



City of Decatur, Texas

Independent Auditor's Reports and Financial Statements

September 30, 2024



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Basic Financial Statements

Independent Auditor's Report

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

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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of 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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Forvis Mazars, LLP

**Dallas, Texas
February 19, 2025**

City of Decatur, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2024

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, 2024. 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 \$51,917,975 (net position). Of this amount, \$(661,745) represents unrestricted net position, and is a deficit balance due to the net pension and other postemployment benefit liabilities recorded at year-end.
- The City's total net position increased \$1,276,643 from prior year. \$1,670,135 of this increase was attributed to governmental activities, which offset the \$393,492 decrease from business-type activities.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$36,552,584. Approximately 3% of this amount (\$915,349) 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 \$2,892,936, or approximately 18% of total general fund expenditures.
- The City's total outstanding long-term debt, excluding unamortized premiums, increased by \$12,152,047 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)
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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
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Year Ended September 30, 2024

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 \$51,917,975, 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	
	FY2024	FY2023	FY2024	FY2023	FY2024	FY2023
Current and other assets	\$ 41,621,697	\$ 38,778,795	\$ 8,837,182	\$ 8,376,341	\$ 50,458,879	\$ 47,155,136
Capital and lease assets, net	54,874,706	42,780,688	25,484,606	21,729,687	80,359,312	64,510,375
Total assets	96,496,403	81,559,483	34,321,788	30,106,028	130,818,191	111,665,511
Deferred outflows of resources	2,512,041	3,307,342	716,116	942,786	3,228,157	4,250,128
Current liabilities	7,427,608	4,884,039	2,384,323	1,381,706	9,811,931	6,265,745
Noncurrent liabilities	55,174,041	45,394,438	16,774,362	13,426,541	71,948,403	58,820,979
Total liabilities	62,601,649	50,278,477	19,158,685	14,808,247	81,760,334	65,086,724
Deferred inflows of resources	285,414	137,102	82,625	50,481	368,039	187,583
Net position:						
Net investment in capital assets	25,271,204	22,883,108	15,416,681	14,119,237	40,687,885	37,002,345
Restricted	11,891,835	10,937,338	-	-	11,891,835	10,937,338
Unrestricted	(1,041,658)	630,800	379,913	2,070,849	(661,745)	2,701,649
Total net position	\$ 36,121,381	\$ 34,451,246	\$ 15,796,594	\$ 16,190,086	\$ 51,917,975	\$ 50,641,332

City of Decatur, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2024

By far, the largest portion of the City's net position (78%) 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 (23%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(661,745) is unrestricted and is a deficit balance due primarily to the net pension and other postemployment benefit liabilities recorded at year-end.

The City's net position increased \$1,276,643 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 \$1,670,135 from the prior fiscal year for an ending balance of \$36,121,381. The increase in net position is primarily due to recognition of grant revenue under the Coronavirus State and Local Fiscal Recovery Funds and 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 yielded an ending balance of \$15,796,594. The total decrease in net position for business-type activities was \$393,492 from the prior fiscal year. Operations in 2024 and 2023 were relatively consistent.

City of Decatur, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2024

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

	Governmental Activities		Business-type Activities		Government Totals	
	FY2024	FY2023	FY2024	FY2023	FY2024	FY2023
Revenues						
Program revenues:						
Charges for services	\$ 2,722,791	\$ 2,633,120	\$ 5,982,697	\$ 6,081,189	\$ 8,705,488	\$ 8,714,309
Operating grants and contributions	455,307	403,996	-	-	455,307	403,996
Capital grants and contributions	45,501	563,885	-	910,100	45,501	1,473,985
Total program revenues	<u>3,223,599</u>	<u>3,601,001</u>	<u>5,982,697</u>	<u>6,991,289</u>	<u>9,206,296</u>	<u>10,592,290</u>
General revenues:						
Ad valorem taxes	7,473,831	6,687,323	428,501	403,415	7,902,332	7,090,738
Sales taxes	6,773,131	6,666,226	-	-	6,773,131	6,666,226
Franchise, occupancy and other taxes	1,200,052	1,359,894	-	-	1,200,052	1,359,894
Interest on investments	1,733,656	936,793	537,118	278,756	2,270,774	1,215,549
Gain on sale of capital assets	39,544	-	-	-	39,544	-
Contributions not restricted for a specific purpose	1,149,777	455,497	-	-	1,149,777	455,497
Miscellaneous	487,524	340,733	-	-	487,524	340,733
Total general revenues	<u>18,857,515</u>	<u>16,446,466</u>	<u>965,619</u>	<u>682,171</u>	<u>19,823,134</u>	<u>17,128,637</u>
Total revenues	<u>22,081,114</u>	<u>20,047,467</u>	<u>6,948,316</u>	<u>7,673,460</u>	<u>29,029,430</u>	<u>27,720,927</u>
Expenses						
General government	1,889,103	2,137,567	-	-	1,889,103	2,137,567
Airport	390,625	397,011	-	-	390,625	397,011
Main street	233,089	238,723	-	-	233,089	238,723
Fire protection	3,177,662	2,927,743	-	-	3,177,662	2,927,743
Police	4,728,312	4,459,470	-	-	4,728,312	4,459,470
Animal control	84,098	63,647	-	-	84,098	63,647
Streets	1,722,538	1,922,178	-	-	1,722,538	1,922,178
Library	557,802	629,636	-	-	557,802	629,636
Tax and court	431,092	409,943	-	-	431,092	409,943
Parks	947,935	902,924	-	-	947,935	902,924
Planning services	428,603	483,940	-	-	428,603	483,940
Inspection services	669,563	565,149	-	-	669,563	565,149
Cemetery	146,798	262,672	-	-	146,798	262,672
Conference center	1,325,367	1,245,452	-	-	1,325,367	1,245,452
Economic development	1,116,020	1,166,583	-	-	1,116,020	1,166,583
Technology	548,066	567,552	-	-	548,066	567,552
Interest and fiscal charges	2,024,810	1,523,722	-	-	2,024,810	1,523,722
Water, sewer, and garbage	-	-	7,341,808	7,209,635	7,341,808	7,209,635
Total expenses	<u>20,421,483</u>	<u>19,903,912</u>	<u>7,341,808</u>	<u>7,209,635</u>	<u>27,763,291</u>	<u>27,113,547</u>
Increase (decrease) in net position before transfers and contributions to permanent endowment	1,659,631	143,555	(393,492)	463,825	1,266,139	607,380
Contributions to permanent endowment	10,504	9,962	-	-	10,504	9,962
Change in Net Position	<u>1,670,135</u>	<u>153,517</u>	<u>(393,492)</u>	<u>463,825</u>	<u>1,276,643</u>	<u>617,342</u>
Net Position, Beginning	<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>
Net Position, Ending	<u>\$ 36,121,381</u>	<u>\$ 34,451,246</u>	<u>\$ 15,796,594</u>	<u>\$ 16,190,086</u>	<u>\$ 51,917,975</u>	<u>\$ 50,641,332</u>

City of Decatur, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2024

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, 2024, the City's governmental funds reported combined fund balances of \$36,552,584, an increase of \$515,890 in comparison with the prior year. Approximately 3% of this amount (\$915,349) 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 (\$15,410), 2) legally required to be maintained intact (\$2,013,598), 3) restricted for particular purposes (\$31,630,640), or 4) assigned for particular purposes (\$1,977,587).

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 \$915,349, while total fund balance decreased to \$4,189,593. 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 6% of total general fund expenditures, while total fund balance represents approximately 26% of that same amount.

The fund balance of the City's general fund decreased by \$385,287 during the current fiscal year due primarily to increased personnel costs.

The special revenue fund had a \$488,704 increase in fund balance during the current fiscal year to bring the year-end fund balance to \$8,502,528 . The increase in fund balance was mainly attributable to increased sales tax revenue and decreased capital outlay expenditures compared to the prior year. 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 \$168,478 to bring the year-end fund balance to \$1,925,893 . The increase in fund balance was mainly attributable to increased property tax revenue.

The capital project fund had an increase in fund balance during the current year of \$243,995 to bring the year-end fund balance to \$21,934,570 . The increase in fund balance was mainly attributable to issuance of debt and related premiums, offset with increased capital outlay expenditures.

City of Decatur, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2024

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 \$379,913. The total change in net position was \$(393,492). Operations in 2024 and 2023 were relatively consistent.

