	<u>20,047,467</u>	<u>16,878,281</u>	<u>7,673,460</u>	<u>6,614,252</u>	<u>27,720,927</u>	<u>23,492,533</u>
Expenses						
General government	2,137,567	1,448,753	-	-	2,137,567	1,448,753
Airport	397,011	295,479	-	-	397,011	295,479
Main street	238,723	220,937	-	-	238,723	220,937
Fire protection	2,927,743	2,417,365	-	-	2,927,743	2,417,365
Police	4,459,470	3,370,866	-	-	4,459,470	3,370,866
Animal control	63,647	51,704	-	-	63,647	51,704
Streets	1,922,178	1,786,003	-	-	1,922,178	1,786,003
Library	629,636	591,058	-	-	629,636	591,058
Tax and court	409,943	285,899	-	-	409,943	285,899
Parks	902,924	705,545	-	-	902,924	705,545
Planning services	483,940	430,956	-	-	483,940	430,956
Inspection services	565,149	569,880	-	-	565,149	569,880
Cemetery	262,672	92,025	-	-	262,672	92,025
Conference center	1,245,452	968,246	-	-	1,245,452	968,246
Economic development	1,166,583	909,353	-	-	1,166,583	909,353
Technology	567,552	452,144	-	-	567,552	452,144
Interest and fiscal charges	1,523,722	1,100,440	-	-	1,523,722	1,100,440
Water, sewer, and garbage	-	-	7,209,635	5,979,542	7,209,635	5,979,542
Total expenses	<u>19,903,912</u>	<u>15,696,653</u>	<u>7,209,635</u>	<u>5,979,542</u>	<u>27,113,547</u>	<u>21,676,195</u>
Increase in net position before transfers and contributions to permanent endowment	143,555	1,181,628	463,825	634,710	607,380	1,816,338
Contributions to permanent endowment	9,962	933,661	-	-	9,962	933,661
Change in Net Position	<u>153,517</u>	<u>2,115,289</u>	<u>463,825</u>	<u>634,710</u>	<u>617,342</u>	<u>2,749,999</u>
Net Position, Beginning, as Previously Reported	34,297,729	32,280,332	15,726,261	15,091,551	50,023,990	47,371,883
Adjustment applicable to prior years	-	(97,892)	-	-	-	(97,892)
Net Position, Beginning, as Restated	<u>34,297,729</u>	<u>32,182,440</u>	<u>15,726,261</u>	<u>15,091,551</u>	<u>50,023,990</u>	<u>47,273,991</u>
Net Position, Ending	<u>\$ 34,451,246</u>	<u>\$ 34,297,729</u>	<u>\$ 16,190,086</u>	<u>\$ 15,726,261</u>	<u>\$ 50,641,332</u>	<u>\$ 50,023,990</u>

City of Decatur, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2023

Financial Analysis of Funds

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

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Council.

At September 30, 2023, the City's governmental funds reported combined fund balances of \$36,036,694, a decrease of \$1,119,871 in comparison with the prior year. Approximately 6% of this amount (\$2,034,790) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is either nonspendable, restricted, or assigned to indicate that it is: 1) not in spendable form (\$24,710), 2) legally required to be maintained intact (\$1,967,465), 3) restricted for particular purposes (\$30,033,223), or 4) assigned for particular purposes (\$1,976,506).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,039,696, while total fund balance decreased to \$4,574,880. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 13% of total general fund expenditures, while total fund balance represents approximately 29% of that same amount.

The fund balance of the City's general fund decreased by \$866,287 during the current fiscal year due primarily to the increase in police, conference center, and capital expenditures.

The special revenue fund had a \$1,468,567 increase in fund balance during the current fiscal year to bring the year-end fund balance to \$8,013,824. The increase in fund balance was mainly attributable to increased sales tax revenue and issuance of debt. A significant portion of fund balance is restricted for economic development while the trust principal of the cemetery endowment is nonspendable.

The debt service fund had a slight increase in fund balance during the current year of \$71,769 to bring the year-end fund balance to \$1,757,415. The increase in fund balance was mainly attributable to increased property tax revenue.

The capital project fund had a decrease in fund balance during the current year of \$1,793,920 to bring the year-end fund balance to \$21,690,575. The decrease in fund balance was mainly attributable to increased capital expenditures.

City of Decatur, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2023

Proprietary Fund. The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Enterprise Fund at the end of the year was \$2,070,849. The total change in net position was \$463,825. The increase primary results from receipt of capital contributions from governmental activities.

General Fund Budgetary Highlights

During FY2022-23, actual revenues exceeded the final budget by \$1,456,240, which was primarily related to increased sales tax, franchise, occupancy and other taxes, and other revenues. Actual expenditures were \$1,231,899 more than the final budget due primarily to greater than expected capital outlay.

Pensions and Retiree Health Care

Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* created specific reporting requirements for pensions that are different than that used for funding purposes. Both valuations are important as the reporting valuation provides a rigorous standard measure that can be used to compare the City's pension liabilities to other governments around the nation. The funding valuation is important as the actuarial methods used, including strategies for repaying any unfunded actuarial accrued liabilities combined with the City's history of making those contributions provides insights regarding the City's commitment to the effectiveness of its funding strategy. On a reporting basis, the City's financial statements reflect a Net Pension Liability as of September 30, 2023, of \$7,128,973 which is 87.47% of the City's measurement year 2022 covered payroll of \$8,149,853.

Retiree supplemental death benefit actuarially accrued liability has been calculated in accordance with GASB Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. The Total OPEB Liability is \$353,769 as of September 30, 2023, which is 4.34% of the City's measurement year 2022 covered payroll of \$8,149,853.

Capital and Lease Assets and Debt Administration

Capital and Lease Assets. The City's investment in capital and lease assets for its governmental and business-type activities as of September 30, 2023, amounts to \$64,510,375 (net of accumulated depreciation and amortization). This investment in capital and lease assets includes land, construction in progress, buildings, machinery, equipment, vehicles, park facilities, roads, the water treatment plant, and right to use lease assets. The total increase in capital assets for the current fiscal year was approximately 27%.

City of Decatur, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2023

	Governmental Activities		Business-type Activities		Government Totals	
	FY2023	FY2022	FY2023	FY2022	FY2023	FY2022
Land	\$ 11,864,677	\$ 4,675,968	\$ 744,388	\$ 744,388	\$ 12,609,065	\$ 5,420,356
Construction in process	1,129,609	-	5,950,052	2,843,702	7,079,661	2,843,702
Airport	7,060,034	7,060,034	-	-	7,060,034	7,060,034
Conference center	7,422,302	7,409,533	-	-	7,422,302	7,409,533
Fire Department	6,217,985	5,757,446	-	-	6,217,985	5,757,446
General government	864,116	842,049	-	-	864,116	842,049
Library	1,587,855	1,549,189	-	-	1,587,855	1,549,189
Parks	3,577,974	2,682,773	-	-	3,577,974	2,682,773
Police	2,334,191	2,203,271	-	-	2,334,191	2,203,271
Street equipment	1,149,924	1,137,425	-	-	1,149,924	1,137,425
Street infrastructure	18,699,203	18,153,523	-	-	18,699,203	18,153,523
Other	1,256,591	1,236,283	-	-	1,256,591	1,236,283
Lease assets	1,741,963	957,491	-	-	1,741,963	957,491
Water and sewer systems	-	-	26,660,480	24,957,378	26,660,480	24,957,378
Accumulated depreciation/amortization	(22,125,736)	(20,419,419)	(11,625,233)	(10,923,521)	(33,750,969)	(31,342,940)
Capital assets, net	<u>\$ 42,780,688</u>	<u>\$ 33,245,566</u>	<u>\$ 21,729,687</u>	<u>\$ 17,621,947</u>	<u>\$ 64,510,375</u>	<u>\$ 50,867,513</u>

Major capital asset events during the current fiscal year included the following:

- Purchase of land in the amount of \$7,188,709
- Developer contributions totaling \$1,455,780 (\$546,680 governmental and \$910,100 business-type)

Additional information on the City's capital and lease assets can be found in *Note 5* of this report.

Long-term Debt. At the end of the current fiscal year, the City had total debt outstanding, excluding unamortized premiums, of \$50,117,855.

	Governmental Activities		Business-type Activities		Government Totals	
	FY2023	FY2022	FY2023	FY2022	FY2023	FY2022
Refunding bonds	\$ 2,310,000	\$ 3,030,000	\$ -	\$ -	\$ 2,310,000	\$ 3,030,000
Sales tax bonds	13,690,000	5,975,000	-	-	13,690,000	5,975,000
Unlimited tax refunding bonds	-	-	1,450,000	1,775,000	1,450,000	1,775,000
Certificate of obligations	21,440,000	21,440,000	9,770,000	9,770,000	31,210,000	31,210,000
Lease liability	1,457,855	794,021	-	-	1,457,855	794,021
Total long-term debt outstanding	<u>\$ 38,897,855</u>	<u>\$ 31,239,021</u>	<u>\$ 11,220,000</u>	<u>\$ 11,545,000</u>	<u>\$ 50,117,855</u>	<u>\$ 42,784,021</u>

The City's total debt, excluding unamortized premiums, increased by \$7,333,834, (17%) during the current fiscal year. The reason for the increase is related to the issuance of Series 2023, Sales Tax Revenue Bonds of \$8,100,000 during the fiscal year, offset by regularly scheduled debt service payments.

The City maintains a "Aa3" rating from Moody's Investors Service for general obligation debt.

Additional information on the City's long-term debt assets can be found in *Note 9* of this report.

City of Decatur, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2023

Economic Factors and Next Year's Budgets and Rates

The annual budget is developed to provide the most efficient and effective uses of the City's economic resources, as well as a means to accomplish the highest priority objectives. Through the budget, the City Council sets the direction of the City, allocates its resources, and establishes its priorities. In considering the City's budget for the year ending September 30, 2024, the City Council and Management considered the following factors:

- Ad valorem tax revenues are budgeted to increase due to slightly higher certified values.
- Sales tax, hotel/motel taxes are anticipated to increase slightly.
- Water and sewer revenues are anticipated to remain steady/increases consider with ongoing rate study.
- Expenditures are budgeted to increase due to increased personnel cost, professional services, and funding received under ARPA that needs to be expended by December 2024.
- Capital expenditures include the purchase of equipment, vehicles, and infrastructure improvements.

The City routinely sets aside resources to deal with fluctuations in the economy and to plan for future capital expansion.

The City blends the Wise County Water Supply District (District) into the business-type activities of the City. The District's separately issued 2023 financial statements dated December 11, 2023, may be obtained by contacting the District's General Manager, Greg Hall at 201 E. Walnut, Decatur, Texas 76234.

Financial Contact

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City Manager Nathan Mara, 201 E. Walnut, Decatur, Texas 76234.

