



# **City of Decatur, Texas**

## **Single Audit Reports**

September 30, 2024



**City of Decatur, Texas**  
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**September 30, 2024**

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**City of Decatur, Texas  
 Schedule of Expenditures of Federal Awards  
 Year Ended September 30, 2024**

<u>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<b>U.S. Department of Treasury</b>				
Direct Program:				
COVID - 19 – Coronavirus State and Local Fiscal Recovery Funds	21.027		\$ -	\$ 988,777
<b>Total Federal Awards Expended</b>			<u>\$ -</u>	<u>\$ 988,777</u>

*The accompanying notes are an integral part of this Schedule.*

**City of Decatur, Texas**  
**Notes to Schedule of Expenditures of Federal Awards**  
**September 30, 2024**

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**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the City of Decatur, Texas (City) under programs of the federal government for the year ended September 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position/fund balance, or cash flows of the City.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3. Indirect Cost Rate**

The City has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 4. Federal Loan Programs**

The City did not have any federal loan programs during the year ended September 30, 2024.

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

### **Independent Auditor's Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Decatur, Texas (City), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 19, 2025.

#### ***Report on Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001 and 2024-002, that we consider to be significant deficiencies.

***Report on Compliance and Other Matters***

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

***City's Response to Findings***

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

***Purpose of This Report***

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

***Forvis Mazars, LLP***

**Dallas, Texas  
February 19, 2025**

## **Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

### **Independent Auditor's Report**

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

### **Report on Compliance for the Major Federal Program**

#### ***Opinion on the Major Federal Program***

We have audited the City of Decatur, Texas' (City) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended September 30, 2024. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2024.

#### ***Basis for Opinion on the Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated February 19, 2025, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Forvis Mazars, LLP**

**Dallas, Texas  
February 19, 2025**

**City of Decatur, Texas**  
**Schedule of Findings and Questioned Costs**  
**Year Ended September 30, 2024**

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**Section I – Summary of Auditor’s Results**

**Financial Statements**

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

- Unmodified       Qualified       Adverse       Disclaimer

2. Internal control over financial reporting:

Material weakness(es) identified?       Yes       No

Significant deficiency(ies) identified?       Yes       None reported

3. Noncompliance material to the financial statements noted?       Yes       No

**Federal Awards**

4. Internal control over the major federal program:

Material weakness(es) identified?       Yes       No

Significant deficiency(ies) identified?       Yes       None reported

5. Type of auditor’s report issued on compliance for the major federal program:

- Unmodified       Qualified       Adverse       Disclaimer

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

- Yes       No

7. Identification of the major federal program:

<u>Cluster/Program</u>	<u>Assistance Listing Number</u>
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027

8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.

9. Auditee qualified as a low-risk auditee?       Yes       No

City of Decatur, Texas  
Schedule of Findings and Questioned Costs (Continued)  
Year Ended September 30, 2024

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**Section II – Financial Statement Findings**

Reference Number	Finding
2024-001	<p data-bbox="352 464 1341 522"><b>Criteria or Specific Requirement:</b> Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p data-bbox="352 556 1369 705"><b>Condition:</b> The City’s cash inflow, cash outflow and payroll transaction cycles are not adequately segregated to safeguard the City’s assets, which could result in possible errors or irregularities. During our internal control analysis, we noted several instances where individuals had access, recording and monitoring capabilities within the cash inflow, cash outflow and payroll transaction cycles.</p> <p data-bbox="352 739 1369 798"><b>Cause:</b> Duties in these transaction cycles are not adequately segregated to safeguard the City’s assets or other compensating controls are insufficient.</p> <p data-bbox="352 831 1357 921"><b>Effect:</b> Although this concentration of responsibilities may be efficient, misstatements in the financial statements or misappropriations of assets due to error or fraud could occur and not be prevented or detected in a timely manner.</p> <p data-bbox="352 955 1308 1075"><b>Recommendation:</b> Management should evaluate the cost versus the benefits of further segregating these duties by hiring additional personnel or shifting certain accounting duties to other current employees to assist in implementing additional monitoring or other compensating controls.</p> <p data-bbox="352 1108 1369 1230"><b>Views of Responsible Officials and Planned Corrective Actions:</b> We understand the importance of the segregation of duties as it relates to maintaining internal control. As mentioned, the City does have limited personnel in certain areas that creates a lack of segregation of duties, but we will try to segregate as resources allow.</p>

City of Decatur, Texas  
Schedule of Findings and Questioned Costs (Continued)  
Year Ended September 30, 2024

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Reference Number	Finding
2024-002	<p data-bbox="352 394 1360 455"><b>Criteria or Specific Requirement:</b> Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p data-bbox="352 487 1360 579"><b>Condition:</b> The City's year-end closing procedures were not performed accurately which resulted in initial errors in the trial balances and required numerous adjustments (by City and auditor).</p> <p data-bbox="352 611 1360 672"><b>Cause:</b> Internal controls and review processes were not in place or were not followed to ensure all year-end close related activity was completed timely.</p> <p data-bbox="352 703 1360 764"><b>Effect:</b> Adjustments to various accounts were necessary in order to correct the financial statements.</p> <p data-bbox="352 795 1360 947"><b>Recommendation:</b> We suggest that the City develop an accounting policies and procedures manual that indicates all items to be completed during the year-end close and the individuals responsible for each item. Year-end procedures need to be developed and implemented to ensure account balances are reconciled timely and accurate.</p> <p data-bbox="352 978 1360 1071"><b>Views of Responsible Officials and Planned Corrective Actions:</b> We understand the importance of the financial reporting process and the City plans to implement controls and processes to improve accuracy of financial information.</p>

**City of Decatur, Texas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended September 30, 2024**

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**Section III – Federal Award Findings and Questioned Costs**

<b>Reference Number</b>	<b>Finding</b>
	No matters are reportable.

**City of Decatur, Texas**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended September 30, 2024**

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<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
2023-001	Segregation of Duties	Unresolved. See Finding 2024-001
2023-002	Year-End Close Process	Unresolved. See Finding 2024-002