

# **City of Decatur, Texas**

## **Independent Auditor's Reports and Financial Statements**

September 30, 2025

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## Independent Auditor's Report

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

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Decatur, Texas (City), as of and for the year ended September 30, 2025 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, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

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

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

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

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

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

### ***Required Supplementary Information***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

**Forvis Mazars, LLP**

**Dallas, Texas  
January 21, 2026**

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**City of Decatur, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2025**

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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, 2025. 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 \$51,675,565 (net position). Of this amount, \$2,586,901 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 decreased \$242,410 from prior year. \$575,877 was attributed to an increase in net position from governmental activities, which was offset by a decrease in net position of \$818,287 from business-type activities.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$20,056,892. Approximately 8% of this amount (\$1,642,428) 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 \$2,087,575, or approximately 11% of total general fund expenditures.
- The City's total outstanding long-term debt, excluding unamortized premiums, decreased by \$1,403,315 during the current fiscal year because of contractual payments on outstanding debt.

***Overview of the Financial Statements***

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

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

The *statement of net position* presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

**City of Decatur, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2025**

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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**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2025**

*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 \$51,675,565, 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	
	FY2025	FY2024	FY2025	FY2024	FY2025	FY2024
Current and other assets	\$ 23,350,909	\$ 41,621,697	\$ 5,890,898	\$ 8,837,182	\$ 29,241,807	\$ 50,458,879
Capital and lease assets, net	71,585,618	54,874,706	26,844,871	25,484,606	98,430,489	80,359,312
<b>Total assets</b>	<b>94,936,527</b>	<b>96,496,403</b>	<b>32,735,769</b>	<b>34,321,788</b>	<b>127,672,296</b>	<b>130,818,191</b>
Deferred outflows of resources	1,984,011	2,512,041	565,929	716,116	2,549,940	3,228,157
Current liabilities	5,149,389	7,427,608	1,987,567	2,384,323	7,136,956	9,811,931
Noncurrent liabilities	54,562,845	55,174,041	16,191,182	16,774,362	70,754,027	71,948,403
<b>Total liabilities</b>	<b>59,712,234</b>	<b>62,601,649</b>	<b>18,178,749</b>	<b>19,158,685</b>	<b>77,890,983</b>	<b>81,760,334</b>
Deferred inflows of resources	511,046	285,414	144,642	82,625	655,688	368,039
Net position:						
Net investment in capital assets	26,664,095	25,271,204	16,058,826	15,416,681	42,722,921	40,687,885
Restricted	11,146,214	11,891,835	393,331	-	11,539,545	11,891,835
Unrestricted	(1,113,051)	(1,041,658)	(1,473,850)	379,913	(2,586,901)	(661,745)
<b>Total net position</b>	<b>\$ 36,697,258</b>	<b>\$ 36,121,381</b>	<b>\$ 14,978,307</b>	<b>\$ 15,796,594</b>	<b>\$ 51,675,565</b>	<b>\$ 51,917,975</b>

**City of Decatur, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2025**

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By far, the largest portion of the City's net position (83%) reflects its investment in capital and lease assets (*e.g.*, land, buildings, machinery, equipment, vehicles, infrastructure, and lease assets), net of accumulated depreciation/amortization, and less any related outstanding debt that was used to acquire those assets. The City uses these capital and lease assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital and lease assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (22%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(2,586,901) 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 decreased \$242,410 from the prior fiscal year. The reasons for this overall decrease 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 \$575,877 from the prior fiscal year for an ending balance of \$36,697,258. The increase in net position is primarily due to ad valorem tax revenues due to increased valuations and sales tax revenues due to increased consumer spending.

**Business-type Activities.** For the City's business-type activities, the results for the current fiscal year yielded an ending balance of \$14,978,307. The total decrease in net position for business-type activities was \$818,287 from the prior fiscal year. The decrease was primarily attributable to decreases in revenue from sewer charges and investment earnings.