Basic Financial Statements

City of Decatur, Texas
Statement of Net Position
September 30, 2023

Assets and Deferred Outflows of Resources	Governmental Activities	Business-type Activities	Total
Current Assets			
Cash and cash equivalents, unrestricted	\$ 4,956,758	\$ 1,320,015	\$ 6,276,773
Certificates of deposit	852,070	1,030,590	1,882,660
Investments	1,324,023		1,324,023
Receivables, net of allowances for uncollectibles	1,530,196	1,025,455	2,555,651
Prepaid items	24,710	43,972	68,682
Internal balances	(13,200)	13,200	-
Current maturities of business development loan receivable	15,000	-	15,000
Total current assets	<u>8,689,557</u>	<u>3,433,232</u>	<u>12,122,789</u>
Noncurrent Assets			
Cash and cash equivalents, restricted	30,089,238	4,943,109	35,032,347
Capital and lease assets			
Land	11,864,677	744,388	12,609,065
Construction in progress	1,129,609	5,950,052	7,079,661
Buildings and equipment	26,494,805	-	26,494,805
Street infrastructure	23,675,370	-	23,675,370
Right to use leased assets	1,741,963	-	1,741,963
Water and sewer distribution systems	-	26,660,480	26,660,480
Accumulated depreciation/amortization	<u>(22,125,736)</u>	<u>(11,625,233)</u>	<u>(33,750,969)</u>
Total capital and lease assets, net of depreciation/amortization	42,780,688	21,729,687	64,510,375
Total noncurrent assets	<u>72,869,926</u>	<u>26,672,796</u>	<u>99,542,722</u>
Total assets	<u>81,559,483</u>	<u>30,106,028</u>	<u>111,665,511</u>
Deferred Outflows of Resources			
Deferred amount on refunding	12,894	-	12,894
Pension	3,238,676	926,823	4,165,499
OPEB	<u>55,772</u>	<u>15,963</u>	<u>71,735</u>
Total deferred outflows of resources	<u>3,307,342</u>	<u>942,786</u>	<u>4,250,128</u>
Liabilities, Deferred Inflows of Resources, and Net Position			
Current Liabilities			
Accounts payable	563,595	511,555	1,075,150
Other current liabilities	870,036	88,629	958,665
Accrued interest payable	301,763	125,681	427,444
Unearned revenue	1,151,973	-	1,151,973
Current maturities of long-term debt	1,115,000	510,000	1,625,000
Current maturities of leases payable	258,118	-	258,118
Accrued compensated absences	623,554	145,841	769,395
Total current liabilities	<u>4,884,039</u>	<u>1,381,706</u>	<u>6,265,745</u>
Noncurrent Liabilities			
Long-term debt	36,325,000	10,710,000	47,035,000
Debt issuance premium, net of amortization	1,793,429	822,765	2,616,194
Leases payable	1,199,737	-	1,199,737
Accrued compensated absences	258,436	45,997	304,433
Meter and other deposits	-	182,873	182,873
Net pension liability	5,542,780	1,586,193	7,128,973
Total OPEB liability	<u>275,056</u>	<u>78,713</u>	<u>353,769</u>
Total noncurrent liabilities	<u>45,394,438</u>	<u>13,426,541</u>	<u>58,820,979</u>
Total liabilities	<u>50,278,477</u>	<u>14,808,247</u>	<u>65,086,724</u>
Deferred Inflows of Resources			
Deferred amount on refunding	4,644	13,204	17,848
Lease related	2,205	-	2,205
OPEB	<u>130,253</u>	<u>37,277</u>	<u>167,530</u>
Total deferred inflows of resources	<u>137,102</u>	<u>50,481</u>	<u>187,583</u>
Net Position			
Net investment in capital assets	22,883,108	14,119,237	37,002,345
Restricted for:			
Airport	689,640	-	689,640
Capital projects	188,876	-	188,876
Cemetery			
Expendable	173,861	-	173,861
Nonexpendable	1,481,809	-	1,481,809
Debt service	2,825,062	-	2,825,062
Economic development	4,433,395	-	4,433,395
Employee benefits	72,924	-	72,924
Library			
Expendable	197,062	-	197,062
Nonexpendable	485,656	-	485,656
Municipal court	276,384	-	276,384
School crossing guard program	9,364	-	9,364
Public safety	103,305	-	103,305
Unrestricted	<u>630,800</u>	<u>2,070,849</u>	<u>2,701,649</u>
Total net position	<u>\$ 34,451,246</u>	<u>\$ 16,190,086</u>	<u>\$ 50,641,332</u>

City of Decatur, Texas
Statement of Activities
Year Ended September 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Governmental Activities							
General government	\$ 2,137,567	\$ 14,859	\$ -	\$ -	\$ (2,122,708)	\$ -	\$ (2,122,708)
Airport	397,011	156,191	-	-	(240,820)	-	(240,820)
Main street	238,723	82,846	4,080	-	(151,797)	-	(151,797)
Fire protection	2,927,743	-	201,724	-	(2,726,019)	-	(2,726,019)
Police	4,459,470	-	168,931	-	(4,290,539)	-	(4,290,539)
Animal control	63,647	-	-	-	(63,647)	-	(63,647)
Streets	1,922,178	-	-	545,680	(1,376,498)	-	(1,376,498)
Library	629,636	63,654	29,261	610	(536,111)	-	(536,111)
Tax and court	409,943	1,168,682	-	-	758,739	-	758,739
Parks	902,924	232,787	-	-	(670,137)	-	(670,137)
Planning services	483,940	29,146	-	-	(454,794)	-	(454,794)
Inspection services	565,149	281,715	-	-	(283,434)	-	(283,434)
Cemetery	262,672	63,881	-	17,595	(181,196)	-	(181,196)
Conference center	1,245,452	539,359	-	-	(706,093)	-	(706,093)
Economic development	1,166,583	-	-	-	(1,166,583)	-	(1,166,583)
Technology	567,552	-	-	-	(567,552)	-	(567,552)
Interest and fiscal charges	1,523,722	-	-	-	(1,523,722)	-	(1,523,722)
Total governmental activities	19,903,912	2,633,120	403,996	563,885	(16,302,911)	-	(16,302,911)
Business-type Activities							
Water, sewer, and garbage	7,209,635	6,081,189	-	910,100	-	(218,346)	(218,346)
Totals	\$ 27,113,547	\$ 8,714,309	\$ 403,996	\$ 1,473,985	(16,302,911)	(218,346)	(16,521,257)
General Revenues and Contributions to Permanent Endowment							
Ad valorem taxes					6,687,323	403,415	7,090,738
Sales taxes					6,666,226	-	6,666,226
Franchise, occupancy, and other taxes					1,359,894	-	1,359,894
Interest on investments					936,793	278,756	1,215,549
Contributions not restricted for a specific purpose					455,497	-	455,497
Miscellaneous					340,733	-	340,733
Contributions to permanent endowment					9,962	-	9,962
Total general revenues and contribution to permanent endowment					16,456,428	682,171	17,138,599
Change in Net Position					153,517	463,825	617,342
Net Position, Beginning					34,297,729	15,726,261	50,023,990
Net Position, Ending					\$ 34,451,246	\$ 16,190,086	\$ 50,641,332

City of Decatur, Texas
Balance Sheet – Governmental Funds
September 30, 2023

Assets	General Fund	Special Revenue Fund	Debt Service Fund	Capital Project Fund	Total Governmental Funds
Cash and cash equivalents	\$ 5,805,539	\$ 5,667,809	\$ 1,754,281	\$ 21,818,367	\$ 35,045,996
Certificates of deposit	-	743,006	-	109,064	852,070
Investments	-	1,324,023	-	-	1,324,023
Receivables (net of allowance for uncollectibles)					
Ad valorem taxes receivable	56,232	-	25,552	-	81,784
Sales taxes	758,600	379,301	-	-	1,137,901
Gross receipts taxes	122,968	-	-	-	122,968
Lease receivable	-	1,794	-	-	1,794
Other receivables	185,749	-	-	-	185,749
Notes receivable	15,000	-	-	-	15,000
Prepaid items	24,710	-	-	-	24,710
Due from other funds	64,367	-	-	-	64,367
Total assets	\$ 7,033,165	\$ 8,115,933	\$ 1,779,833	\$ 21,927,431	\$ 38,856,362
Liabilities					
Accounts payable	\$ 304,872	\$ 21,867	\$ -	\$ 236,856	\$ 563,595
Other accrued liabilities	856,066	13,970	-	-	870,036
Due to other funds	13,500	64,067	-	-	77,567
Unearned revenue	1,151,973	-	-	-	1,151,973
Total liabilities	2,326,411	99,904	-	236,856	2,663,171
Deferred Inflows of Resources					
Unavailable revenues	131,874	-	22,418	-	154,292
Lease related	-	2,205	-	-	2,205
Total deferred inflows of resources	131,874	2,205	22,418	-	156,497
Fund Balances					
Nonspendable:					
Prepaid items	24,710	-	-	-	24,710
Trust principal	-	1,967,465	-	-	1,967,465
Restricted for:					
Airport	689,640	-	-	-	689,640
Capital projects	-	-	-	21,134,999	21,134,999
Cemetery	-	-	-	173,861	173,861
Debt service	-	1,067,647	1,757,415	-	2,825,062
Economic development	-	4,550,622	-	-	4,550,622
Employee benefits	72,924	-	-	-	72,924
Library	-	43,943	-	153,119	197,062
Municipal court	-	276,384	-	-	276,384
School crossing guard program	-	9,364	-	-	9,364
Public safety	-	103,305	-	-	103,305
Assigned to:					
Fire department	391,275	-	-	-	391,275
Capital projects	-	-	-	228,596	228,596
Parks	379,593	-	-	-	379,593
Street improvement	831,797	-	-	-	831,797
Other	145,245	-	-	-	145,245
Unassigned	2,039,696	(4,906)	-	-	2,034,790
Total fund balances	4,574,880	8,013,824	1,757,415	21,690,575	36,036,694
Total liabilities, deferred inflows of resources, and fund balances	\$ 7,033,165	\$ 8,115,933	\$ 1,779,833	\$ 21,927,431	\$ 38,856,362

City of Decatur, Texas
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
September 30, 2023

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

Total fund balances – governmental funds	\$ 36,036,694
Capital and lease assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	42,780,688
Certain revenue earned but reported as a deferred inflow of resources in the funds.	154,292
The accrued interest payable on long-term debt is not due and payable in the current year and, therefore, it is not reported in the governmental funds.	(301,763)
Long-term liabilities and related deferred outflows and inflows of resources (deferred charge on refunding, deferred outflows of resources – pension, deferred outflows of resources – OPEB, and deferred inflows of resources – OPEB), including bonds payable, lease liability, compensated absences, net pension liability, and total OPEB liability are not due and payable in the current period and, therefore are not reported in the governmental funds financial statements.	(44,218,665)
Total net position – governmental activities	\$ 34,451,246

City of Decatur, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Funds
Year Ended September 30, 2023