General Fund Budgetary Highlights

During FY2023-24, actual revenues exceeded the final budget by \$842,506, which was primarily related to increased property tax revenue and contributions revenue. Actual expenditures were \$318,604 more than the final budget due primarily to greater than expected capital outlay. Expenditures exceeding budget were funded through revenue surplus received during the year.

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, 2024, of \$6,451,417 which is 73.63% of the City's measurement year 2023 covered payroll of \$8,762,268.

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 \$389,520 as of September 30, 2024, which is 4.45% of the City's measurement year 2023 covered payroll of \$8,762,268.

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 \$80,359,312 (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 25%.

City of Decatur, Texas
Management’s Discussion and Analysis (Unaudited)
Year Ended September 30, 2024

	Governmental Activities		Business-type Activities		Government Totals	
	FY2024	FY2023	FY2024	FY2023	FY2024	FY2023
Land	\$ 11,864,677	\$ 11,864,677	\$ 744,388	\$ 744,388	\$ 12,609,065	\$ 12,609,065
Construction in process	13,147,082	1,129,609	444,520	5,950,052	13,591,602	7,079,661
Airport	7,158,357	7,060,034	-	-	7,158,357	7,060,034
Conference center	7,671,298	7,422,302	-	-	7,671,298	7,422,302
Fire Department	6,050,043	6,217,985	-	-	6,050,043	6,217,985
General government	980,124	864,116	-	-	980,124	864,116
Library	1,717,127	1,587,855	-	-	1,717,127	1,587,855
Parks	4,211,018	3,577,974	-	-	4,211,018	3,577,974
Police	2,488,406	2,334,191	-	-	2,488,406	2,334,191
Street equipment	1,215,814	1,149,924	-	-	1,215,814	1,149,924
Street infrastructure	18,735,805	18,699,203	-	-	18,735,805	18,699,203
Other	1,402,852	1,256,591	-	-	1,402,852	1,256,591
Lease assets	1,828,779	1,741,963	-	-	1,828,779	1,741,963
Water and sewer systems	-	-	36,791,317	26,660,480	36,791,317	26,660,480
Accumulated depreciation/amortization	(23,596,676)	(22,125,736)	(12,495,619)	(11,625,233)	(36,092,295)	(33,750,969)
Capital assets, net	<u>\$ 54,874,706</u>	<u>\$ 42,780,688</u>	<u>\$ 25,484,606</u>	<u>\$ 21,729,687</u>	<u>\$ 80,359,312</u>	<u>\$ 64,510,375</u>

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

- Construction in connection with police department project

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 \$62,269,902

	Governmental Activities		Business-type Activities		Government Totals	
	FY2024	FY2023	FY2024	FY2023	FY2024	FY2023
Refunding bonds	\$ 1,565,000	\$ 2,310,000	\$ -	\$ -	\$ 1,565,000	\$ 2,310,000
Sales tax bonds	13,290,000	13,690,000	-	-	13,290,000	13,690,000
Unlimited tax refunding bonds	-	-	1,110,000	1,450,000	1,110,000	1,450,000
Certificate of obligations	31,720,000	21,440,000	13,260,000	9,770,000	44,980,000	31,210,000
Lease liability	1,324,902	1,457,855	-	-	1,324,902	1,457,855
Total long-term debt outstanding	<u>\$ 47,899,902</u>	<u>\$ 38,897,855</u>	<u>\$ 14,370,000</u>	<u>\$ 11,220,000</u>	<u>\$ 62,269,902</u>	<u>\$ 50,117,855</u>

The City’s total debt, excluding unamortized premiums, increased by \$12,152,047, (24%) during the current fiscal year. The reason for the increase is related to the issuance of Series 2024, Tax and Limited Waterworks and Sewer System Revenue Bonds of \$14,310,000 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, 2024

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, 2025, the City Council and Management considered the following factors:

- Ad valorem tax revenues are budgeted to increase due to slightly higher certified values and construction.
- 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 2026.
- 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 2024 financial statements dated December 10, 2024, 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.

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Basic Financial Statements

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City of Decatur, Texas
Statement of Net Position
September 30, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets and Deferred Outflows of Resources			
Current Assets			
Cash and cash equivalents, unrestricted	\$ 5,697,168	\$ 414,864	\$ 6,112,032
Certificates of deposit	865,903	285,066	1,150,969
Investments	1,324,023	-	1,324,023
Receivables, net of allowances for uncollectibles	1,448,443	1,089,983	2,538,426
Prepaid items	15,410	77,866	93,276
Internal balances	(13,200)	13,200	-
Total current assets	<u>9,337,747</u>	<u>1,880,979</u>	<u>11,218,726</u>
Noncurrent Assets			
Cash and cash equivalents, restricted	32,283,950	6,956,203	39,240,153
Capital and lease assets:			
Land	11,864,677	744,388	12,609,065
Construction in progress	13,147,082	444,520	13,591,602
Buildings and equipment	27,361,381	-	27,361,381
Street infrastructure	24,269,463	-	24,269,463
Right to use leased assets	1,828,779	-	1,828,779
Water and sewer distribution systems	-	36,791,317	36,791,317
Accumulated depreciation/amortization	(23,596,676)	(12,495,619)	(36,092,295)
Total capital and lease assets, net of depreciation/amortization	<u>54,874,706</u>	<u>25,484,606</u>	<u>80,359,312</u>
Total noncurrent assets	<u>87,158,656</u>	<u>32,440,809</u>	<u>119,599,465</u>
Total assets	<u>96,496,403</u>	<u>34,321,788</u>	<u>130,818,191</u>
Deferred Outflows of Resources			
Deferred charge on refunding	9,671	-	9,671
Pension	2,457,473	703,265	3,160,738
OPEB	44,897	12,851	57,748
Total deferred outflows of resources	<u>2,512,041</u>	<u>716,116</u>	<u>3,228,157</u>
Total assets and deferred outflows of resources	<u>\$ 99,008,444</u>	<u>\$ 35,037,904</u>	<u>\$ 134,046,348</u>
Liabilities, Deferred Inflows of Resources and Net Position			
Current Liabilities			
Accounts payable	\$ 3,387,485	\$ 1,194,342	\$ 4,581,827
Retainage payable	459,320	159,723	619,043
Other current liabilities	939,443	97,752	1,037,195
Accrued interest payable	655,856	234,393	890,249
Unearned revenue	163,196	-	163,196
Current maturities of long-term debt	755,000	530,000	1,285,000
Current maturities of leases payable	279,717	-	279,717
Accrued compensated absences	787,591	168,113	955,704
Total current liabilities	<u>7,427,608</u>	<u>2,384,323</u>	<u>9,811,931</u>
Noncurrent Liabilities			
Long-term debt	45,820,000	13,840,000	59,660,000
Debt issuance premium, net of amortization	2,739,491	1,139,407	3,878,898
Leases payable	1,045,185	-	1,045,185
Accrued compensated absences	250,533	79,475	330,008
Meter and other deposits	-	193,375	193,375
Net pension liability	5,015,980	1,435,437	6,451,417
Total OPEB liability	302,852	86,668	389,520
Total noncurrent liabilities	<u>55,174,041</u>	<u>16,774,362</u>	<u>71,948,403</u>
Total liabilities	<u>62,601,649</u>	<u>19,158,685</u>	<u>81,760,334</u>
Deferred Inflows of Resources			
Deferred gain on refunding	-	8,802	8,802
Lease related	27,459	-	27,459
Pension	160,495	45,930	206,425
OPEB	97,460	27,893	125,353
Total deferred inflows of resources	<u>285,414</u>	<u>82,625</u>	<u>368,039</u>
Net Position			
Net investment in capital assets	25,271,204	15,416,681	40,687,885
Restricted for:			
Airport	706,767	-	706,767
Cemetery:			
Expendable	122,248	-	122,248
Nonexpendable	1,527,942	-	1,527,942
Debt service	3,043,445	-	3,043,445
Economic development	4,739,394	-	4,739,394
Employee benefits	581,147	-	581,147
Library:			
Expendable	251,323	-	251,323
Nonexpendable	485,656	-	485,656
Municipal court	291,732	-	291,732
School crossing guard program	10,650	-	10,650
Public safety	131,531	-	131,531
Unrestricted	(1,041,658)	379,913	(661,745)
Total net position	<u>36,121,381</u>	<u>15,796,594</u>	<u>51,917,975</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 99,008,444</u>	<u>\$ 35,037,904</u>	<u>\$ 134,046,348</u>