**City of Decatur, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2025**

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

	Governmental Activities		Business-type Activities		Government Totals	
	FY2025	FY2024	FY2025	FY2024	FY2025	FY2024
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 3,853,829	\$ 2,722,791	\$ 5,849,871	\$ 5,982,697	\$ 9,703,700	\$ 8,705,488
Operating grants and contributions	1,139,617	455,307	-	-	1,139,617	455,307
Capital grants and contributions	172,300	45,501	-	-	172,300	45,501
Total program revenues	<u>5,165,746</u>	<u>3,223,599</u>	<u>5,849,871</u>	<u>5,982,697</u>	<u>11,015,617</u>	<u>9,206,296</u>
General revenues:						
Ad valorem taxes	7,999,181	7,473,831	453,031	428,501	8,452,212	7,902,332
Sales taxes	7,192,294	6,773,131	-	-	7,192,294	6,773,131
Franchise, occupancy and other taxes	1,341,510	1,200,052	-	-	1,341,510	1,200,052
Interest on investments	1,002,955	1,733,656	290,418	537,118	1,293,373	2,270,774
Gain on sale of capital assets	-	39,544	-	-	-	39,544
Contributions not restricted for a specific purpose	157,999	1,149,777	-	-	157,999	1,149,777
Miscellaneous	659,084	487,524	-	-	659,084	487,524
Total general revenues	<u>18,353,023</u>	<u>18,857,515</u>	<u>743,449</u>	<u>965,619</u>	<u>19,096,472</u>	<u>19,823,134</u>
Total revenues	<u>23,518,769</u>	<u>22,081,114</u>	<u>6,593,320</u>	<u>6,948,316</u>	<u>30,112,089</u>	<u>29,029,430</u>
<b>Expenses</b>						
General government	2,544,906	1,889,103	-	-	2,544,906	1,889,103
Airport	469,550	390,625	-	-	469,550	390,625
Main street	256,760	233,089	-	-	256,760	233,089
Fire protection	3,439,086	3,177,662	-	-	3,439,086	3,177,662
Police	5,437,791	4,728,312	-	-	5,437,791	4,728,312
Animal control	102,509	84,098	-	-	102,509	84,098
Streets	1,899,974	1,722,538	-	-	1,899,974	1,722,538
Library	693,788	557,802	-	-	693,788	557,802
Tax and court	436,978	431,092	-	-	436,978	431,092
Parks	1,032,422	947,935	-	-	1,032,422	947,935
Planning services	467,800	428,603	-	-	467,800	428,603
Inspection services	786,187	669,563	-	-	786,187	669,563
Cemetery	130,867	146,798	-	-	130,867	146,798
Conference center	1,392,498	1,325,367	-	-	1,392,498	1,325,367
Economic development	1,238,717	1,116,020	-	-	1,238,717	1,116,020
Technology	547,064	548,066	-	-	547,064	548,066
Interest and fiscal charges	2,141,638	2,024,810	-	-	2,141,638	2,024,810
Water, sewer, and garbage	-	-	7,354,942	7,341,808	7,354,942	7,341,808
Total expenses	<u>23,018,535</u>	<u>20,421,483</u>	<u>7,354,942</u>	<u>7,341,808</u>	<u>30,373,477</u>	<u>27,763,291</u>
Increase (decrease) in net position before transfers and contributions to permanent endowment	500,234	1,659,631	(761,622)	(393,492)	(261,388)	1,266,139
Transfers	56,665	-	(56,665)	-	-	-
Contributions to permanent endowment	18,978	10,504	-	-	18,978	10,504
<b>Change in Net Position</b>	<u>575,877</u>	<u>1,670,135</u>	<u>(818,287)</u>	<u>(393,492)</u>	<u>(242,410)</u>	<u>1,276,643</u>
<b>Net Position, Beginning</b>	<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>
<b>Net Position, Ending</b>	<u>\$ 36,697,258</u>	<u>\$ 36,121,381</u>	<u>\$ 14,978,307</u>	<u>\$ 15,796,594</u>	<u>\$ 51,675,565</u>	<u>\$ 51,917,975</u>

**City of Decatur, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2025**

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***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, 2025, the City's governmental funds reported combined fund balances of \$20,056,892, a decrease of \$16,495,692 in comparison with the prior year. Approximately 8% of this amount (\$1,642,428) 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 (\$42,584), 2) legally required to be maintained intact (\$2,013,598), 3) restricted for particular purposes (\$15,913,135), or 4) assigned for particular purposes (\$445,147).

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 \$1,642,428, while total fund balance decreased to \$2,115,084. 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 9% of total general fund expenditures, while total fund balance represents approximately 11% of that same amount.