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Project Fund	Total Governmental Funds
Revenues					
Ad valorem taxes, penalties, and interest	\$ 4,577,192	\$ -	\$ 2,076,174	\$ -	\$ 6,653,366
Sales taxes	4,444,150	2,222,076	-	-	6,666,226
Franchise, occupancy, and other taxes	1,359,894	-	-	-	1,359,894
Interest on investments	165,046	204,870	52,297	514,580	936,793
Contributions, grants, and donations	744,738	144,006	-	18,205	906,949
Lease revenue	-	7,373	-	-	7,373
Conference center	539,359	-	-	-	539,359
Licenses and permits	281,715	-	-	-	281,715
Fines and fees	1,074,033	107,006	-	-	1,181,039
Other revenue	1,133,290	82,846	-	14,859	1,230,995
	<u>14,319,417</u>	<u>2,768,177</u>	<u>2,128,471</u>	<u>547,644</u>	<u>19,763,709</u>
Expenditures					
Current					
General government	1,904,737	27,750	-	42,334	1,974,821
Airport	207,997	-	-	-	207,997
Main street	164,986	61,028	-	-	226,014
Fire protection	2,387,303	-	-	-	2,387,303
Police	3,848,301	72,250	-	-	3,920,551
Animal control	62,871	-	-	-	62,871
Street	1,133,813	-	-	257,846	1,391,659
Library	549,061	-	-	-	549,061
Tax and court	366,482	24,340	-	-	390,822
Parks	661,919	-	-	64,243	726,162
Planning services	432,191	-	-	-	432,191
Inspection services	532,042	-	-	-	532,042
Cemetery	104,052	-	-	11,550	115,602
Conference center	1,190,590	-	-	-	1,190,590
Economic development	209,298	849,585	-	-	1,058,883
Technology	549,398	-	-	-	549,398
Debt service					
Principal	115,434	390,204	720,000	-	1,225,638
Interest and fiscal charges	27,273	490,718	1,336,702	-	1,854,693
Bond issuance costs	-	273,562	-	-	273,562
Capital outlay	1,522,428	7,210,173	-	1,965,591	10,698,192
	<u>15,970,176</u>	<u>9,399,610</u>	<u>2,056,702</u>	<u>2,341,564</u>	<u>29,768,052</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,650,759)</u>	<u>(6,631,433)</u>	<u>71,769</u>	<u>(1,793,920)</u>	<u>(10,004,343)</u>
Other Financing Sources (Uses)					
Proceeds from issuance of long-term debt	-	8,100,000	-	-	8,100,000
Leases (as lessee)	784,472	-	-	-	784,472
	<u>784,472</u>	<u>8,100,000</u>	<u>-</u>	<u>-</u>	<u>8,884,472</u>
Net Change in Fund Balances	(866,287)	1,468,567	71,769	(1,793,920)	(1,119,871)
Fund Balances, Beginning	<u>5,441,167</u>	<u>6,545,257</u>	<u>1,685,646</u>	<u>23,484,495</u>	<u>37,156,565</u>
Fund Balances, Ending	<u>\$ 4,574,880</u>	<u>\$ 8,013,824</u>	<u>\$ 1,757,415</u>	<u>\$ 21,690,575</u>	<u>\$ 36,036,694</u>

City of Decatur, Texas
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended September 30, 2023

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

Net change in fund balances – governmental funds	\$ (1,119,871)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital expenditures (\$10,698,192) exceeded capital depreciation/amortization (\$1,707,836) in the current period.	8,990,356
The net effect of various miscellaneous transactions involving capital assets (i.e. sales or donations) is to decrease net position.	544,766
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the net change in current year for these revenues.	21,600
The issuance of long-term debt (e.g. , bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of deferred gain/loss on refunding, premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(7,524,077)
Current year change in accrued interest required the use of current financial resources; but is not reported as an expense in the governmental activities.	196,214
Current year changes in long-term liabilities for compensated absences did/(did not) require the use of current financial resources; and are/(are not) reported as expenses in governmental activities.	(249,051)
Current year pension and OPEB expenditures are reported on the fiscal year basis in the governmental statement of revenues, expenditures, and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in deferred outflows/inflows of resources balances.	<u>(706,420)</u>
Change in the net position of governmental activities	<u>\$ 153,517</u>

City of Decatur, Texas
Statement of Net Position – Proprietary Fund
September 30, 2023

Assets and Deferred Outflows of Resources	Business-type Activities Enterprise Fund
Current Assets	
Cash and cash equivalents, unrestricted	\$ 1,320,015
Certificates of deposit	1,030,590
Ad valorem taxes receivable, net	5,017
Customer receivables	1,020,438
Due from other funds	13,200
Prepays	43,972
Total current assets	3,433,232
Noncurrent Assets	
Cash and cash equivalents, restricted for customer deposits	182,873
Cash and cash equivalents, restricted for debt service	71,208
Cash and cash equivalents, restricted for capital projects	4,689,028
Total restricted assets	4,943,109
Land	744,388
Construction in progress	5,950,052
Water and sewer distribution systems and related equipment, net	15,035,247
Total capital assets, net of depreciation	21,729,687
Total noncurrent assets	26,672,796
Total assets	30,106,028
Deferred Outflows of Resources	
Pension	926,823
OPEB	15,963
Total deferred outflows of resources	942,786
Liabilities, Deferred Inflows of Resources, and Net Position	
Current Liabilities	
Accounts payable	511,555
Other current liabilities	88,629
Accrued interest payable	125,681
Current maturities of long-term debt	510,000
Accrued compensated absences	145,841
Total current liabilities	1,381,706
Noncurrent Liabilities	
Long-term debt	10,710,000
Debt issuance premium, net of amortization	822,765
Accrued compensated absences	45,997
Meter deposits	182,873
Net pension liability	1,586,193
Total OPEB liability	78,713
Total noncurrent liabilities	13,426,541
Total liabilities	14,808,247
Deferred Inflows of Resources	
Deferred amount on refunding	13,204
OPEB	37,277
Total deferred inflows of resources	50,481
Net Position	
Net investment in capital assets	14,119,237
Unrestricted	2,070,849
Total net position	\$ 16,190,086

City of Decatur, Texas
Statement of Revenues, Expenses, and Changes in Fund Net Position –
Proprietary Fund
Year Ended September 30, 2023

	<u>Business-type Activities Enterprise Fund</u>
Operating Revenues	
Water charges	\$ 3,437,456
Sewer charges	1,885,092
Garbage and other charges	569,550
Other charges for services and miscellaneous	<u>189,091</u>
Total operating revenues	<u>6,081,189</u>
Operating Expenses	
Public works	373,634
Sewer, plant and operation	1,061,513
Utility billing	227,680
Raw water purchases	579,581
Water utilities	1,948,876
Utility maintenance	1,329,578
Garbage fees	487,974
Depreciation	<u>731,136</u>
Total operating expenses	<u>6,739,972</u>
Operating loss	<u>(658,783)</u>
Nonoperating Revenues (Expenses)	
Ad valorem taxes, interest and penalties	403,415
Interest income	278,756
Miscellaneous	(6,352)
Interest expense	<u>(463,311)</u>
Total nonoperating revenues (expenses)	<u>212,508</u>
Income before capital contributions	(446,275)
Capital contributions	<u>910,100</u>
Change in Net Position	463,825
Net Position, Beginning	<u>15,726,261</u>
Net Position, Ending	<u><u>\$ 16,190,086</u></u>

City of Decatur, Texas
Statement of Cash Flows – Proprietary Fund
Year Ended September 30, 2023

Cash Flows from Operating Activities	
Cash received from customers	\$ 6,013,355
Cash payments to suppliers for goods and services	(3,995,039)
Cash payments to employees and other directly related employment costs	(2,067,567)
Other operating payments	<u>(6,352)</u>
Net cash used by operating activities	<u>(55,603)</u>
Cash flows from Noncapital Financing Activities:	
Transfer to other funds	<u>(3,500)</u>
Net cash used by noncapital financing activities	<u>(3,500)</u>
Cash Flows from Capital and Related Financing Activities	
Property taxes (capital), net	404,529
Acquisition and construction of capital assets	(4,483,514)
Principal paid on long-term debt	(325,000)
Interest paid on long-term debt	<u>(636,500)</u>
Net cash used by capital and related financing activities	<u>(5,040,485)</u>
Cash Flows from Investing Activities	
Interest on investments	<u>278,756</u>
Net cash provided by investing activities	<u>278,756</u>
Net decrease in cash and cash equivalents	(4,820,832)
Cash and Cash Equivalents, Beginning of Year	<u>12,114,546</u>
Cash and Cash Equivalents, End of Year	<u>\$ 7,293,714</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	<u>\$ (658,783)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	731,136
Miscellaneous income	(6,352)
(Increases) decreases in assets and deferred outflows of resources:	
Customer accounts receivable	(83,445)
Deferred outflows of resources	(617,118)
Prepays	(5,445)
Increases (decreases) in liabilities and deferred inflows of resources:	
Accounts payable and accrued expenses	(269,110)
Customer deposits	15,611
Compensated absences	18,631
Net pension liability	1,244,968
Total OPEB liability	(32,910)
Deferred inflows of resources	<u>(392,786)</u>
Total adjustments	<u>603,180</u>
Net cash provided by operating activities	<u>\$ (55,603)</u>
Schedule of noncash Capital and Related Financing Activities:	
Purchase of capital assets in accounts payable	\$ 243,509
Developer contributed capital assets	\$ 910,100

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2023

Note 1: Summary of Significant Accounting Policies

The accounting policies of the City of Decatur, Texas conform to accounting principles applicable to governments as promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant policies.

Description of the Reporting Entity

The City of Decatur, Texas (City) was incorporated in 1873. The City operates under a council/manager form of government and provides services authorized by its charter including public safety, public improvements, planning and zoning, and general administrative services.

The accompanying financial statements present the City and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. The City has no discretely presented component units.

Blended Component Units

The Corporation for Economic Development of the City of Decatur, Texas (EDC) is governed by a five-member board appointed by the City Council. The EDC collects a one-half percent sales tax that is available for specific use economic development projects. The sales tax collections have been pledged to service the City debt. Additionally, the City has the ability to exercise influence over all management decisions of the EDC. The financial data of the EDC has been blended into the special revenue fund of the City. The EDC does not issue separate financial statements.

The Wise County Water Supply District (District) is governed by a five-member board appointed by the City Council. The District owns the water treatment plant, the raw water line from the lake to the water treatment plant and an elevated treated water storage tower used by the City. The District is an integral part of providing treated water to the residents and businesses of the City. The District levies property taxes to service the debt used to acquire the District's capital assets. The City has the ability to exercise influence over all the District's management decisions. The financial data of the Corporation has been blended into the governmental-type activities of the City. A separately issued financial reports is available for the District and may be obtained by contacting the District's General Manager, Greg Hall, 201 E. Walnut, Decatur, Texas 76234.

Related Organizations

The City's financial statements does not include the following related organizations:

- Housing Authority of the City of Decatur, Texas
- Decatur Hospital Authority

City of Decatur, Texas
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September 30, 2023

These entities have separate elected and/or appointed boards and provide services to residents, generally within the geographic boundaries of the City. These entities are excluded from the reporting entity because the City does not have the ability to exercise influence or control their daily operations, approve budgets, or provide funding.