See Notes to Financial Statements

City of Decatur, Texas
Statement of Activities
Year Ended September 30, 2024

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 1,889,103	\$ 173,534	\$ -	\$ -
Airport	390,625	150,815	-	-
Main street	233,089	47,163	3,745	-
Fire protection	3,177,662	-	115,393	-
Police	4,728,312	-	236,169	-
Animal control	84,098	-	-	-
Streets	1,722,538	-	-	-
Library	557,802	60,224	100,000	23,531
Tax and court	431,092	776,771	-	-
Parks	947,935	287,060	-	-
Planning services	428,603	40,372	-	-
Inspection services	669,563	521,243	-	-
Cemetery	146,798	44,058	-	21,970
Conference center	1,325,367	621,551	-	-
Economic development	1,116,020	-	-	-
Technology	548,066	-	-	-
Interest and fiscal charges	2,024,810	-	-	-
Total governmental activities	<u>20,421,483</u>	<u>2,722,791</u>	<u>455,307</u>	<u>45,501</u>
Business-type Activities				
Water, sewer, and garbage	<u>7,341,808</u>	<u>5,982,697</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>7,341,808</u>	<u>5,982,697</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 27,763,291</u>	<u>\$ 8,705,488</u>	<u>\$ 455,307</u>	<u>\$ 45,501</u>

General revenues and contributions to permanent endowment

Ad valorem taxes
Sales taxes
Franchise, occupancy, and other taxes
Interest on investments
Contributions not restricted for a specific purpose
Miscellaneous
Gain on sale of capital assets
Contributions to permanent endowment

Total general revenues and transfers

Change in net position

Net position, beginning of year

Net position, end of year

Net (Expense) Revenue and Changes in Net Position

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (1,715,569)	\$ -	\$ (1,715,569)
(239,810)	-	(239,810)
(182,181)	-	(182,181)
(3,062,269)	-	(3,062,269)
(4,492,143)	-	(4,492,143)
(84,098)	-	(84,098)
(1,722,538)	-	(1,722,538)
(374,047)	-	(374,047)
345,679	-	345,679
(660,875)	-	(660,875)
(388,231)	-	(388,231)
(148,320)	-	(148,320)
(80,770)	-	(80,770)
(703,816)	-	(703,816)
(1,116,020)	-	(1,116,020)
(548,066)	-	(548,066)
(2,024,810)	-	(2,024,810)
<u>(17,197,884)</u>	<u>-</u>	<u>(17,197,884)</u>
-	(1,359,111)	(1,359,111)
-	(1,359,111)	(1,359,111)
<u>\$ (17,197,884)</u>	<u>\$ (1,359,111)</u>	<u>\$ (18,556,995)</u>
7,473,831	428,501	7,902,332
6,773,131	-	6,773,131
1,200,052	-	1,200,052
1,733,656	537,118	2,270,774
1,149,777	-	1,149,777
487,524	-	487,524
39,544	-	39,544
10,504	-	10,504
<u>18,868,019</u>	<u>965,619</u>	<u>19,833,638</u>
1,670,135	(393,492)	1,276,643
<u>34,451,246</u>	<u>16,190,086</u>	<u>50,641,332</u>
<u>\$ 36,121,381</u>	<u>\$ 15,796,594</u>	<u>\$ 51,917,975</u>

**City of Decatur, Texas
Balance Sheet
Governmental Funds
September 30, 2024**

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 4,521,888	\$ 6,113,332	\$ 1,923,657	\$ 25,422,241	\$ 37,981,118
Certificates of deposit	-	752,847	-	113,056	865,903
Investments	-	1,324,023	-	-	1,324,023
Receivables (net of allowance for uncollectibles):					
Ad valorem taxes receivable	39,582	-	15,610	-	55,192
Sales taxes	727,809	363,844	-	-	1,091,653
Gross receipts taxes	117,583	-	-	-	117,583
Lease receivable	-	27,911	-	-	27,911
Other receivables	156,104	-	-	-	156,104
Prepaid items	8,743	6,667	-	-	15,410
Due from other funds	132,127	114,409	-	-	246,536
	<u>5,703,836</u>	<u>8,703,033</u>	<u>1,939,267</u>	<u>25,535,297</u>	<u>41,881,433</u>
Total assets					
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ 212,160	\$ 33,918	\$ -	\$ 3,141,407	\$ 3,387,485
Retainage payable	-	-	-	459,320	459,320
Other accrued liabilities	932,442	7,001	-	-	939,443
Due to other funds	127,609	132,127	-	-	259,736
Unearned revenue	163,196	-	-	-	163,196
	<u>1,435,407</u>	<u>173,046</u>	<u>-</u>	<u>3,600,727</u>	<u>5,209,180</u>
Total liabilities					
Deferred Inflows of Resources					
Unavailable revenues	78,836	-	13,374	-	92,210
Lease related	-	27,459	-	-	27,459
	<u>78,836</u>	<u>27,459</u>	<u>13,374</u>	<u>-</u>	<u>119,669</u>
Total deferred inflows of resources					
Fund Balances					
Nonspendable:					
Prepaid items	8,743	6,667	-	-	15,410
Trust principal	-	2,013,598	-	-	2,013,598
Restricted for:					
Airport	706,767	-	-	-	706,767
Capital projects	-	-	-	21,629,697	21,629,697
Cemetery	-	-	-	122,248	122,248
Debt service	-	1,117,552	1,925,893	-	3,043,445
Economic development	-	4,862,100	-	-	4,862,100
Employee benefits	581,147	-	-	-	581,147
Library	-	68,698	-	182,625	251,323
Municipal court	-	291,732	-	-	291,732
School crossing guard program	-	10,650	-	-	10,650
Public safety	-	131,531	-	-	131,531
Assigned to:					
Fire department	505,645	-	-	-	505,645
Parks	419,780	-	-	-	419,780
Street improvement	901,479	-	-	-	901,479
Other	150,683	-	-	-	150,683
Unassigned	915,349	-	-	-	915,349
	<u>4,189,593</u>	<u>8,502,528</u>	<u>1,925,893</u>	<u>21,934,570</u>	<u>36,552,584</u>
Total fund balances					
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,703,836</u>	<u>\$ 8,703,033</u>	<u>\$ 1,939,267</u>	<u>\$ 25,535,297</u>	<u>\$ 41,881,433</u>

City of Decatur, Texas
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
September 30, 2024

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

Total fund balances – governmental funds	\$ 36,552,584
Capital and lease assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	54,874,706
Certain revenue earned but reported as a deferred inflow of resources in the funds.	92,210
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.	(655,856)
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, deferred inflows of resources – pension, and deferred inflows of resources – OPEB), including bonds payable, leases payable, 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.	<u>(54,742,263)</u>
Total net position – governmental activities	<u>\$ 36,121,381</u>

City of Decatur, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2024

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
Revenues					
Ad valorem taxes, penalties, and interest	\$ 5,394,673	\$ -	\$ 2,102,423	\$ -	\$ 7,497,096
Sales taxes	4,515,421	2,257,710	-	-	6,773,131
Franchise, occupancy, and other taxes	1,200,052	-	-	-	1,200,052
Interest on investments	280,686	260,530	92,972	1,099,468	1,733,656
Contributions, grants, and donations	1,287,360	117,108	-	45,501	1,449,969
Lease revenue	-	8,063	-	-	8,063
Conference center	621,551	-	-	-	621,551
Licenses and permits	521,243	-	-	-	521,243
Fines and fees	743,643	71,945	-	-	815,588
Other revenue	1,259,735	47,163	-	186,908	1,493,806
Total revenues	15,824,364	2,762,519	2,195,395	1,331,877	22,114,155
Expenditures					
Current:					
General government	1,689,010	28,575	-	13,240	1,730,825
Airport	202,431	-	-	-	202,431
Main street	177,208	49,367	-	-	226,575
Fire protection	2,733,057	-	-	-	2,733,057
Police	4,234,546	27,051	-	-	4,261,597
Animal control	81,037	-	-	-	81,037
Street	1,121,086	-	-	104,167	1,225,253
Library	493,472	-	-	-	493,472
Tax and court	394,654	22,792	-	-	417,446
Parks	767,118	-	-	13,175	780,293
Planning services	411,271	-	-	-	411,271
Inspection services	625,950	-	-	-	625,950
Cemetery	121,330	-	-	19,625	140,955
Conference center	1,150,024	-	-	-	1,150,024
Economic development	63,221	947,207	-	-	1,010,428
Technology	545,757	-	-	-	545,757
Debt service:					
Principal	256,103	402,015	1,115,000	-	1,773,118
Interest and fiscal charges	68,022	727,663	911,917	-	1,707,602
Bond issuance costs	-	-	-	140,323	140,323
Capital outlay	1,287,878	69,145	-	12,569,201	13,926,224
Total expenditures	16,423,175	2,273,815	2,026,917	12,859,731	33,583,638
Excess (deficiency) of revenues over (under) expenditures	(598,811)	488,704	168,478	(11,527,854)	(11,469,483)
Other Financing Sources (Uses)					
Proceeds from issuance of long-term debt	-	-	-	10,650,000	10,650,000
Premiums on bonds issued	-	-	-	1,121,849	1,121,849
Leases (as lessee)	143,524	-	-	-	143,524
Proceeds from sale of capital assets	70,000	-	-	-	70,000
Total other financing sources (uses)	213,524	-	-	11,771,849	11,985,373
Net Change in Fund Balances	(385,287)	488,704	168,478	243,995	515,890
Fund Balances, Beginning of Year	4,574,880	8,013,824	1,757,415	21,690,575	36,036,694
Fund Balances, End of Year	\$ 4,189,593	\$ 8,502,528	\$ 1,925,893	\$ 21,934,570	\$ 36,552,584