The fund balance of the City's general fund decreased by \$2,074,509 during the current fiscal year due primarily to increased personnel costs.

The special revenue fund had a \$324,772 increase in fund balance during the current fiscal year to bring the year-end fund balance to \$8,827,300. The increase in fund balance was mainly attributable to increased sales tax revenue due to increased consumer spending 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 \$138,754 to bring the year-end fund balance to \$2,064,647. The increase in fund balance was mainly attributable to increased property tax revenue due to increased assessed valuations.

The capital project fund had a decrease in fund balance during the current year of \$14,884,709 to bring the year-end fund balance to \$7,049,861. The decrease in fund balance was mainly attributable to increased capital outlay expenditures.

**City of Decatur, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2025**

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**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 (deficit) of the Enterprise Fund at the end of the year was \$1,473,850, which is a deficit balance. The total change in net position was \$(818,287). The decrease was primarily attributable to decreases in revenue from sewer charges and investment earnings.

***General Fund Budgetary Highlights***

During FY2024-25, actual revenues were less than the final budget by \$745,595, with the bulk of the variance due to underperforming other revenue, fines & fees, and franchise taxes when compared to budgeted expectations. Actual expenditures were \$(1,882,967) more than the final budget due primarily to greater than expected capital outlay for execution of leases for equipment and vehicles. Expenditures exceeding budget were funded through transfers and fund balance reserves.

***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, 2025, of \$6,178,911 which is 61.47% of the City's measurement year 2024 covered payroll of \$10,051,151.

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 \$392,259 as of September 30, 2025, which is 3.90% of the City's measurement year 2024 covered payroll of \$10,051,151.

***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, 2025, amounts to \$98,430,489 (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 22%.

**City of Decatur, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2025**

	Governmental Activities		Business-type Activities		Government Totals	
	FY2025	FY2024	FY2025	FY2024	FY2025	FY2024
Land	\$ 11,864,677	\$ 11,864,677	\$ 744,388	\$ 744,388	\$ 12,609,065	\$ 12,609,065
Construction in process	27,564,989	13,147,082	1,492,073	444,520	29,057,062	13,591,602
Airport	7,296,664	7,158,357	-	-	7,296,664	7,158,357
Conference center	7,671,298	7,671,298	-	-	7,671,298	7,671,298
Fire Department	6,086,043	6,050,043	-	-	6,086,043	6,050,043
General government	992,483	980,124	-	-	992,483	980,124
Library	3,119,986	1,717,127	-	-	3,119,986	1,717,127
Parks	5,085,012	4,211,018	-	-	5,085,012	4,211,018
Police	3,452,284	2,488,406	-	-	3,452,284	2,488,406
Street equipment	1,215,814	1,215,814	-	-	1,215,814	1,215,814
Street infrastructure	18,735,805	18,735,805	-	-	18,735,805	18,735,805
Other	1,402,852	1,402,852	-	-	1,402,852	1,402,852
Lease assets	2,694,841	1,828,779	-	-	2,694,841	1,828,779
Water and sewer systems	-	-	38,048,986	36,791,317	38,048,986	36,791,317
Accumulated depreciation/amortization	(25,597,130)	(23,596,676)	(13,440,576)	(12,495,619)	(39,037,706)	(36,092,295)
Capital assets, net	<u>\$ 71,585,618</u>	<u>\$ 54,874,706</u>	<u>\$ 26,844,871</u>	<u>\$ 25,484,606</u>	<u>\$ 98,430,489</u>	<u>\$ 80,359,312</u>

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

- Construction in connection with police department project
- Completion of the library renovation project
- Fire station renovations
- Elevated storage tank rehabilitation

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 \$61,124,407.

	Governmental Activities		Business-type Activities		Government Totals	
	FY2025	FY2024	FY2025	FY2024	FY2025	FY2024
Refunding bonds	\$ 1,200,000	\$ 1,565,000	\$ -	\$ -	\$ 1,200,000	\$ 1,565,000
Sales tax bonds	12,870,000	13,290,000	-	-	12,870,000	13,290,000
Unlimited tax refunding bonds	-	-	755,000	1,110,000	755,000	1,110,000
Certificate of obligations	31,330,000	31,720,000	13,085,000	13,260,000	44,415,000	44,980,000
Lease payable	1,884,407	1,324,902	-	-	1,884,407	1,324,902
Total long-term debt outstanding	<u>\$ 47,284,407</u>	<u>\$ 47,899,902</u>	<u>\$ 13,840,000</u>	<u>\$ 14,370,000</u>	<u>\$ 61,124,407</u>	<u>\$ 62,269,902</u>

The City's total debt, excluding unamortized premiums, decreased by \$1,145,495, (2%) during the current fiscal year. The reason for the decrease is related to the annual debt service payments on outstanding debt.