Basis of Presentation

Government-wide Financial Statements

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the City's water function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

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

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The Corporation for Economic Development of the City of Decatur, Texas is a blended component unit of the City that has been included in this fund for financial statement presentation.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

The Capital Project Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

City of Decatur, Texas

Notes to Basic Financial Statements

September 30, 2023

The City reports the following major enterprise fund:

The Enterprise Fund accounts for the activities of providing water, wastewater treatment, and garbage collection services to the residents and businesses of the City. The Wise County Water Supply District, a blended component unit, has been included in this fund for financial statement presentation.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (*i.e.*, the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities' column. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities' column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions, including entering into contracts giving the City the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2023

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary fund is reported using the economic resources measurement focus and the accrual basis of accounting.

Budgetary Policy and Control

Budgetary Basis of Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and are used as a management control device. For management purposes, the City adopts budgets for all funds. An annual budget is legally adopted by the General Fund. The City maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) for the operating budget is within a fund. Budgeted amounts presented are the original adopted budget and the budget as further amended by the City Council (if amended).

Continuing Appropriations

The unexpended and unencumbered appropriations, which are available and recommended for continuation to the following fiscal year, are approved by the City Council for carryover. These commitments are reported as a designation of fund balance. Encumbered appropriations lapse at year-end but are recommended to the City Council for carryover. There were no unexpended and unencumbered appropriations at year-end.

Transactions Between Funds

Legally authorized transfers are treated as operating transfers and are included in the results of operations of both governmental and proprietary funds.

The city allocates to the enterprise fund and the special revenue fund an indirect cost percentage of administrative services for those funds but paid through the general fund along with other indirect costs deemed necessary for their operations. During the fiscal year ended September 30, 2023, the City's general fund was reimbursed \$527,000 for these services.

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2023

Cash and Cash Equivalents

The City considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2023, cash equivalents consisted primarily of certificates of deposit.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the Government-wide Statements and Fund Financial Statements.

Capital and Lease Assets

Capital and lease assets, which include land, buildings, airport, equipment (furniture, vehicles, computers, etc.), and infrastructure assets (street systems, storm drains, traffic signals, etc.), are reported in the Government-wide Financial Statements. Such assets are recorded at historical cost or estimated historical cost whether purchased or constructed. Dedicated or annexed capital assets are recorded at acquisition value at the date of the dedication or annexation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as the projects are constructed.

Capital and lease 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. Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives, or lease term, whichever is shorter:

Capital Asset Classes	Lives (in Years)
Machinery and equipment	3-15
Vehicles	5-7
Furniture	7-10
Infrastructure	10-40
Water distribution system	10-40
Buildings	40

Property Taxes

Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available. Available means due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities in the current period.

City of Decatur, Texas
Notes to Basic Financial Statements
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Lease Receivable

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

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

Use of Restricted Resources

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

Compensated Absences

Compensated absences consist of accrued paid time off (PTO) and the related employee fringe benefits and payroll taxes. Under terms of administrative policy, regular, full-time, and permanent employees are granted PTO in varying amounts. PTO accrues at rates of 16 to 36 days per year depending on the number of years of service. The maximum number of PTO days that may be accumulated is two times the employee's current annual accrual rate. All days in excess of the maximum are lost during the year end payroll closing process.

Lease Liability

The City is a lessee for noncancellable leases. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the 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.

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

City of Decatur, Texas
Notes to Basic Financial Statements
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Pensions

For purposes of measuring the net pension liability, 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' 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.

Defined Benefit Other Postemployment Benefit Plan

The City has a single-employer defined benefit other postemployment benefit (OPEB) plan (Plan). For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position or balance sheet 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 reporting period(s) and so will not be recognized as an outflow of resources (expense/expenditure/reduction of net pension liability or total OPEB liability) until then. The City has the following items that qualify for reporting in this category:

- Deferred loss on refunding – A deferred loss 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.
- Pension contributions after measurement date – These contributions are deferred and will be recognized in the subsequent fiscal year-end.
- Difference in expected and actual experience – pension – This difference is deferred and amortized over the average remaining service life of all participants in the pension plan and recorded as a component of pension expense beginning with the period in which they are incurred.
- Difference in projected and actual earnings on pension plan investments – pension – This difference is deferred and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.
- OPEB contributions after measurement date – These contributions are deferred and will be recognized in the subsequent fiscal year-end.
- Difference in assumption changes – OPEB – This difference is deferred and amortized over the average remaining service life of all participants in the pension plan and recorded as a component of OPEB expense beginning with the period in which they are incurred.

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2023

- Difference in expected and actual experience – OPEB – This difference is deferred and amortized over the average remaining service life of all participants in the pension plan and recorded as a component of pension expense beginning with the period in which they are incurred.

In addition to liabilities, the statement of net position or balance sheet 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 reporting period(s) and so will not be recognized as an inflow of resources (revenue/increase of net pension liability or total OPEB liability) until that time. The City has the following items that qualify for reporting in this category:

- Deferred gain on refunding – A deferred gain 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.
- Difference in assumption changes – OPEB – This difference is deferred and amortized over the average remaining service life of all participants in the OPEB plan and recorded as a component of OPEB expense beginning with the period in which they are incurred.
- Difference in expected and actual experience – OPEB – This difference is deferred and amortized over the average remaining service life of all participants in the pension plan and recorded as a component of pension expense beginning with the period in which they are incurred.
- Leases – This is reported under both the full accrual and modified accrual basis of accounting. This is measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. The City will recognize an inflow of resources from the deferred inflows of resources in a systematic and rational manner over the term of the lease.
- Unavailable revenue – This arises only under a modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from the following sources: property taxes and court revenues. In the General Fund, deferred inflows of resources consist of property taxes of \$48,801 and court revenues of \$83,073. In the Debt Service Fund, unavailable revenues consist of property taxes in the amount of \$22,418. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2023

Fund Balance Policies and Classifications

In the fund financial statements, governmental funds report fund balance into classifications that comprise a hierarchy based on the extent to which the City is bound to honor constraints on the specific purpose for which amount in those funds can be spent. The classifications of fund balance are Nonspendable, Restricted, Committed, Assigned, and Unassigned.

Nonspendable: This classification includes amounts that cannot be spent because they are either: (a) not in a spendable form or (b) are legally or contractually required to remain intact. The City has classified prepaid items, notes receivable, and trust principal for the cemetery endowment and Mooney memorial library endowment as being nonspendable.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either: (a) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

The City has recorded the following restrictions at year-end:

- Restricted for airport represents the portion of fund equity derived from airport revenues, legally restricted for the purpose of capital or operating costs of the airport.
- Restricted for capital projects represents the portion of fund equity derived from impact fees and unspent bond proceeds, legally restricted for the purpose of capital projects.
- Restricted for cemetery are funds from citizen donations and accumulated interest on the cemetery endowment, which is to be used solely for cemetery related expenditures.
- Restricted for debt service represents the portion of fund equity legally restricted for retirement of bond principal and payment of interest and related charges.
- Restricted for economic development represents funds derived from 4B sales taxes, legally restricted for to promote the City through economic development.
- Restricted for employee benefits represents a trust fund established by the City for the purpose of paying active employee insurance premiums.
- Restricted for library are funds from library grants and citizen donations, which are to be used solely for library related expenditures.
- Restricted for municipal court represents the portion of fund equity derived from municipal court security fees and municipal court technology fees, legally restricted for the purpose of providing security services for buildings housing the municipal court of record and to finance the purchase of or to maintain technological enhancements for the municipal court of record.
- Restricted for school guard crossing program represents the portion of fund equity derived from certain traffic penalties, legally restricted to fund school guard crossing programs.
- Restricted for public safety are funds from police and fire grants, citizen donations, and sale of assets seized in connection with arrests in the police department, which are to be used solely for public safety related expenditures.

City of Decatur, Texas
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Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action (ordinance) by the highest level of decision-making authority, namely the City Council, prior to the end of the reporting period. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of formal action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned: This classification includes amounts that are constrained by the City’s intent to be used for specific purposes but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the City manager. Committed fund balances can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance or resolution, which are equally binding and represent the highest-level actions of the City Council. Assigned fund balances are constrained by intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the City management based on the City Council’s direction.

Unassigned: This classification represents the residual net resources in excess of the other classifications. The General Fund is the only fund that can report a positive unassigned fund balance. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

The table below details the fund balance categories and classifications for Governmental Funds.

Fund Balances	General Fund	Special Revenue Fund	Debt Service Fund	Capital Project Fund	Total Governmental Funds
Nonspendable:					
Prepaid items	\$ 24,710	\$ -	\$ -	\$ -	\$ 24,710
Trust principal	-	1,967,465	-	-	1,967,465
Restricted for:					
Airport	689,640	-	-	-	689,640
Capital projects	-	-	-	21,134,999	21,134,999
Cemetery	-	-	-	173,861	173,861
Debt service	-	1,067,647	1,757,415	-	2,825,062
Economic development	-	4,550,622	-	-	4,550,622
Employee benefits	72,924	-	-	-	72,924
Library	-	43,943	-	153,119	197,062
Municipal court	-	276,384	-	-	276,384
School crossing guard program	-	9,364	-	-	9,364
Public safety	-	103,305	-	-	103,305
Assigned to:					
Fire department	391,275	-	-	-	391,275
Capital projects	-	-	-	228,596	228,596
Parks	379,593	-	-	-	379,593
Street improvement	831,797	-	-	-	831,797
Other	145,245	-	-	-	145,245
Unassigned	2,039,696	(4,906)	-	-	2,034,790
Total fund balances	<u>\$ 4,574,880</u>	<u>\$ 8,013,824</u>	<u>\$ 1,757,415</u>	<u>\$ 21,690,575</u>	<u>\$ 36,036,694</u>

City of Decatur, Texas
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When both restricted and unrestricted resources are available for specified expenditures, restricted resources are considered spent before unrestricted resources. Within unrestricted resources, committed resources would be considered spent first (if available), followed by assigned resources (if available), and then unassigned resources, as appropriate opportunities arise. However, the City reserves the right to selectively spend unassigned resources to defer the use of these other classified funds.

Minimum Fund Balance Policy

During fiscal year 2023, the Council has adopted a financial policy to maintain a minimum level of unassigned fund balance in the General Fund and Debt Service Fund. The City will maintain a Budget Fund Balance in the General Fund equivalent to, at a minimum, twenty-five percent (25%) of regular ongoing operating expenditures (equivalent to 3 months) and, at a maximum, thirty-five percent (35%) of regular ongoing operating expenditures. For the purposes of this policy, current fiscal year's actual expenditures will exclude significant non-recurring items. In addition to the aforementioned reserve for operating expenses, the City will maintain a minimum level of Fund Balance in the Debt Service Fund equal to debt service payments for Bonds due within the next 6 months. The City will also begin funding the General Capital Improvement Fund to, at a minimum, fully fund the General Fund projects (excludes other Funds - Water and Sewer, etc.) identified in the first year of the City's Five-Year Capital Improvement Plan and, at a maximum, to fund all General Fund projects identified in the plan. For the purposes of this policy, any projects to be financed by new debt will be excluded from this calculation.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources of governmental and business-type activities and proprietary funds. The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- Net Investment in Capital Assets – This category groups all capital and lease assets, including infrastructure, into one component of net position. Accumulated depreciation/amortization and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted Net Position – This category represents net position that have external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – The category represents net position of the City, not restricted for any project.