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, 2024

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

Net change in fund balances – governmental funds	\$ 515,890
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/amortization expense. This is the amount by which capital expenditures (\$13,926,224) exceeded capital depreciation/amortization expense (\$1,801,750) in the current period.	12,124,474
The net effect of various miscellaneous transactions involving capital assets (i.e. sales or donations) is to decrease net position.	(30,456)
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.	(62,082)
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.	(9,965,047)
Current year change in accrued interest requires the use of current financial resources; but is not reported as an expense in the governmental activities.	(354,093)
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.	(156,134)
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>(402,417)</u>
Change in the net position of governmental activities	<u>\$ 1,670,135</u>

City of Decatur, Texas
Statement of Net Position
Proprietary Fund
September 30, 2024

	Business-Type Activities
	Enterprise Fund
Assets	
Current assets	
Cash and cash equivalents, unrestricted	\$ 414,864
Certificates of deposit	285,066
Ad valorem taxes receivable, net	3,169
Customer receivables	1,086,814
Due from other funds	13,200
Prepays	<u>77,866</u>
Total current assets	<u>1,880,979</u>
Noncurrent assets	
Cash and cash equivalents, restricted for customer deposits	193,485
Cash and cash equivalents, restricted for debt service	326,599
Cash and cash equivalents, restricted for capital projects	<u>6,436,119</u>
Total restricted assets	<u>6,956,203</u>
Land	744,388
Construction in progress	444,520
Water and sewer distribution systems and related equipment, net	<u>24,295,698</u>
Total capital assets, net of depreciation	<u>25,484,606</u>
Total noncurrent assets	<u>32,440,809</u>
Total assets	<u>34,321,788</u>
Deferred Outflows of Resources	
Pensions	703,265
OPEB	<u>12,851</u>
Total deferred outflows of resources	<u>716,116</u>

City of Decatur, Texas
Statement of Net Position
Proprietary Fund
September 30, 2024

(Continued)

	Business-Type Activities <hr/> Enterprise Fund <hr/>
Liabilities	
Current liabilities	
Accounts payable	\$ 1,194,342
Retainage payable	159,723
Other current liabilities	97,642
Accrued interest payable	234,393
Current maturities of long-term debt	530,000
Accrued compensated absences	168,113
	<hr/>
Total current liabilities	2,384,213
	<hr/>
Noncurrent liabilities	
Long-term debt	13,840,000
Debt issuance premium, net of amortization	1,139,407
Accrued compensated absences	79,475
Meter deposits	193,485
Net pension liability	1,435,437
Total OPEB liability	86,668
	<hr/>
Total noncurrent liabilities	16,774,472
	<hr/>
Total liabilities	19,158,685
	<hr/>
Deferred Inflows of Resources	
Deferred gain on refunding	8,802
Pension	45,930
OPEB	27,893
	<hr/>
Total deferred inflows of resources	82,625
	<hr/>
Net Position	
Net invested in capital assets	15,416,681
Unrestricted	379,913
	<hr/>
Total net position	\$ 15,796,594
	<hr/>

City of Decatur, Texas
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
Year Ended September 30, 2024

	Business-Type Activities Enterprise Fund
Operating Revenues	
Water charges	\$ 2,948,013
Sewer charges	2,120,158
Garbage and other charges	655,435
Other charges for services and miscellaneous	244,415
	<u>5,968,021</u>
Operating Expenses	
Public works	233,460
Sewer plant and operation	997,576
Utility billing	219,248
Raw water purchases	597,901
Water utilities	1,951,468
Utility maintenance	1,381,483
Garbage fees	535,485
Depreciation	870,386
	<u>6,787,007</u>
	<u>(818,986)</u>
Operating Loss	
Nonoperating Revenues (Expenses)	
Ad valorem taxes, interest and penalties	428,501
Interest income	537,118
Miscellaneous	(23,039)
Interest expense	(517,086)
	<u>425,494</u>
Change in Net Position	<u>(393,492)</u>
Net Position, Beginning of Year	<u>16,190,086</u>
Net Position, End of Year	<u>\$ 15,796,594</u>

City of Decatur, Texas
Proprietary Fund - Statement of Cash Flows
Year Ended September 30, 2024

Cash Flows from Operating Activities	
Cash received from customers	\$ 5,912,257
Cash payments to suppliers for goods and services	(3,407,938)
Cash payments to employees and other directly related employment costs	(2,257,215)
Other operating payments	<u>(23,039)</u>
Net cash provided by operating activities	<u>224,065</u>
Cash Flows from Capital and Related Financing Activities	
Property taxes (capital), net	430,349
Acquisition and construction of capital assets	(3,882,979)
Proceeds from issuance of long-term debt	4,054,163
Principal paid on long-term debt	(510,000)
Interest paid on long-term debt	<u>(490,297)</u>
Net cash used in capital and related financing activities	<u>(398,764)</u>
Cash Flows from Investing Activities	
Interest on investments	<u>537,118</u>
Net cash provided by investing activities	<u>537,118</u>
Net increase in cash and cash equivalents	362,419
Cash and Cash Equivalents, Beginning of Year	<u>7,293,714</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 7,656,133</u></u>

City of Decatur, Texas
Proprietary Fund - Statement of Cash Flows
Year Ended September 30, 2024

(Continued)

**Reconciliation of Operating Loss to Net Cash Provided
by Operating Activities**

Operating loss	\$ (818,986)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	870,386
Miscellaneous expense	(23,039)
(Increases) decreases in assets and deferred outflows of resources:	
Customer accounts receivable	(66,376)
Deferred outflows of resources	226,670
Prepays	(33,894)
Increases (decreases) in liabilities and deferred inflows of resources:	
Accounts payable and accrued expenses	109,197
Customer deposits	10,612
Compensated absences	55,750
Net pension liability	(150,756)
Total OPEB liability	7,955
Deferred inflows of resources	36,546
Total adjustments	<u>1,043,051</u>
Net cash provided by operating activities	<u>\$ 224,065</u>

Schedule of noncash Capital and Related Financing Activities:

Purchase of capital assets in accounts payable	\$ 985,835
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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 District has been blended into the business-type activities of the City. A separately issued financial report 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

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 the 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.

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.

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2024

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.

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.

Expenditures exceeded appropriations by \$318,604 in fiscal year 2024. Expenditures exceeding appropriations were funded through revenue surplus received during the year.

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, 2024, the City's general fund was reimbursed \$527,000 for these services.

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, 2024, 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.

City of Decatur, Texas
Notes to Basic Financial Statements
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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.

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.

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 charge on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- 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.

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- 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 OPEB plan and recorded as a component of OPEB 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 OPEB plan and recorded as a component of OPEB expense beginning with the period in which they are incurred.
- Difference in assumption changes – 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.
- 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 \$34,580 and court revenues of \$44,256. In the Debt Service Fund, unavailable revenues consist of property taxes in the amount of \$13,374. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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, and trust principal for the cemetery endowment and Mooney memorial library endowment as being nonspendable.

City of Decatur, Texas
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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.