The City maintains a "A2" rating from Moody's Investors Service for general obligation debt.

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

**City of Decatur, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2025**

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***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, 2026, 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 decrease slightly.
- Water and sewer revenues will increase based on the completed rate study and plan approved by Council.
- Expenditures are budgeted to increase due to increased personnel costs, such as insurance, and professional service expenses.
- Capital expenditures include the purchase of equipment, vehicles, and infrastructure improvements.

The City blends the Wise County Water Supply District (District) into the business-type activities of the City. The District's separately issued 2025 financial statements dated December 9, 2025, 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, 2025**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets and Deferred Outflows of Resources</b>			
<b>Current Assets</b>			
Cash and cash equivalents, unrestricted	\$ 2,544,318	\$ -	\$ 2,544,318
Certificates of deposit	877,609	-	877,609
Investments	1,321,887	-	1,321,887
Receivables, net of allowances for uncollectibles	1,669,914	1,110,633	2,780,547
Prepaid items	42,584	122,802	165,386
Internal balances	360,299	(360,299)	-
Total current assets	6,816,611	873,136	7,689,747
<b>Noncurrent Assets</b>			
Cash and cash equivalents, restricted	16,534,298	5,017,762	21,552,060
Capital and lease assets:			
Land	11,864,677	744,388	12,609,065
Construction in progress	27,564,989	1,492,073	29,057,062
Buildings and equipment	29,953,782	366,835	30,320,617
Street infrastructure	25,104,459	-	25,104,459
Right to use lease assets	2,694,841	-	2,694,841
Water and sewer distribution systems	-	37,682,151	37,682,151
Accumulated depreciation/amortization	(25,597,130)	(13,440,576)	(39,037,706)
Total capital and lease assets, net of depreciation/amortization	71,585,618	26,844,871	98,430,489
Total noncurrent assets	88,119,916	31,862,633	119,982,549
Total assets	94,936,527	32,735,769	127,672,296
<b>Deferred Outflows of Resources</b>			
Deferred charge on refunding	6,448	-	6,448
Pension	1,954,377	559,292	2,513,669
OPEB	23,186	6,637	29,823
Total deferred outflows of resources	1,984,011	565,929	2,549,940
Total assets and deferred outflows of resources	\$ 96,920,538	\$ 33,301,698	\$ 130,222,236
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 1,088,283	\$ 991,854	\$ 2,080,137
Retainage payable	1,161,533	120,937	1,282,470
Other current liabilities	942,633	93,071	1,035,704
Accrued interest payable	517,273	168,122	685,395
Unearned revenue	5,197	-	5,197
Current maturities of long-term debt	965,000	610,000	1,575,000
Current maturities of leases payable	467,286	-	467,286
Accrued compensated absences	2,184	3,583	5,767
Total current liabilities	5,149,389	1,987,567	7,136,956
<b>Noncurrent Liabilities</b>			
Long-term debt	44,435,000	13,230,000	57,665,000
Debt issuance premium, net of amortization	2,573,584	1,065,942	3,639,526
Leases payable	1,417,121	-	1,417,121
Accrued compensated absences	1,028,051	233,446	1,261,497
Meter and other deposits	-	199,713	199,713
Net pension liability	4,804,107	1,374,804	6,178,911
Total OPEB liability	304,982	87,277	392,259
Total noncurrent liabilities	54,562,845	16,191,182	70,754,027
Total liabilities	59,712,234	18,178,749	77,890,983
<b>Deferred Inflows of Resources</b>			
Deferred gain on refunding	-	4,400	4,400
Lease related	20,998	-	20,998
Pension	410,794	117,559	528,353
OPEB	79,254	22,683	101,937
Total deferred inflows of resources	511,046	144,642	655,688
<b>Net Position</b>			
Net investment in capital assets	26,664,095	16,058,826	42,722,921
Restricted for:			
Cemetery:			
Expendable	199,380	-	199,380
Nonexpendable	1,549,713	-	1,549,713
Debt service	3,224,895	393,331	3,618,226
Economic development	4,780,431	-	4,780,431
Library:			
Expendable	285,098	-	285,098
Nonexpendable	485,656	-	485,656
Municipal court	359,186	-	359,186
School crossing guard program	50,814	-	50,814
Public safety	211,041	-	211,041
Unrestricted	(1,113,051)	(1,473,850)	(2,586,901)
Total net position	36,697,258	14,978,307	51,675,565
Total liabilities, deferred inflows of resources and net position	\$ 96,920,538	\$ 33,301,698	\$ 130,222,236