City of Decatur, Texas
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Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts reported as restricted – net position and unrestricted net-position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted-net position to have been depleted before unrestricted net position is applied.

Minimum Net Position Balance Policy

During fiscal year 2023, the Council has adopted a financial policy to maintain a minimum level of unrestricted net position in the Enterprise Fund. The City will maintain a Budget Net Position in the Enterprise Fund equivalent to, at a minimum, fifteen percent (15%) of regular ongoing operating expenditures and, at a maximum, twenty five percent (25%) of regular ongoing operating expenditures. For the purposes of this policy, current fiscal year's actual expenditures will exclude significant non-recurring items and depreciation expense. In addition, the City will maintain a minimum level of Net Position in the Enterprise Fund equal to debt service payments due within the next 6 months.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the City’s management to make estimates and assumptions that effect reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported changes in net position during the reporting period. Actual results may differ from those estimates.

Note 2: Deposits and Investments

Deposits

At September 30, 2023, the carrying amount of the City’s cash and cash equivalents (including certificates of deposit) was \$43,191,780 and the respective bank balances totaled \$43,910,866.

Investments

The City’s investment policy allows for investments in: (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the state of Texas or the United States; (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than “AA” or its equivalent; (5) certificates of deposits issued by state and national banks domiciled in Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or secured by obligations mentioned above; and (6) fully collateralized direct repurchase agreements having a defined termination date.

City of Decatur, Texas
Notes to Basic Financial Statements
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For fiscal year 2023, the City invested in non-negotiable certificates of deposits measured at amortized cost, as well as money market funds valued at NAV. The City records all interest revenue related to investment activities in the respective funds. As of September 30, 2023, the carrying amount of the City’s certificates of deposits and money market funds totaled \$1,882,660 and \$1,324,023, respectively.

Custodial Credit Risk

There is a risk that, in the event of a bank failure, the City’s deposits may not be returned. Both the City’s investment policy and the *Texas Public Funds Investment Act* requires that all deposits of the City that exceed the Federal Depository Insurance Corporation (FDIC) coverage levels are collateralized with securities held by a third-party custodian in the City’s name. As of September 30, 2023, the value of the City’s deposits and investments not insured through the FDIC has been fully collateralized and meets the requirements of the City’s policy and state statutes.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the maximum maturity length of investments to two years.

The City’s investments carried at NAV as of September 30, 2023, are:

<u>Investments</u>	<u>Total</u>	<u>Weighted-Average Maturity (in Years)</u>	<u>Credit Risk</u>
Money Markets	\$ 1,324,023	0.31	AAAm
	<u>\$ 1,324,023</u>		

Fair Value of Investments

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles (GAAP). These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1** Quoted prices for identical investments in active markets;
- Level 2** Observable inputs other than those in Level 1; and
- Level 3** Unobservable inputs.

City of Decatur, Texas
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Debt and equity securities classified as Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches: debt securities are normally valued based on price data obtained from observed transactions and market price quotations from broker dealers and/or pricing vendors; equity securities are valued using fair value per share for each fund. Securities classified as Level 3 have limited trade information, these securities are priced or using the last trade price or estimated using recent trade prices. The City has no Level 1, 2 or 3 investments at September 30, 2023.

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2023:

Investments measured at net asset value	
Money Markets - NAV	\$ 1,324,023
Total investments by fair value level	1,324,023
Investments measured at amortized costs	
Certificates of deposits	1,882,660
Total investments at amortized cost	1,882,660
Total investments	\$ 3,206,683

Certain investments that are measured using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above approximate net asset value for the applicable money market funds. Additionally, the City has investments in certificates of deposits, as listed above, which are recorded at amortized cost, and excluded from the fair value hierarchy.

Note 3: Ad Valorem Taxes

Ad valorem taxes are levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraisal value less applicable exemptions authorized by the City Council. Appraised values are established by the Wise County Appraisal Districts at 100% of its estimated market value. A tax lien attaches to the property on January 1 of each year, to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on that property, whether or not the taxes are imposed in the year the lien attaches.

City of Decatur, Texas
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Taxes are due on October 1 immediately following the levy date and are delinquent after the following January 31st. Current tax collections for the year ended September 30, 2023, were 98.77% of the adjusted tax levy. Allocations of property tax levy by purpose for 2023 are as follows (amounts per \$100 assessed value):

General Fund	\$	0.4437	
Debt Service Fund		0.2016	
Total City	\$	0.6453	
Wise County Water Supply District – Debt Service	\$	0.0387	
Total Wise County Water Supply District	\$	0.0387	

In the Governmental Funds, property taxes are recorded as receivables and unavailable revenues (deferred inflows of resources) at the time the tax levy is billed. Revenues are recognized as the related ad valorem taxes are collected.

Note 4: Receivables

Receivables as of year-end for the government’s individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Special Revenue Fund	Debt Service Fund	Enterprise Fund	Total
Receivables					
Ad valorem taxes receivable	\$ 159,512	\$ -	\$ 72,483	\$ 28,673	\$ 260,668
Accounts receivable	3,941	-	-	1,020,438	1,024,379
Sales taxes	758,600	379,301	-	-	1,137,901
Gross receipts taxes	122,968	-	-	-	122,968
Lease receivable	-	1,794	-	-	1,794
Other receivables	1,134,432	-	-	-	1,134,432
Notes receivable	15,000	-	-	-	15,000
Less allowance for uncollectibles	(1,055,904)	-	(46,931)	(23,656)	(1,126,491)
Net receivables	\$ 1,138,549	\$ 381,095	\$ 25,552	\$ 1,025,455	\$ 2,570,651

City of Decatur, Texas
Notes to Basic Financial Statements
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Leases Receivable

The City leases a building to a third party, the terms of which expire in 2024. The City recognized approximately \$6,500 in lease revenue and \$225 in interest revenue during the current fiscal year related to the lease. As of September 30, 2023, the City’s receivable for lease payments was \$1,794. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of September 30, 2023, the balance of the deferred inflow of resources was \$2,205.

Regulated Leases

In accordance with GASB 87, the City does not recognize a lease receivable and a deferred inflow of resources for regulated leases in which the City is the lessor. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings, e.g., the U.S. Department of Transportation and the Federal Aviation Administration, between airports and air carries and other aeronautical users. The City has the regulated leases related to its municipal airport. These leases are for use of the land owned by the City. The tenant constructs or improves, owns, and maintains all the improvements on the land. These leases allow access to the land for aeronautical use. At the end of the ground lease, the improvements revert to City ownership. The City had seven leases during the year that had terms exceeding one year. The revenue recognized for these leases during the fiscal year ended September 30, 2023, was approximately \$7,500.

The future principal and interest lease receipts for regulated leases as of September 30, 2023, were as follows:

Year Ending September 30,	Payment
2024	7,503
2025	7,503
2026	7,503
2027	7,277
2028	6,826
2029-2033	34,130
2034-2038	34,130
2039-2043	34,130
2044-2048	26,252
2049-2053	13,800
2054-2058	12,000
2059-2063	12,000
2064-2067	4,200
Total	\$ 207,254

City of Decatur, Texas
Notes to Basic Financial Statements
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Notes Receivable

See *Note 13* for additional information on the terms of the note receivable agreement.

Note 5: Capital and Lease Assets

Capital asset activity for the year ended September 30, 2023, was as follows:

	Beginning of Year	Additions	Sales / Disposals	Transfers	End of Year
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 4,675,968	\$ 7,188,709	\$ -	\$ -	\$ 11,864,677
Construction in progress	-	1,129,609	-	-	1,129,609
Total capital assets not being depreciated	4,675,968	8,318,318	-	-	12,994,286
Capital assets being depreciated					
Airport	7,060,034	-	-	-	7,060,034
Conference center	7,409,533	12,769	-	-	7,422,302
Fire equipment	5,757,446	460,539	-	-	6,217,985
General government	842,049	22,067	-	-	864,116
Library	1,549,189	38,666	-	-	1,587,855
Parks	2,682,773	895,201	-	-	3,577,974
Police	2,203,271	130,920	-	-	2,334,191
Street equipment	1,137,425	12,499	-	-	1,149,924
Street infrastructure	18,153,523	545,680	-	-	18,699,203
Other assets	1,236,283	22,740	(2,432)	-	1,256,591
Total capital assets being depreciated	48,031,526	2,141,081	(2,432)	-	50,170,175
Less: accumulated depreciation	(20,290,807)	(1,455,061)	1,519	-	(21,744,349)
Total capital assets being depreciated, net	27,740,719	686,020	(913)	-	28,425,826
Governmental activities capital assets, net	\$ 32,416,687	\$ 9,004,338	\$ (913)	\$ -	\$ 41,420,112
Business-type Activities					
Capital assets not being depreciated					
Land	\$ 744,388	\$ -	\$ -	\$ -	\$ 744,388
Construction in progress	2,843,702	3,106,350	-	-	5,950,052
Total capital assets not being depreciated	3,588,090	3,106,350	-	-	6,694,440
Capital assets being depreciated					
Sewer system	6,819,208	-	(29,424)	-	6,789,784
Trucks	323,370	137,768	-	-	461,138
Equipment	212,744	-	-	-	212,744
Office	-	-	-	-	-
Water and sewer lines	4,304,818	1,535,196	-	-	5,840,014
Water meters	469,710	-	-	-	469,710
Treated water distribution system	492,478	-	-	-	492,478
Elevated storage tower	829,569	-	-	-	829,569
Electrical generators	856,792	-	-	-	856,792
Raw water lines and pumps	4,235,202	59,562	-	-	4,294,764
Water treatment plant	6,413,487	-	-	-	6,413,487
Total capital assets being depreciated	24,957,378	1,732,526	(29,424)	-	26,660,480
Less: accumulated depreciation	(10,923,521)	(731,136)	29,424	-	(11,625,233)
Total capital assets being depreciated, net	14,033,857	1,001,390	-	-	15,035,247
Business-type activities capital assets, net	\$ 17,621,947	\$ 4,107,740	\$ -	\$ -	\$ 21,729,687

City of Decatur, Texas
Notes to Basic Financial Statements
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities

General government	\$ 33,533
Airport	185,192
Main street	288
Fire protection	195,982
Police	160,228
Animal control	776
Streets	469,369
Library	42,356
Tax and court	3,833
Parks	129,944
Inspection services	9,708
Cemetery	1,576
Conference center	147,070
Planning	400
Economic development	<u>74,806</u>

Total depreciation expense – governmental activities	<u>\$ 1,455,061</u>
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Business-type Activities

Water and wastewater	<u>\$ 731,136</u>
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Total depreciation expense – business-type activities	<u>\$ 731,136</u>
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City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2023

Lease asset activity for the year ended September 30, 2023, was as follows:

	Beginning of Year	Additions	Disposals	End of Year
Governmental Activities				
Lease assets being amortized				
Vehicle	\$ 632,326	\$ 702,818	\$ -	\$ 1,335,144
Equipment	268,457	81,654	-	350,111
Copy machine	56,708	-	-	56,708
Total lease assets being amortized	957,491	784,472	-	1,741,963
Less: accumulated amortization	(128,612)	(252,775)	-	(381,387)
Total lease assets being amortized, net	828,879	531,697	-	1,360,576
Governmental activities lease assets, net	<u>\$ 828,879</u>	<u>\$ 531,697</u>	<u>\$ -</u>	<u>\$ 1,360,576</u>

Amortization expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General government	\$ 15,554
Fire Protection	152,408
Police	79,629
Economic Development	<u>5,184</u>
Total amortization expense – governmental activities	<u>\$ 252,775</u>

Note 6: Defined Benefit Pension Plan

Plan Description

The City of Decatur, Texas participates as one of 928 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the *TMRS Act*, Subtitle G, Title B, Texas Government Code (TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of the System with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available comprehensive annual financial report (Annual Report) that can be obtained at www.tmrs.com.