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. 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.

City of Decatur, Texas
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The table below details the fund balance categories and classifications for Governmental Funds.

Fund Balances	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Nonspendable:					
Prepaid items	\$ 8,743	\$ 6,667	\$ -	\$ -	\$ 15,410
Trust principal	-	2,013,598	-	-	2,013,598
Restricted for:					
Airport	706,767	-	-	-	706,767
Capital projects	-	-	-	21,629,697	21,629,697
Cemetery	-	-	-	122,248	122,248
Debt service	-	1,117,552	1,925,893	-	3,043,445
Economic development	-	4,862,100	-	-	4,862,100
Employee benefits	581,147	-	-	-	581,147
Library	-	68,698	-	182,625	251,323
Municipal court	-	291,732	-	-	291,732
School crossing guard program	-	10,650	-	-	10,650
Public safety	-	131,531	-	-	131,531
Assigned to:					
Fire department	505,645	-	-	-	505,645
Parks	419,780	-	-	-	419,780
Street improvement	901,479	-	-	-	901,479
Other	150,683	-	-	-	150,683
Unassigned	915,349	-	-	-	915,349
Total fund balances	\$ 4,189,593	\$ 8,502,528	\$ 1,925,893	\$ 21,934,570	\$ 36,552,584

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

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 strives to 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.

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.

City of Decatur, Texas
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September 30, 2024

- **Unrestricted Net Position** – The category represents net position of the City, not restricted for any project. 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

The Council has adopted a financial policy to maintain a minimum level of unrestricted net position in the Enterprise Fund. The City strives to 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.

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.

Future Accounting Pronouncements

GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statements users by updating the recognition and measurement guidance for compensated absences. The requirements of this Statement will take effect for the City's fiscal year 2025. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement will take effect for the City's fiscal year 2025. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve the financial reporting model by standardizing the presentation for various matters within government financial statements. The purpose is to eliminate diversity practice and improve comparability. The requirements of this Statement will take effect for the City's fiscal year 2026. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to improve disclosures related to certain types of capital assets. The purpose is to provide users of governmental financial statements with essential information about certain types of capital assets. The requirements of this Statement will take effect for the City's fiscal year 2026. Management has not yet determined the impact of this Statement on its financial statements.

Note 2. Deposits and Investments

Deposits

At September 30, 2024, the carrying amount of the City’s cash and cash equivalents (including certificates of deposit) was \$46,503,154 and the respective bank balances totaled \$46,645,892.

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.

For fiscal year 2024, 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, 2024, the carrying amount of the City’s certificates of deposits and money market funds totaled \$1,150,969 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, 2024, 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, 2024, are:

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

City of Decatur, Texas
Notes to Basic Financial Statements
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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.

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, 2024.

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, 2024:

Investments measured at net asset value	
Money Markets - NAV	<u>\$ 1,324,023</u>
Total investments at net asset value	<u>1,324,023</u>
Investments measured at amortized cost	
Certificates of deposits	<u>1,150,969</u>
Total investments at amortized cost	<u>1,150,969</u>
Total investments	<u><u>\$ 2,474,992</u></u>

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.

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2024

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.

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, 2024, were 99.24% of the adjusted tax levy. Allocations of property tax levy by purpose for 2024 are as follows (amounts per \$100 assessed value):

General Fund	\$ 0.4168
Debt Service Fund	<u>0.1644</u>
Total City	<u>\$ 0.5812</u>
Wise County Water Supply District – Debt Service	<u>\$ 0.0324</u>
Total Wise County Water Supply District	<u>\$ 0.0324</u>

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:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
Receivables					
Ad valorem taxes receivable	\$ 108,465	\$ -	\$ 42,776	\$ 15,833	\$ 167,074
Accounts receivable	1,086	-	-	1,086,814	1,087,900
Sales taxes	727,809	363,844	-	-	1,091,653
Gross receipts taxes	117,583	-	-	-	117,583
Lease receivable	-	27,911	-	-	27,911
Other receivables	930,775	-	-	-	930,775
Less allowance for uncollectibles	<u>(844,640)</u>	<u>-</u>	<u>(27,166)</u>	<u>(12,664)</u>	<u>(884,470)</u>
Net receivables	<u>\$ 1,041,078</u>	<u>\$ 391,755</u>	<u>\$ 15,610</u>	<u>\$ 1,089,983</u>	<u>\$ 2,538,426</u>

Leases Receivable

The City leases a building to a third party, the terms of which expire in 2030. The City recognized approximately \$4,900 in lease revenue and \$1,000 in interest revenue during the current fiscal year related to the lease. As of September 30, 2024, the City’s receivable for lease payments was \$27,911. 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, 2024, the balance of the deferred inflow of resources was \$27,459.

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2024

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, 2024, was approximately \$8,000. The future principal and interest lease receipts for regulated leases as of September 30, 2024, were as follows:

Year Ending September 30,	Payment
2025	7,503
2026	7,503
2027	7,277
2028	6,826
2029	6,826
2030-2034	34,130
2035-2039	34,130
2040-2044	34,130
2045-2049	23,626
2050-2054	12,000
2055-2059	12,000
2060-2064	10,800
2065-2067	3,000
	<hr/>
Total	<u>\$ 199,751</u>

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2024

Note 5. Capital and Lease Assets

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

	Beginning of Year	Additions	Sales / Disposals	Transfers	End of Year
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 11,864,677	\$ -	\$ -	\$ -	\$ 11,864,677
Construction in progress	1,129,609	12,017,473	-	-	13,147,082
Total capital assets not being depreciated	<u>12,994,286</u>	<u>12,017,473</u>	<u>-</u>	<u>-</u>	<u>25,011,759</u>
Capital assets being depreciated					
Airport	7,060,034	98,323	-	-	7,158,357
Conference center	7,422,302	248,996	-	-	7,671,298
Fire equipment	6,217,985	136,616	(304,558)	-	6,050,043
General government	864,116	116,008	-	-	980,124
Library	1,587,855	129,272	-	-	1,717,127
Parks	3,577,974	633,044	-	-	4,211,018
Police	2,334,191	154,215	-	-	2,488,406
Street equipment	1,149,924	65,890	-	-	1,215,814
Street infrastructure	18,699,203	36,602	-	-	18,735,805
Other assets	1,256,591	146,261	-	-	1,402,852
Total capital assets being depreciated	50,170,175	1,765,227	(304,558)	-	51,630,844
Less: accumulated depreciation	<u>(21,744,349)</u>	<u>(1,487,440)</u>	<u>274,102</u>	<u>-</u>	<u>(22,957,687)</u>
Total capital assets being depreciated, net	<u>28,425,826</u>	<u>277,787</u>	<u>(30,456)</u>	<u>-</u>	<u>28,673,157</u>
Governmental activities capital assets, net	<u>\$ 41,420,112</u>	<u>\$ 12,295,260</u>	<u>\$ (30,456)</u>	<u>\$ -</u>	<u>\$ 53,684,916</u>
Business-type Activities					
Capital assets not being depreciated					
Land	\$ 744,388	\$ -	\$ -	\$ -	\$ 744,388
Construction in progress	5,950,052	444,520	-	(5,950,052)	444,520
Total capital assets not being depreciated	<u>6,694,440</u>	<u>444,520</u>	<u>-</u>	<u>(5,950,052)</u>	<u>1,188,908</u>
Capital assets being depreciated					
Sewer system	6,789,784	1,083,138	-	-	7,872,922
Trucks	461,138	-	-	-	461,138
Equipment	212,744	30,244	-	-	242,988
Water and sewer lines	5,840,014	2,239,351	-	1,154,083	9,233,448
Water meters	469,710	742,161	-	-	1,211,871
Treated water distribution system	492,478	85,891	-	4,795,969	5,374,338
Elevated storage tower	829,569	-	-	-	829,569
Electrical generators	856,792	-	-	-	856,792
Raw water lines and pumps	4,294,764	-	-	-	4,294,764
Water treatment plant	6,413,487	-	-	-	6,413,487
Total capital assets being depreciated	26,660,480	4,180,785	-	5,950,052	36,791,317
Less: accumulated depreciation	<u>(11,625,233)</u>	<u>(870,386)</u>	<u>-</u>	<u>-</u>	<u>(12,495,619)</u>
Total capital assets being depreciated, net	<u>15,035,247</u>	<u>3,310,399</u>	<u>-</u>	<u>5,950,052</u>	<u>24,295,698</u>
Business-type activities capital assets, net	<u>\$ 21,729,687</u>	<u>\$ 3,754,919</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,484,606</u>