**City of Decatur, Texas**  
**Statement of Activities**  
**Year Ended September 30, 2025**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General government	\$ 2,544,906	\$ 16,501	\$ 1,602	\$ -
Airport	469,550	159,238	-	172,300
Main street	256,760	61,100	1,335	-
Fire protection	3,439,086	-	249,714	-
Police	5,437,791	36,173	180,618	-
Animal control	102,509	3,124	1,799	-
Streets	1,899,974	1,149,213	53,521	-
Library	693,788	64,610	651,028	-
Tax and court	436,978	776,506	-	-
Parks	1,032,422	190,355	-	-
Planning services	467,800	36,973	-	-
Inspection services	786,187	715,125	-	-
Cemetery	130,867	33,024	-	-
Conference center	1,392,498	611,887	-	-
Economic development	1,238,717	-	-	-
Technology	547,064	-	-	-
Interest and fiscal charges	2,141,638	-	-	-
<b>Total governmental activities</b>	<b>23,018,535</b>	<b>3,853,829</b>	<b>1,139,617</b>	<b>172,300</b>
<b>Business-type Activities</b>				
Water, sewer, and garbage	7,354,942	5,849,871	-	-
<b>Total business-type activities</b>	<b>7,354,942</b>	<b>5,849,871</b>	<b>-</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 30,373,477</b>	<b>\$ 9,703,700</b>	<b>\$ 1,139,617</b>	<b>\$ 172,300</b>
<b>General revenues and contributions to permanent endowment</b>				
Ad valorem taxes				
Sales taxes				
Franchise, occupancy, and other taxes				
Interest on investments				
Grants not restricted for a specific purpose				
Miscellaneous				
Contributions to permanent endowment				
Transfers				
<b>Total general revenues and transfers</b>				
Change in net position				
Net position, beginning of year				
Net position, end of year				

**Net (Expense) Revenue and Changes in Net  
Position**

<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (2,526,803)	\$ -	\$ (2,526,803)
(138,012)	-	(138,012)
(194,325)	-	(194,325)
(3,189,372)	-	(3,189,372)
(5,221,000)	-	(5,221,000)
(97,586)	-	(97,586)
(697,240)	-	(697,240)
21,850	-	21,850
339,528	-	339,528
(842,067)	-	(842,067)
(430,827)	-	(430,827)
(71,062)	-	(71,062)
(97,843)	-	(97,843)
(780,611)	-	(780,611)
(1,238,717)	-	(1,238,717)
(547,064)	-	(547,064)
(2,141,638)	-	(2,141,638)
<u>(17,852,789)</u>	<u>-</u>	<u>(17,852,789)</u>
-	(1,505,071)	(1,505,071)
-	(1,505,071)	(1,505,071)
\$ (17,852,789)	\$ (1,505,071)	\$ (19,357,860)
7,999,181	453,031	8,452,212
7,192,294	-	7,192,294
1,341,510	-	1,341,510
1,002,955	290,418	1,293,373
157,999	-	157,999
659,084	-	659,084
18,978	-	18,978
56,665	(56,665)	-
<u>18,428,666</u>	<u>686,784</u>	<u>19,115,450</u>
575,877	(818,287)	(242,410)
<u>36,121,381</u>	<u>15,796,594</u>	<u>51,917,975</u>
\$ <u>36,697,258</u>	\$ <u>14,978,307</u>	\$ <u>51,675,565</u>