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

City of Decatur, Texas
Notes to Basic Financial Statements
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Benefits Provided

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

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

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	78
Inactive employees entitled to but not yet receiving benefits	100
Active employees	126
	304

Contributions

The contribution rates in TMRS are either 5%, 6%, or 7% of the Member’s total compensation, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The City’s contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 14.17% and 14.04% in calendar years 2023 and 2022, respectively. The City’s contributions to TMRS for the year ended September 30, 2023, were \$1,190,786, and were equal to the required contributions.

Net Pension Liability

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

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2023

Actuarial Assumptions

The Total Pension Liability in the December 31, 2022, 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 are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by 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.

City of Decatur, Texas
Notes to Basic Financial Statements
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The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.00%	7.70%
Core Fixed Income	6.00%	4.90%
Non-Core Fixed Income	20.00%	8.70%
Other Public and Private Markets	12.00%	8.10%
Real Estate	12.00%	5.80%
Hedge Funds	5.00%	6.90%
Private Equity	10.00%	11.80%
	<u>100.00%</u>	

Discount Rate

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at October 1, 2022	\$ 32,741,052	\$ 31,207,457	\$ 1,533,595
Changes for the year:			
Service cost	1,398,515	-	1,398,515
Interest on total pension liability	2,207,262	-	2,207,262
Effect of difference in expected and actual experience	1,427,740	-	1,427,740
Benefit payments	(1,480,261)	(1,480,261)	-
Administrative expenses	-	(19,713)	19,713
Member contributions	-	570,490	(570,490)
Net investment income	-	(2,280,401)	2,280,401
Employer contributions	-	1,144,239	(1,144,239)
Other	-	23,524	(23,524)
Net changes	<u>3,553,256</u>	<u>(2,042,122)</u>	<u>5,595,378</u>
Balance at September 30, 2023	<u>\$ 36,294,308</u>	<u>\$ 29,165,335</u>	<u>\$ 7,128,973</u>

City of Decatur, Texas
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Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) 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 in Discount Rate (5.75%)	Current Single Rate Assumption (6.75%)	1% Increase in Discount Rate (7.75%)
\$ 12,591,256	\$ 7,128,973	\$ 2,694,673

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 at www.tmr.com.

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

For the year ended September 30, 2023, the City recognized pension expense of \$2,077,061.

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Difference in expected and actual experience	\$ 1,252,168
Difference between projected and actual investment earnings on pension plan investments	1,999,711
Employer contributions subsequent to the measurement date	913,620
Total	\$ 4,165,499

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2023

\$913,620 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2024		\$	730,490
2025			954,943
2026			689,066
2027			877,380
			877,380
		\$	3,251,879

Allocation of Pension Items

The City allocates pension items between governmental activities and business-type activities on the basis of employee payroll funding. For the governmental activities, the net pension liability is liquidated by the general fund and special revenue fund. For the business type activities, the enterprise fund liquidates the net pension liability.

Note 7: Postemployment Benefits Other Than Pensions

Plan Description

Texas Municipal Retirement System (TMRS) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (*i.e.*, no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*).

Benefits Provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered another postemployment benefit (OPEB) and is a fixed amount of \$7,500.

City of Decatur, Texas
Notes to Basic Financial Statements
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Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	59
Inactive employees entitled to but not yet receiving benefits	25
Active employees	126
	210

Contributions

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.

The City's total SBDF contribution rates were 0.36% and 0.22% in calendar years 2023 and 2022, respectively. The retiree portion of the total SBDF contribution rates for the City were 0.11% and 0.10% in calendar years 2023 and 2022, respectively.

Total OPEB Liability

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

Actuarial Assumptions

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

Inflation	2.5% per year
Salary increases	3.50% to 11.50% including inflation
Discount rate	2.05% as of December 31, 2022 (1.84% as of December 31, 2021)
Retirees' share of benefit-related costs	\$ 0

Mortality rates for retirees and beneficiaries are based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. Based on the size of the City, rates are multiplied by an additional factor of 117.0%, which adds an additional layer of conservatism. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements. For disabled annuitants, the mortality tables for healthy retirees is used with a four-year set-forward for males and a three-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

City of Decatur, Texas
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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.

Discount Rate

The discount rate used to measure the Total OPEB Liability as of December 31, 2022, was 4.05%, compared to 1.84% as of December 31, 2021. Because the Supplemental Death Benefits Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of the measurement date of December 31, 2022.

Changes in the Total OPEB Liability

	Increase (Decrease)
	Total OPEB Liability
Balance at October 1, 2022	\$ 501,677
Changes for the year:	
Service cost	36,674
Interest on total OPEB liability	9,493
Effect of difference in expected and actual experience	5,373
Effect of assumptions changes or inputs	(191,298)
Benefit payments	(8,150)
Net Changes	(147,908)
Balance at September 30, 2023	\$ 353,769

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

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

1% Decrease in Discount Rate (3.05%)	Current Discount Rate Assumption (4.05%)	1% Increase in Discount Rate (5.05%)
\$ 426,623	\$ 353,769	\$ 297,541

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2023

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$31,366.

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	\$ 8,284	\$ 11,736
Changes of assumptions	56,359	155,794
Employer contributions subsequent to the measurement date	7,092	-
Total	\$ 71,735	\$ 167,530

\$7,092 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2024	\$ (17,024)
2025	(16,376)
2026	(32,900)
2027	(36,587)
	\$ (102,887)

Allocation of OPEB Items

The City allocates OPEB items between governmental activities and business-type activities on the basis of employee payroll funding. For the governmental activities, the total OPEB liability is liquidated by the general fund and special revenue fund. For the business type activities, the enterprise fund liquidates the total OPEB liability.

City of Decatur, Texas
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Note 8: Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by Security Financial Resources, Inc. Benefit provisions are contained in the plan document and were established and can be amended by action of City Council. All assets and income are held in trust for the exclusive benefit of participants and their beneficiaries; therefore, it is not reported in the financial statements of the City.

The plan, available to all full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The City does not match employee contributions to the deferred compensation plan.

Note 9: Long-term Debt

The following is a summary of the long-term debt activity for the year ended September 30, 2023:

	Beginning Balance	Borrowings/ Additions	Repayments/ Reductions	Ending Balances	Amounts Due Within One Year
Governmental Activities					
Refunding bonds	\$ 3,030,000	\$ -	\$ (720,000)	\$ 2,310,000	\$ 745,000
Sales tax bonds	5,975,000	8,100,000	(385,000)	13,690,000	-
Certificate of obligations	21,440,000	-	-	21,440,000	370,000
Unamortized bond premium	1,922,119	-	(128,690)	1,793,429	-
Bonds payable, net	32,367,119	8,100,000	(1,233,690)	39,233,429	1,115,000
Leases payable	794,021	784,472	(120,638)	1,457,855	258,118
Compensated absences	632,939	691,122	(442,071)	881,990	623,554
Total governmental activities	\$ 33,794,079	\$ 9,575,594	\$ (1,796,399)	\$ 41,573,274	\$ 1,996,672
Business-type Activities					
Unlimited tax refunding bonds	\$ 1,775,000	\$ -	\$ (325,000)	\$ 1,450,000	\$ 340,000
Certificate of obligations	9,770,000	-	-	9,770,000	170,000
Unamortized bond premium	884,074	-	(61,309)	822,765	-
Bonds payable, net	12,429,074	-	(386,309)	12,042,765	510,000
Compensated absences	173,207	146,543	(127,912)	191,838	145,841
Total business-type activities	\$ 12,602,281	\$ 146,543	\$ (514,221)	\$ 12,234,603	\$ 655,841

For the governmental activities, compensated absences are liquidated by the general fund and special revenue fund. For the business type activities, the enterprise fund liquidates the compensated absences.

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2023

Refunding Bonds and Certificates of Obligation

The City issues tax and waterworks sewer system surplus revenue refunding bonds and general obligation refunding bonds to provide funds for the acquisition and construction of major capital facilities and to achieve debt service savings. The Bonds constitute direct obligations of the City, payable from an annual, continuing ad valorem tax levied, within the limit prescribed by law, on all taxable property located within the City. Refunding bonds outstanding at September 30, 2023, are as follows:

Issuance	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding End of Year
Tax and Waterworks and Sewer System Surplus Revenue Refunding Bonds	2013	\$ 3,475,000	3.0%	2024	\$ 390,000
General Obligation Refunding Bonds	2018	\$ 3,530,000	2.0%-4.0%	2028	<u>1,920,000</u>
					<u>\$ 2,310,000</u>

The City issues tax and waterworks sewer system revenue certifications of obligation to provide funds for the acquisition and construction of major capital facilities. The Certificates constitute direct obligations of the City, payable from an annual, continuing ad valorem tax levied, within the limit prescribed by law, on all taxable property located within the City and a limited pledge of the net revenues of the City's waterworks and sewer systems. Certificates of obligations outstanding are payable out of both the governmental and business-type activities and at September 30, 2023, are as follows:

Issuance	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding End of Year
Tax and Limited Waterworks and Sewer Syst Revenue Certification of Obligations	2022	\$ 31,210,000	4.0%-5.0%	2052	<u>\$ 31,210,000</u>
					<u>\$ 31,210,000</u>

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2023

The annual aggregate maturities for the governmental activities refunding bonds and certificates of obligation for years subsequent to September 30, 2023, are as follows:

Year Ending September 30,	Principal	Interest	Total
2024	\$ 1,115,000	\$ 911,167	\$ 2,026,167
2025	755,000	871,978	1,626,978
2026	800,000	837,097	1,637,097
2027	830,000	800,488	1,630,488
2028	870,000	762,164	1,632,164
2029-2033	2,635,000	3,397,915	6,032,915
2034-2038	3,295,000	2,737,886	6,032,886
2039-2043	4,020,000	2,010,091	6,030,091
2044-2048	4,895,000	1,139,232	6,034,232
2049-2053	4,535,000	288,796	4,823,796
Totals	<u>\$ 23,750,000</u>	<u>\$ 13,756,814</u>	<u>\$37,506,814</u>