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2024

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

Governmental Activities

General government	\$	28,724
Airport		185,885
Main street		168
Fire protection		239,459
Police		142,127
Animal control		752
Streets		457,580
Library		47,023
Tax and court		3,262
Parks		140,528
Inspection services		14,767
Cemetery		5,843
Conference center		138,421
Planning		25
Economic development		82,876
		<u>82,876</u>
Total depreciation expense – governmental activities	\$	<u>1,487,440</u>

Business-type Activities

Water, sewer, and garbage	\$	870,386
		<u>870,386</u>
Total depreciation expense – business-type activities	\$	<u>870,386</u>

Lease asset activity for the year ended September 30, 2024, was as follows:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Disposals</u>	<u>End of Year</u>
Governmental Activities				
Lease assets being amortized				
Vehicle	\$ 1,335,144	\$ 143,524	\$ -	\$ 1,478,668
Equipment	350,111	-	-	350,111
Copy machine	56,708	-	(56,708)	-
	<u>1,741,963</u>	<u>143,524</u>	<u>(56,708)</u>	<u>1,828,779</u>
Total lease assets being amortized				
Less: accumulated amortization	<u>(381,387)</u>	<u>(314,310)</u>	<u>56,708</u>	<u>(638,989)</u>
Total lease assets being amortized, net	<u>1,360,576</u>	<u>(170,786)</u>	<u>-</u>	<u>1,189,790</u>
Governmental activities lease assets, net	<u>\$ 1,360,576</u>	<u>\$ (170,786)</u>	<u>\$ -</u>	<u>\$ 1,189,790</u>

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2024

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

Governmental Activities	
General government	\$ 79,840
Fire Protection	91,495
Police	132,476
Streets	8,553
Economic Development	<u>1,946</u>
 Total amortization expense – governmental activities	 <u><u>\$ 314,310</u></u>

Note 6. Defined Benefit Pension Plan

Plan Description

The City of Decatur, Texas participates as one of over 900 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.tmr.com.

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

Benefits Provided

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

At retirement, the Member’s benefit is calculated based on the sum of the 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, 2023, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	85
Inactive employees entitled to but not yet receiving benefits	96
Active employees	<u>139</u>
	<u><u>320</u></u>

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2024

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 15.47% and 14.17% in calendar years 2024 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2024, were \$1,473,755, and were equal to the required contributions.

Net Pension Liability

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

Actuarial Assumptions

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

Inflation	2.5% per year
Overall payroll growth	2.75% per year
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 110% of the Public Safety table used for males and 100% the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income 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 by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage.

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2024

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2024 are summarized in the following table:

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

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, 2023	\$ 36,294,308	\$ 29,165,335	\$ 7,128,973
Changes for the year:			
Service cost	1,524,635	-	1,524,635
Interest on total pension liability	2,450,850	-	2,450,850
Effect of difference in expected and actual experience	853,338	-	853,338
Change in assumption	(286,436)	-	(286,436)
Benefit payments	(1,495,469)	(1,495,469)	-
Administrative expenses	-	(21,475)	21,475
Member contributions	-	615,478	(615,478)
Net investment income	-	3,380,188	(3,380,188)
Employer contributions	-	1,245,902	(1,245,902)
Other	-	(150)	150
Net changes	3,046,918	3,724,474	(677,556)
Balance at September 30, 2024	\$ 39,341,226	\$ 32,889,809	\$ 6,451,417

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2024

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%)
\$ 12,251,971	\$ 6,451,417	\$ 1,715,978

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, 2024, the City recognized pension expense of \$2,019,508.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	\$ 1,245,379	\$ -
Difference in assumption changes or inputs		206,425
Difference between projected and actual investment earnings on pension plan investments	761,763	-
Employer contributions subsequent to the measurement date	1,153,596	-
Total	<u>\$ 3,160,738</u>	<u>\$ 206,425</u>

\$1,153,596 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, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2025	\$ 830,989
2026	565,112
2027	686,920
2028	(282,304)
	<u>\$ 1,800,717</u>

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.

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	62
Inactive employees entitled to but not yet receiving benefits	24
Active employees	139
	225

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 0.30% and 0.36% in calendar years 2024 and 2023, respectively. The retiree portion of the total SBDF contribution rates for the City were 0.10% and 0.11% in calendar years 2024 and 2023, respectively.

Total OPEB Liability

The City’s Total OPEB Liability (TOL) was measured as of December 31, 2023, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

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

Inflation	2.5% per year
Salary increases	3.60% to 11.85% including inflation
Discount rate	3.77% as of December 31, 2023 (4.05% as of December 31, 2022)
Retirees’ share of benefit-related costs	\$ 0

City of Decatur, Texas
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September 30, 2024

Mortality rates for retirees and beneficiaries are based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Mortality rates for disabled annuitants were based on the mortality tables for with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

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

Discount Rate

The discount rate used to measure the Total OPEB Liability as of December 31, 2023, was 3.77%, compared to 4.05% as of December 31, 2022. 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, 2023.

Changes in the Total OPEB Liability

	Increase (Decrease)
	Total OPEB Liability
Balance at October 1, 2023	\$ 353,769
Changes for the year:	
Service cost	17,525
Interest on total OPEB liability	14,487
Effect of difference in expected and actual experience	(5,535)
Effect of assumptions changes or inputs	18,912
Benefit payments	(9,638)
Net Changes	35,751
Balance at September 30, 2024	\$ 389,520

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 3.77%, 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 (2.77%) or 1-percentage-point higher (4.77%) than the current rate:

1% Decrease in Discount Rate (2.77%)	Current Discount Rate Assumption (3.77%)	1% Increase in Discount Rate (4.77%)
\$ 466,161	\$ 389,520	\$ 329,361

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2024

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

For the year ended September 30, 2024, the City recognized OPEB expense of \$17,565.

At September 30, 2024, 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	\$ 5,454	\$ 10,883
Changes of assumptions	44,837	114,470
Employer contributions subsequent to the measurement date	7,457	-
	<u>57,748</u>	<u>-</u>
Total	<u>\$ 57,748</u>	<u>\$ 125,353</u>

\$7,457 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, 2025. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2025	\$ (13,799)
2026	(30,323)
2027	(34,008)
2028	2,577
2029	491
	<u>\$ (75,062)</u>

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.

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.

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2024

Note 9. Long-term Debt

The following is a summary of the long-term debt activity for the year ended September 30, 2024:

	Beginning Balance	Borrowings/ Additions	Repayments/ Reductions	Ending Balances	Amounts Due Within One Year
Governmental Activities					
Refunding bonds	\$ 2,310,000	\$ -	\$ (745,000)	\$ 1,565,000	\$ 365,000
Sales tax bonds	13,690,000	-	(400,000)	13,290,000	-
Certificate of obligations	21,440,000	10,650,000	(370,000)	31,720,000	390,000
Unamortized bond premium	1,793,429	1,121,849	(175,787)	2,739,491	-
	<u>39,233,429</u>	<u>11,771,849</u>	<u>(1,690,787)</u>	<u>49,314,491</u>	<u>755,000</u>
Bonds payable, net					
Leases payable	1,439,496	143,524	(258,118)	1,324,902	279,717
Compensated absences	881,990	928,300	(772,166)	1,038,124	787,591
	<u>881,990</u>	<u>928,300</u>	<u>(772,166)</u>	<u>1,038,124</u>	<u>787,591</u>
Total governmental activities	<u>\$ 41,554,915</u>	<u>\$ 12,843,673</u>	<u>\$ (2,721,071)</u>	<u>\$ 51,677,517</u>	<u>\$ 1,822,308</u>
Business-type Activities					
Unlimited tax refunding bonds	\$ 1,450,000	\$ -	\$ (340,000)	\$ 1,110,000	\$ 355,000
Certificate of obligations	9,770,000	3,660,000	(170,000)	13,260,000	175,000
Unamortized bond premium	822,765	394,163	(77,521)	1,139,407	-
	<u>12,042,765</u>	<u>4,054,163</u>	<u>(587,521)</u>	<u>15,509,407</u>	<u>530,000</u>
Bonds payable, net					
Compensated absences	191,838	204,043	(148,293)	247,588	168,113
	<u>191,838</u>	<u>204,043</u>	<u>(148,293)</u>	<u>247,588</u>	<u>168,113</u>
Total business-type activities	<u>\$ 12,234,603</u>	<u>\$ 4,258,206</u>	<u>\$ (735,814)</u>	<u>\$ 15,756,995</u>	<u>\$ 698,113</u>

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.

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, 2024, are as follows:

Issuance	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding End of Year
General Obligation Refunding Bonds	2018	\$ 3,530,000	2.0%-4.0%	2028	\$ 1,565,000
					<u>\$ 1,565,000</u>

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2024

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, 2024, are as follows:

Issuance	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding End of Year
Tax and Limited Waterworks and Sewer System Revenue Certification of Obligations	2022	\$ 31,210,000	4.0%-5.0%	2052	\$ 30,670,000
Tax and Limited Waterworks and Sewer System Revenue Certification of Obligations	2024	\$ 14,310,000	4.0%-5.0%	2054	14,310,000
					<u>\$ 44,980,000</u>

The annual aggregate maturities for the governmental activities refunding bonds and certificates of obligation for years subsequent to September 30, 2024, are as follows:

Year Ending September 30,	Principal	Interest	Total
2025	\$ 755,000	\$ 1,706,228	\$ 2,461,228
2026	965,000	1,365,472	2,330,472
2027	1,010,000	1,320,238	2,330,238
2028	1,055,000	1,272,789	2,327,789
2029	670,000	1,254,989	1,924,989
2030-2034	3,895,000	5,611,946	9,506,946
2035-2039	4,880,000	4,628,845	9,508,845
2040-2044	6,060,000	3,457,367	9,517,367
2045-2049	7,465,000	2,043,481	9,508,481
2050-2054	<u>6,530,000</u>	<u>563,430</u>	<u>7,093,430</u>
Totals	<u>\$ 33,285,000</u>	<u>\$ 23,224,785</u>	<u>\$ 56,509,785</u>

The annual aggregate maturities for the business-type activities certificates of obligation for years subsequent to September 30, 2024, are as follows:

Year Ending September 30,	Principal	Interest	Total
2025	\$ 175,000	\$ 661,272	\$ 836,272
2026	240,000	546,953	786,953
2027	255,000	534,363	789,363
2028	270,000	521,137	791,137
2029	280,000	507,275	787,275
2030-2034	1,645,000	2,303,607	3,948,607
2035-2039	2,065,000	1,889,203	3,954,203
2040-2044	2,550,000	1,400,035	3,950,035
2045-2049	3,145,000	812,492	3,957,492
2050-2054	<u>2,635,000</u>	<u>212,620</u>	<u>2,847,620</u>
Totals	<u>\$ 13,260,000</u>	<u>\$ 9,388,957</u>	<u>\$ 22,648,957</u>

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2024

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, 2024, 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	\$ 1,020,000
Sales Tax Revenue Bonds, Taxable Series	2018	\$ 5,665,000	2.71%-4.28%	2039	4,370,000
Sales Tax Revenue Bonds, Taxable Series	2023	\$ 8,100,000	5.40%-5.80%	2053	<u>7,900,000</u>
					<u>\$ 13,290,000</u>

The annual aggregate maturities for the governmental activities EDC sales tax revenue bonds for years subsequent to September 30, 2024, are as follows:

Year Ending September 30,	Principal	Interest	Total
2025	\$ -	\$ 1,061,153	\$ 1,061,153
2026	420,000	1,032,672	1,452,672
2027	445,000	703,726	1,148,726
2028	455,000	686,390	1,141,390
2029	475,000	668,121	1,143,121
2030-2034	2,710,000	3,025,105	5,735,105
2035-2039	3,205,000	2,365,674	5,570,674
2040-2044	1,445,000	1,697,808	3,142,808
2045-2049	1,995,000	1,174,688	3,169,688
2050-2054	<u>2,140,000</u>	<u>450,741</u>	<u>2,590,741</u>
Totals	<u>\$ 13,290,000</u>	<u>\$ 12,866,078</u>	<u>\$ 26,156,078</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, 2024, before year end.

The following is a summary of pledged revenues of the EDC for the year ended September 30, 2024:

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	\$ 2,257,710	\$ 1,129,678	50.0%	\$ 26,156,078	Until 2053

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2024

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, 2024, 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	<u>\$ 1,110,000</u>
					<u><u>\$ 1,110,000</u></u>

The annual aggregate maturities for the business-type activities unlimited tax refunding bonds for years subsequent to September 30, 2024, are as follows:

Year Ending September 30,	Principal	Interest	Total
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>\$ 1,110,000</u>	<u>\$ 90,000</u>	<u>\$ 1,200,000</u>

Lease Liability

The City has agreements as lessee for vehicles and equipment, the terms of which expire in various years through 2034.

The following is a schedule by year of payments under the leases as of September 30, 2024:

Year Ending September 30,	Principal	Interest	Total
2025	\$ 279,717	\$ 64,067	\$ 343,784
2026	293,894	49,891	343,785
2027	257,584	34,951	292,535
2028	252,616	21,560	274,176
2029	99,944	8,569	108,513
2030-2034	<u>141,147</u>	<u>6,538</u>	<u>147,685</u>
Total	<u>\$ 1,324,902</u>	<u>\$ 185,576</u>	<u>\$ 1,510,478</u>

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2024

Note 10. Due to/From Other Funds

The following is a summary of due to/from other funds at September 30, 2024:

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue	\$ 132,127
Special Revenue	General Fund	\$ 114,409
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 Special Revenue Fund owes the General 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, 2024.

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.

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.

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2024

For the fiscal year ended September 30, 2024, the City had the following open tax abatement agreements and abated the following amounts under these agreements:

<u>Open Agreements - Type of Tax Abatement</u>	<u>Amount of Taxes Abated during the Fiscal Year</u>
Hotel Occupancy Taxes	\$ 61,021
Total	<u>\$ 61,021</u>

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Required Supplementary Information

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City of Decatur, Texas
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual - General Fund
Year Ended September 30, 2024

	Budgeted Amounts			Actual	Variance with Final Budget Positive (Negative)
	Original	Amendments	Final		
Revenues					
Ad valorem taxes, penalties, and interest	\$ 5,168,199	\$ -	\$ 5,168,199	\$ 5,394,673	\$ 226,474
Sales taxes	4,523,809	-	4,523,809	4,515,421	(8,388)
Franchise, occupancy, and other taxes	1,430,132	-	1,430,132	1,200,052	(230,080)
Interest on investments	120,000	-	120,000	280,686	160,686
Contributions, grants, and donations	-	-	-	1,287,360	1,287,360
Conference center	595,000	-	595,000	621,551	26,551
Licenses and permits	494,000	-	494,000	521,243	27,243
Fines and fees	1,002,400	-	1,002,400	743,643	(258,757)
Other revenue	1,648,318	-	1,648,318	1,259,735	(388,583)
Total revenues	14,981,858	-	14,981,858	15,824,364	842,506
Expenditures					
Current:					
General government	2,086,906	-	2,086,906	1,689,010	(397,896)
Airport	208,927	-	208,927	202,431	(6,496)
Main street	210,954	-	210,954	177,208	(33,746)
Fire	2,842,836	-	2,842,836	2,733,057	(109,779)
Police	4,297,640	-	4,297,640	4,234,546	(63,094)
Animal control	100,129	-	100,129	81,037	(19,092)
Street	1,147,014	-	1,147,014	1,121,086	(25,928)
Library	585,839	-	585,839	493,472	(92,367)
Court	441,215	-	441,215	394,654	(46,561)
Parks	869,162	-	869,162	767,118	(102,044)
Planning services	562,766	-	562,766	411,271	(151,495)
Inspection services	654,709	-	654,709	625,950	(28,759)
Cemetery	108,500	-	108,500	121,330	12,830
Conference center	1,201,140	-	1,201,140	1,150,024	(51,116)
Economic development	-	-	-	63,221	63,221
Technology	617,786	-	617,786	545,757	(72,029)
Debt service:					
Principal	-	-	-	256,103	256,103
Interest and fiscal charges	-	-	-	68,022	68,022
Capital outlay	169,048	-	169,048	1,287,878	1,118,830
Total expenditures	16,104,571	-	16,104,571	16,423,175	318,604
Excess (deficiency) of revenues over (under) expenditures	(1,122,713)	-	(1,122,713)	(598,811)	523,902
Other Financing Sources					
Transfer in	409,868	-	409,868	-	(409,868)
Proceeds from sale of capital assets	-	-	-	70,000	70,000
Leases (as lessee)	-	-	-	143,524	143,524
Total other financing sources	409,868	-	409,868	213,524	(196,344)
Net Change in Fund Balance	(712,845)	-	(712,845)	(385,287)	327,558
Fund Balance, Beginning	4,574,880	-	4,574,880	4,574,880	-
Fund Balance, Ending	\$ 3,862,035	\$ -	\$ 3,862,035	\$ 4,189,593	\$ 327,558