The annual aggregate maturities for the business-type activities certificates of obligation for years subsequent to September 30, 2023, are as follows:

Year Ending September 30,	Principal	Interest	Total
2024	\$ 170,000	\$ 383,258	\$ 553,258
2025	175,000	374,572	549,572
2026	180,000	365,453	545,453
2027	195,000	355,863	550,863
2028	205,000	345,762	550,762
2029-2033	1,195,000	1,558,464	2,753,464
2034-2038	1,500,000	1,255,738	2,755,738
2039-2043	1,835,000	921,934	2,756,934
2044-2048	2,240,000	522,514	2,762,514
2049-2052	2,075,000	132,457	2,207,457
Totals	<u>\$ 9,770,000</u>	<u>\$ 6,216,015</u>	<u>\$15,986,015</u>

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2023

Sales Tax Revenue Bonds

The Corporation for Economic Development of the City of Decatur, Texas (EDC) issues sales tax revenue bonds to provide funds for the acquisition and construction of major capital improvements. The Bonds do not constitute direct obligations of the City. The bonds are payable from a one-half of a one percent sales and use tax collected within the boundaries of the City. Sales tax bonds outstanding at September 30, 2023, are as follows:

Issuance	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding End of Year
Sales Tax Revenue Bonds	2016	\$ 1,500,000	3.25%	2037	\$ 1,085,000
Sales Tax Revenue Bonds, Taxable Series	2018	\$ 5,665,000	2.71%-4.28%	2039	4,600,000
Sales Tax Revenue Bonds, Taxable Series	2023	\$ 8,100,000	5.40%-5.80%	2053	<u>8,005,000</u>
					<u>\$ 13,690,000</u>

The annual aggregate maturities for the governmental activities EDC sales tax revenue bonds for years subsequent to September 30, 2023, are as follows:

Year Ending September 30,	Principal	Interest	Total
2024	\$ -	\$ 1,061,153	\$ 1,061,153
2025	400,000	1,032,672	1,432,672
2026	420,000	703,726	1,123,726
2027	445,000	686,390	1,131,390
2028	455,000	668,121	1,123,121
2029-2033	2,595,000	3,025,105	5,620,105
2034-2038	3,150,000	2,365,674	5,515,674
2039-2043	1,765,000	1,697,808	3,462,808
2044-2048	1,865,000	1,174,688	3,039,688
2049-2053	<u>2,595,000</u>	<u>450,741</u>	<u>3,045,741</u>
Totals	<u>\$ 13,690,000</u>	<u>\$ 12,866,078</u>	<u>\$26,556,078</u>

The maturity schedule above shows that there is no principal due for the upcoming year. This is due to the City having paid the principal and interest maturities due on October 1, 2023, before year end.

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2023

The following is a summary of pledged revenues of the EDC for the year ended September 30, 2023:

Revenue Pledged	Total Pledged Revenue	Current Year Debt Service Payments	Percentage Portion of Pledged Revenue Stream	Remaining Principal and Interest	Period Revenue will not be Available for Other Purposes
.5% sales and use tax	\$ 2,222,076	\$ 880,922	39.6%	\$ 26,556,078	Until 2053

Unlimited Tax Refunding Bonds

The Wise County Water Supply District (District) issues unlimited tax refunding bonds to provide funds for the acquisition and construction of major capital facilities and achieve debt service savings. The bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the District without legal limit as to rate or amount. Unlimited tax refunding bonds outstanding at September 30, 2023, are as follows:

Issuance	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding End of Year
Unlimited Tax Refunding	2018	\$ 3,040,000	2.0%-4.0%	2027	\$ 1,450,000
					<u>\$ 1,450,000</u>

The annual aggregate maturities for the business-type activities unlimited tax refunding bonds for years subsequent to September 30, 2023, are as follows:

Year Ending September 30,	Principal	Interest	Total
2024	\$ 340,000	\$ 58,000	\$ 398,000
2025	355,000	44,400	399,400
2026	370,000	30,200	400,200
2027	<u>385,000</u>	<u>15,400</u>	<u>400,400</u>
Totals	<u>\$ 1,450,000</u>	<u>\$ 148,000</u>	<u>\$ 1,598,000</u>

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2023

Lease Liability

The City has agreements as lessee for vehicles and equipment, the terms of which expire in various years through 2033.

The following is a schedule by year of payments under the leases as of September 30, 2023:

Year Ending September 30,	Principal	Interest	Total
2024	\$ 258,118	\$ 64,134	\$ 322,252
2025	254,582	51,491	306,073
2026	267,089	39,937	307,026
2027	228,998	27,791	256,789
2028	222,130	17,374	239,504
2029-2033	<u>226,938</u>	<u>12,946</u>	<u>239,884</u>
Total	<u>\$ 1,457,855</u>	<u>\$ 213,673</u>	<u>\$ 1,671,528</u>

Note 10: Due to/From Other Funds

The following is a summary of due to/from other funds at September 30, 2023:

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue	\$ 64,067
Enterprise Fund	General Fund	\$ 13,200

The General Fund owes the Enterprise Fund and Special Revenue Fund due to timing differences in the payment of invoices. In addition, the General Fund owes the Special Revenue Fund due to timing differences in the receipt of a contribution to the cemetery's endowment.

Note 11: Interfund Transfers

All interfund transfers between the various funds are approved supplements to the operations of those funds. There were no transfers between funds for the year ended September 30, 2023.

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2023

Note 12: Commitments and Contingencies

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; injuries to employees; and natural disasters. The City is a participant in the Texas Municipal League Workers' Compensation Joint Insurance Fund (WC Fund) and the Texas Municipal League Joint Self-Insurance Fund (Property- Liability Fund), a public entity risk pool operated by the Texas Municipal League Board for the benefit of individual governmental units located within Texas. The government pays an annual premium to the Funds for its workers' compensation and property and liability insurance coverage. The WC Fund and Property-Liability Fund are considered self-sustaining risk pools that provide coverage for its members for up to \$2,000,000 per insured event. There were no significant reductions in insurance coverage from the previous year. Settled claims for risks have not exceeded insurance coverage in the past three years.

General Litigation

The City is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. The City evaluates such allegations by conducting investigations to determine the validity of each potential claim. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position of the City. Events could occur that would change this estimate materially in the near term.

Note 13: Tax Abatement Agreements

The City enters into tax abatement agreements with local business under Chapter 380 of the Texas Local Government Code. The City has the authority under both Article III, Section 52-a of the Texas Constitution and Chapter 380 to make public funds available for the purposes of promoting local economic development and stimulating business and commercial activity within the City. The City offers individual incentive packages to attract new business to the City. Abatements may be granted by City Council resolution to companies or developers agreeing to relocate to the City or to establish a new business in the City. As part of the agreements, the City agrees to refund a portion of Local Sales and Use Tax, and/or Hotel Occupancy Taxes after confirmation of payment. The agreements entered into by the City include clawback provisions should the recipient of the tax abatement fail to fully meet its commitments, such as annual sales levels or appraised values of real and personal property located on the project site. As a part of these agreements, the City may also provide developers financial assistance for developer's expenditures made towards the Project. The City provided a loan to the developer for the related project. The developer will repay the loan over the next year forgoing \$75,000 of the hotel occupancy tax rebate.

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2023

For the fiscal year ended September 30, 2023, the City had the following open tax abatement agreements and abated the following amounts under these agreements:

Open Agreements - Type of Tax Abatement	Amount of Taxes Abated during the Fiscal Year
Hotel Occupancy Taxes	\$ 206,698
Total	\$ 206,698

Note 14: Subsequent Events

Changes in Financing

In December 2023, the City issued \$4,940,000 of Special Assessment Revenue Bonds, Series 2023 (Vista Park Public Improvement District No. 1 Improvement Area #1 Project) for the purpose of paying a portion of the Actual Costs of the Improvement Area #1 Projects, (paying a portion of the interest on the Bonds during and after the period of acquisition and construction of the Improvement Area #1 Projects, funding a reserve fund for payment of principal of and interest on the Bonds, paying a portion of the costs incidental to the organization and administration of the District, and paying costs of issuance of the Bonds. The bonds mature in September 2054 and have interest rates ranging from 5.750% to 6.875%.

In January 2024, the City issued \$14,310,000 of City of Decatur, Texas, Tax and Limited Waterworks and Sewer System Revenue Certificates of Obligation, Series 2024 for the purpose of constructing and improving the City’s waterworks and sewer system, including the acquisition of rights of way therefor, constructing, improving, and equipping police and fire-fighting facilities, including the acquisition of land therefor and (paying professional services of attorneys, financial advisors and other professionals in connection with the issuance of the Certificates. The certificates mature in March 2054 and have an interest rate of 5.0%.

Required Supplementary Information

City of Decatur, Texas
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual – General Fund
Year Ended September 30, 2023

	<u>Budgeted Amounts</u>			<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Amendments</u>	<u>Final</u>		
Revenues					
Ad valorem taxes, penalties, and interest	\$ 4,609,813	\$ -	\$ 4,609,813	\$ 4,577,192	\$ (32,621)
Sales taxes	4,245,677	-	4,245,677	4,444,150	198,473
Franchise, occupancy, and other taxes	1,326,712	-	1,326,712	1,359,894	33,182
Interest on investments	15,000	-	15,000	165,046	150,046
Contributions, grants, and donations	175,200	-	175,200	744,738	569,538
Conference center	385,000	-	385,000	539,359	154,359
Licenses and permits	589,000	-	589,000	281,715	(307,285)
Fines and fees	702,400	-	702,400	1,074,033	371,633
Other revenue	814,375	-	814,375	1,133,290	318,915
Total revenues	<u>12,863,177</u>	<u>-</u>	<u>12,863,177</u>	<u>14,319,417</u>	<u>1,456,240</u>
Expenditures					
Current					
General government	1,828,953	-	1,828,953	1,904,737	(75,784)
Airport	222,430	-	222,430	207,997	14,433
Main street	196,147	-	196,147	164,986	31,161
Fire	2,531,870	-	2,531,870	2,387,303	144,567
Police	3,752,851	-	3,752,851	3,848,301	(95,450)
Animal control	55,920	-	55,920	62,871	(6,951)
Street	1,061,352	-	1,061,352	1,133,813	(72,461)
Library	590,999	-	590,999	549,061	41,938
Court	358,384	-	358,384	366,482	(8,098)
Parks	803,451	-	803,451	661,919	141,532
Planning services	564,696	-	564,696	432,191	132,505
Inspection services	575,150	-	575,150	532,042	43,108
Cemetery	97,000	-	97,000	104,052	(7,052)
Conference center	1,278,685	-	1,278,685	1,190,590	88,095
Economic development	-	-	-	209,298	(209,298)
Technology	651,341	-	651,341	549,398	101,943
Debt service					
Principal	-	-	-	115,434	(115,434)
Interest and fiscal charges	-	-	-	27,273	(27,273)
Capital outlay	169,048	-	169,048	1,522,428	(1,353,380)
Total expenditures	<u>14,738,277</u>	<u>-</u>	<u>14,738,277</u>	<u>15,970,176</u>	<u>(1,231,899)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,875,100)</u>	<u>-</u>	<u>(1,875,100)</u>	<u>(1,650,759)</u>	<u>224,341</u>
Other Financing Sources					
Transfer in	458,288	-	458,288	-	(458,288)
Leases (as lessee)	-	-	-	784,472	784,472
Total other financing sources	<u>458,288</u>	<u>-</u>	<u>458,288</u>	<u>784,472</u>	<u>326,184</u>
Net Change in Fund Balance	<u>(1,416,812)</u>	<u>-</u>	<u>(1,416,812)</u>	<u>(866,287)</u>	<u>550,525</u>
Fund Balances, Beginning	<u>5,441,167</u>	<u>-</u>	<u>5,441,167</u>	<u>5,441,167</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 4,024,355</u>	<u>\$ -</u>	<u>\$ 4,024,355</u>	<u>\$ 4,574,880</u>	<u>\$ 550,525</u>