City of Decatur, Texas
Schedule of Changes in Net Pension Liability and Related Ratios
Texas Municipal Retirement System

	Measurement Year			
	2014	2015	2016	2017
Total Pension Liability				
Service cost	\$ 899,192	\$ 996,805	\$ 1,003,930	\$ 1,015,285
Interest (on the total pension liability)	1,270,814	1,401,676	1,456,889	1,562,688
Difference between expected and actual experience	97,522	(455,380)	(326,739)	(342,431)
Change in assumptions	-	74,579	-	-
Benefit payments, including refunds of employee contributions	(449,620)	(444,145)	(479,130)	(665,611)
Net Change in Total Pension Liability	1,817,908	1,573,535	1,654,950	1,569,931
Total Pension Liability – Beginning	17,929,703	19,747,611	21,321,146	22,976,096
Total Pension Liability – Ending (a)	<u>\$ 19,747,611</u>	<u>\$ 21,321,146</u>	<u>\$ 22,976,096</u>	<u>\$ 24,546,027</u>
Plan Fiduciary Net Position:				
Contributions – employer	\$ 783,353	\$ 835,221	\$ 845,704	\$ 858,170
Contributions – employee	397,567	398,267	394,140	397,039
Net investment income	811,445	23,193	1,116,673	2,549,630
Benefit payments, including refunds of employee contributions	(449,620)	(444,145)	(479,130)	(665,611)
Administrative expense	(8,470)	(14,123)	(12,603)	(13,199)
Other	(696)	(698)	(679)	(669)
City's Net Change in Plan Fiduciary Net Position	1,533,579	797,715	1,864,105	3,125,360
Plan Fiduciary Net Position – Beginning	14,180,723	15,714,302	16,512,017	18,376,122
Plan Fiduciary Net Position – Ending (b)	<u>\$ 15,714,302</u>	<u>\$ 16,512,017</u>	<u>\$ 18,376,122</u>	<u>\$ 21,501,482</u>
City's Net Pension Liability – Ending (a) – (b)	\$ 4,033,309	\$ 4,809,129	\$ 4,599,974	\$ 3,044,545
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	79.58%	77.44%	79.98%	87.60%
Covered Payroll	\$ 5,680,974	\$ 5,689,535	\$ 5,630,567	\$ 5,671,981
City's Net Pension Liability as a Percentage of Covered Payroll	71.00%	84.53%	81.70%	53.68%

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.

For the 2023 valuation, actuarial studies were updated though December 31, 2022.

Measurement Year					
2018	2019	2020	2021	2022	2023
\$ 1,039,690	\$ 1,088,653	\$ 1,125,635	\$ 1,116,065	\$ 1,398,515	\$ 1,524,635
1,672,578	1,789,101	1,907,098	2,054,184	2,207,262	2,450,850
(413,969)	(239,082)	470,890	403,597	1,427,740	853,338
-	13,187	-	-	-	(286,436)
(573,875)	(619,153)	(1,225,327)	(1,414,247)	(1,480,261)	(1,495,469)
1,724,424	2,032,706	2,278,296	2,159,599	3,553,256	3,046,918
24,546,027	26,270,451	28,303,157	30,581,453	32,741,052	36,294,308
<u>\$ 26,270,451</u>	<u>\$ 28,303,157</u>	<u>\$ 30,581,453</u>	<u>\$ 32,741,052</u>	<u>\$ 36,294,308</u>	<u>\$ 39,341,226</u>
\$ 878,793	\$ 899,535	\$ 923,369	\$ 902,793	\$ 1,144,239	\$ 1,245,902
409,557	429,812	452,152	456,615	570,490	615,478
(644,925)	3,336,804	1,944,519	3,611,679	(2,280,401)	3,380,188
(573,875)	(619,153)	(1,225,327)	(1,414,247)	(1,480,261)	(1,495,469)
(12,448)	(18,832)	(12,567)	(16,689)	(19,713)	(21,475)
(650)	(565)	(490)	115	23,524	(150)
56,452	4,027,601	2,081,656	3,540,266	(2,042,122)	3,724,474
21,501,482	21,557,934	25,585,535	27,667,191	31,207,457	29,165,335
<u>\$ 21,557,934</u>	<u>\$ 25,585,535</u>	<u>\$ 27,667,191</u>	<u>\$ 31,207,457</u>	<u>\$ 29,165,335</u>	<u>\$ 32,889,809</u>
\$ 4,712,517	\$ 2,717,622	\$ 2,914,262	\$ 1,533,595	\$ 7,128,973	\$ 6,451,417
82.06%	90.40%	90.47%	95.32%	80.36%	83.60%
\$ 5,850,819	\$ 6,140,177	\$ 6,446,936	\$ 6,500,087	\$ 8,149,853	\$ 8,762,268
80.54%	44.26%	45.20%	23.59%	87.47%	73.63%

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

	Fiscal Year			
	2015	2016	2017	2018
Actuarially determined contribution	\$ 827,997	\$ 861,843	\$ 852,666	\$ 885,707
Contribution in relation of the actuarially determined contribution	<u>827,997</u>	<u>861,843</u>	<u>852,666</u>	<u>885,707</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,675,104	\$ 5,705,700	\$ 5,575,266	\$ 5,793,311
Contributions as a percentage of covered payroll	14.59%	15.10%	15.29%	15.29%

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	22 years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85%, including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study for the period ending 2022
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a full generational basis by the most recent Scale MP-2021 (with immediate convergence)

Other Information:

Notes

There were no benefit changes during the year.

Fiscal Year					
2019	2020	2021	2022	2023	2024
\$ 923,462	\$ 903,060	\$ 909,084	\$ 1,130,849	\$ 1,190,786	\$ 1,473,755
<u>923,462</u>	<u>903,060</u>	<u>909,084</u>	<u>1,130,849</u>	<u>1,190,786</u>	<u>1,473,755</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 6,257,027	\$ 6,272,936	\$ 6,505,748	\$ 8,081,629	\$ 8,509,910	\$ 9,716,400
14.76%	14.40%	13.97%	13.99%	13.99%	15.17%

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

	Measurement Year		
	2017	2018	2019
Total OPEB Liability			
Service cost	\$ 17,016	\$ 19,893	\$ 17,807
Interest (on the total OPEB liability)	9,131	9,583	10,592
Difference between expected and actual experience	-	(9,381)	(5,762)
Change in assumptions	22,396	(20,670)	60,199
Benefit payments	(1,702)	(2,340)	(2,456)
Net Change in Total OPEB Liability	46,841	(2,915)	80,380
Total OPEB Liability – Beginning	233,905	280,746	277,831
Total OPEB Liability – Ending	<u>\$ 280,746</u>	<u>\$ 277,831</u>	<u>\$ 358,211</u>
Covered Employee Payroll	\$ 5,671,981	\$ 5,850,819	\$ 6,140,177
City’s Total OPEB Liability as a Percentage of Covered Employee Payroll	4.95%	4.75%	5.83%

Notes to Schedule:

Changes of benefit terms: None

Changes of assumptions:

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:

2017	3.31%
2018	3.71%
2019	2.75%
2020	2.00%
2021	1.84%
2022	4.05%
2023	3.77%

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.

Measurement Year				
2020	2021	2022	2023	
\$ 26,432	\$ 26,650	\$ 36,674	\$ 17,525	
10,188	9,593	9,493	14,487	
9,240	(14,693)	5,373	(5,535)	
67,129	16,711	(191,298)	18,912	
(1,934)	(5,850)	(8,150)	(9,638)	
111,055	32,411	(147,908)	35,751	
358,211	469,266	501,677	353,769	
<u>\$ 469,266</u>	<u>\$ 501,677</u>	<u>\$ 353,769</u>	<u>\$ 389,520</u>	
\$ 6,446,936	\$ 6,500,087	\$ 8,149,853	\$ 8,762,268	
7.28%	7.72%	4.34%	4.45%	