City of Decatur, Texas

Schedule of Changes in Net Pension Liability and Related Ratios

Texas Municipal Retirement System

	Measurement Year								
	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Pension Liability									
Service cost	\$ 899,192	\$ 996,805	\$ 1,003,930	\$ 1,015,285	\$ 1,039,690	\$ 1,088,653	\$ 1,125,635	\$ 1,116,065	\$ 1,398,515
Interest (on the total pension liability)	1,270,814	1,401,676	1,456,889	1,562,688	1,672,578	1,789,101	1,907,098	2,054,184	2,207,262
Difference between expected and actual experience	97,522	(455,380)	(326,739)	(342,431)	(413,969)	(239,082)	470,890	403,597	1,427,740
Change in assumptions	-	74,579	-	-	-	13,187	-	-	-
Benefit payments, including refunds of employee contributions	(449,620)	(444,145)	(479,130)	(665,611)	(573,875)	(619,153)	(1,225,327)	(1,414,247)	(1,480,261)
Net Change in Total Pension Liability	1,817,908	1,573,535	1,654,950	1,569,931	1,724,424	2,032,706	2,278,296	2,159,599	3,553,256
Total Pension Liability – Beginning	17,929,703	19,747,611	21,321,146	22,976,096	24,546,027	26,270,451	28,303,157	30,581,453	32,741,052
Total Pension Liability – Ending (a)	\$ 19,747,611	\$ 21,321,146	\$ 22,976,096	\$ 24,546,027	\$ 26,270,451	\$ 28,303,157	\$ 30,581,453	\$ 32,741,052	\$ 36,294,308
Plan Fiduciary Net Position:									
Contributions – employer	\$ 783,353	\$ 835,221	\$ 845,704	\$ 858,170	\$ 878,793	\$ 899,535	\$ 923,369	\$ 902,793	\$ 1,144,239
Contributions – employee	397,567	398,267	394,140	397,039	409,557	429,812	452,152	456,615	570,490
Net investment income	811,445	23,193	1,116,673	2,549,630	(644,925)	3,336,804	1,944,519	3,611,679	(2,280,401)
Benefit payments, including refunds of employee contributions	(449,620)	(444,145)	(479,130)	(665,611)	(573,875)	(619,153)	(1,225,327)	(1,414,247)	(1,480,261)
Administrative expense	(8,470)	(14,123)	(12,603)	(13,199)	(12,448)	(18,832)	(12,567)	(16,689)	(19,713)
Other	(696)	(698)	(679)	(669)	(650)	(565)	(490)	115	23,524
City's Net Change in Plan Fiduciary Net Position	1,533,579	797,715	1,864,105	3,125,360	56,452	4,027,601	2,081,656	3,540,266	(2,042,122)
Plan Fiduciary Net Position – Beginning	14,180,723	15,714,302	16,512,017	18,376,122	21,501,482	21,557,934	25,585,535	27,667,191	31,207,457
Plan Fiduciary Net Position – Ending (b)	\$ 15,714,302	\$ 16,512,017	\$ 18,376,122	\$ 21,501,482	\$ 21,557,934	\$ 25,585,535	\$ 27,667,191	\$ 31,207,457	\$ 29,165,335
City's Net Pension Liability – Ending (a) – (b)	\$ 4,033,309	\$ 4,809,129	\$ 4,599,974	\$ 3,044,545	\$ 4,712,517	\$ 2,717,622	\$ 2,914,262	\$ 1,533,595	\$ 7,128,973
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	79.58%	77.44%	79.98%	87.60%	82.06%	90.40%	90.47%	95.32%	80.36%
Covered Payroll	\$ 5,680,974	\$ 5,689,535	\$ 5,630,567	\$ 5,671,981	\$ 5,850,819	\$ 6,140,177	\$ 6,446,936	\$ 6,500,087	\$ 8,149,853
City's Net Pension Liability as a Percentage of Covered Payroll	71.00%	84.53%	81.70%	53.68%	80.54%	44.26%	45.20%	23.59%	87.47%

Other Information:

For the 2019 valuation, inflation used was 2.5%, investment rate of return and discount rate used was 6.75% and actuarial studies were updated through December 31, 2018.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available. Information has been determined as of the City's measurement date (December 31).

City of Decatur, Texas
Schedule of Contributions
Texas Municipal Retirement System

	Fiscal Year								
	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially determined contribution	\$ 827,997	\$ 861,843	\$ 852,666	\$ 885,707	\$ 923,462	\$ 903,060	\$ 909,084	\$ 1,130,849	\$ 1,190,786
Contribution in relation of the actuarially determined contribution	<u>827,997</u>	<u>861,843</u>	<u>852,666</u>	<u>885,707</u>	<u>923,462</u>	<u>903,060</u>	<u>909,084</u>	<u>1,130,849</u>	<u>1,190,786</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,675,104	\$ 5,705,700	\$ 5,575,266	\$ 5,793,311	\$ 6,257,027	\$ 6,272,936	\$ 6,505,748	\$ 8,081,629	\$ 8,509,910
Contributions as a percentage of covered payroll	14.59%	15.10%	15.29%	15.29%	14.76%	14.40%	13.97%	13.99%	13.99%

Notes to Schedule of Contributions

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	23 years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.5%, including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 – 2018
Mortality	Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP. Post-retirement: 2019 Municipal Retirees of Texas Mortality tables. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available. Information has been determined as of the City's most recent fiscal year-end (September 30).

City of Decatur, Texas
Schedule of Changes in the Total OPEB Liability and Related Ratios
Retiree Supplemental Death

	Measurement Year					
	2017	2018	2019	2020	2021	2022
Total OPEB Liability						
Service cost	\$ 17,016	\$ 19,893	\$ 17,807	\$ 26,432	\$ 26,650	\$ 36,674
Interest (on the total OPEB liability)	9,131	9,583	10,592	10,188	9,593	9,493
Difference between expected and actual experience	-	(9,381)	(5,762)	9,240	(14,693)	5,373
Change in assumptions	22,396	(20,670)	60,199	67,129	16,711	(191,298)
Benefit payments	(1,702)	(2,340)	(2,456)	(1,934)	(5,850)	(8,150)
Net Change in Total OPEB Liability	46,841	(2,915)	80,380	111,055	32,411	(147,908)
Total OPEB Liability – Beginning	233,905	280,746	277,831	358,211	469,266	501,677
Total OPEB Liability – Ending	<u>\$ 280,746</u>	<u>\$ 277,831</u>	<u>\$ 358,211</u>	<u>\$ 469,266</u>	<u>\$ 501,677</u>	<u>\$ 353,769</u>
Covered Employee Payroll	\$ 5,671,981	\$ 5,850,819	\$ 6,140,177	\$ 6,446,936	\$ 6,500,087	\$ 8,149,853
City’s Total OPEB Liability as a Percentage of Covered Employee Payroll	4.95%	4.75%	5.83%	7.28%	7.72%	4.34%
Notes to Schedule:						
Changes of benefit terms:	None					
Changes of assumptions:	<p>Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:</p>					
	2016	3.78%				
	2017	3.31%				
	2018	3.71%				
	2019	2.75%				
	2020	2.00%				
	2021	1.84%				
	2022	4.05%				

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available. Information has been determined as of the City's measurement date (December 31).

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits.



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

The Honorable Mayor and Members of City Council
City of Decatur, Texas
Decatur, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities and each major fund of the City of Decatur, Texas (City), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 16, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-001 and 2023-002, that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

City's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the responses.

Purpose of This Report

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

FORVIS,LLP

**Dallas, Texas
February 16, 2024**

City of Decatur, Texas
Schedule of Findings and Responses
September 30, 2023

Reference Number	Finding
2023-001	<p>Criteria or Specific Requirement: Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition: The City’s cash inflow, cash outflow and payroll transaction cycles are not adequately segregated to safeguard the City’s assets, which could result in possible errors or irregularities. During our internal control analysis, we noted several instances where individuals had access, recording and monitoring capabilities within the cash inflow, cash outflow and payroll transaction cycles.</p> <p>Cause: Duties in these transaction cycles are not adequately segregated to safeguard the City’s assets or other compensating controls are insufficient.</p> <p>Effect: Although this concentration of responsibilities may be efficient, misstatements in the financial statements or misappropriations of assets due to error or fraud could occur and not be prevented or detected in a timely manner.</p> <p>Recommendation: Management should evaluate the cost versus the benefits of further segregating these duties by hiring additional personnel or shifting certain accounting duties to other current employees to assist in implementing additional monitoring or other compensating controls.</p> <p>Views of Responsible Officials and Planned Corrective Actions: Division of duties and complete segregation of cash flow functions is especially challenging in small organizations like the City of Decatur. The City hired a new accounting generalist and reorganized roles to have a dedicated accounts payable clerk. The addition of these roles will allow the City to tighten internal controls and provide additional oversight of all financial functions. In addition, the City will strive to better use technology as a means of oversight.</p>

City of Decatur, Texas
Schedule of Findings and Responses (Continued)
September 30, 2023

Reference Number	Finding
2023-002	<p>Criteria or Specific Requirement: Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition: The City’s year-end closing procedures were not performed accurately which resulted in initial errors in the trial balances and required numerous adjustments (by City and auditor). In addition, there was one multiple instance of a check backdated within the system.</p> <p>Cause: Internal controls and review processes were not in place or were not followed to ensure all year-end close related activity was completed timely.</p> <p>Effect: Adjustments to various accounts were necessary in order to correct the financial statements.</p> <p>Recommendation: We suggest that the City develop an accounting policies and procedures manual that indicates all items to be completed during the year-end close and the individuals responsible for each item. Year-end procedures need to be developed and implemented to ensure account balances are reconciled timely and accurate.</p> <p>Views of Responsible Officials and Planned Corrective Actions: We agree with the finding. We will continue to work on developing a manual for year-end policies and procedures over the next year. A new finance software was in place October 1, 2023.</p>