**City of Decatur, Texas**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2025**

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 1,616,995	\$ 6,483,293	\$ 2,059,867	\$ 8,918,461	\$ 19,078,616
Certificates of deposit	-	761,664	-	115,945	877,609
Investments	-	1,321,887	-	-	1,321,887
Receivables (net of allowance for uncollectibles):					
Ad valorem taxes receivable	47,171	-	21,087	-	68,258
Sales taxes	831,200	415,599	-	-	1,246,799
Gross receipts taxes	149,481	-	-	-	149,481
Lease receivable	-	21,815	-	-	21,815
Other receivables	146,326	-	-	-	146,326
Other government agencies	37,235	-	-	-	37,235
Prepaid items	27,509	15,075	-	-	42,584
Due from other funds	505,626	300	-	-	505,926
<b>Total assets</b>	<b>\$ 3,361,543</b>	<b>\$ 9,019,633</b>	<b>\$ 2,080,954</b>	<b>\$ 9,034,406</b>	<b>\$ 23,496,536</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 234,838	\$ 30,433	\$ -	\$ 823,012	\$ 1,088,283
Retainage payable	-	-	-	1,161,533	1,161,533
Other accrued liabilities	933,858	8,775	-	-	942,633
Due to other funds	13,500	132,127	-	-	145,627
Unearned revenue	5,197	-	-	-	5,197
<b>Total liabilities</b>	<b>1,187,393</b>	<b>171,335</b>	<b>-</b>	<b>1,984,545</b>	<b>3,343,273</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenues	59,066	-	16,307	-	75,373
Lease related	-	20,998	-	-	20,998
<b>Total deferred inflows of resources</b>	<b>59,066</b>	<b>20,998</b>	<b>16,307</b>	<b>-</b>	<b>96,371</b>
<b>Fund Balances</b>					
Nonspendable:					
Prepaid items	27,509	15,075	-	-	42,584
Trust principal	-	2,013,598	-	-	2,013,598
Restricted for:					
Capital projects	-	-	-	6,674,895	6,674,895
Cemetery	-	19,635	-	179,745	199,380
Debt service	-	1,160,248	2,064,647	-	3,224,895
Economic development	-	4,907,826	-	-	4,907,826
Library	-	89,877	-	195,221	285,098
Municipal court	-	359,186	-	-	359,186
School crossing guard program	-	50,814	-	-	50,814
Public safety	-	211,041	-	-	211,041
Assigned to:					
Fire department	32,356	-	-	-	32,356
Parks	256,350	-	-	-	256,350
Other	156,441	-	-	-	156,441
Unassigned	1,642,428	-	-	-	1,642,428
<b>Total fund balances</b>	<b>2,115,084</b>	<b>8,827,300</b>	<b>2,064,647</b>	<b>7,049,861</b>	<b>20,056,892</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 3,361,543</b>	<b>\$ 9,019,633</b>	<b>\$ 2,080,954</b>	<b>\$ 9,034,406</b>	<b>\$ 23,496,536</b>

**City of Decatur, Texas**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**September 30, 2025**

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

Total fund balances – governmental funds	\$ 20,056,892
Capital and lease assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	71,585,618
Certain revenue earned but reported as a deferred inflow of resources in the funds.	75,373
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.	(517,273)
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>(54,503,352)</u>
Total net position – governmental activities	<u>\$ 36,697,258</u>

**City of Decatur, Texas**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended September 30, 2025**

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
<b>Revenues</b>					
Ad valorem taxes, penalties, and interest	\$ 5,533,895	\$ -	\$ 2,461,408	\$ -	\$ 7,995,303
Sales taxes	4,794,864	2,397,430	-	-	7,192,294
Franchise, occupancy, and other taxes	1,341,510	-	-	-	1,341,510
Interest on investments	163,504	153,520	98,083	587,848	1,002,955
Contributions, grants, and donations	430,937	142,960	-	660,063	1,233,960
Lease revenue	-	7,565	-	-	7,565
Conference center	611,887	-	-	-	611,887
Licenses and permits	715,125	-	-	-	715,125
Fines and fees	796,757	35,043	-	-	831,800
Other revenue	1,411,872	61,100	-	1,149,213	2,622,185
<b>Total revenues</b>	<b>15,800,351</b>	<b>2,797,618</b>	<b>2,559,491</b>	<b>2,397,124</b>	<b>23,554,584</b>
<b>Expenditures</b>					
Current:					
General government	2,325,157	28,575	-	-	2,353,732
Airport	275,871	-	-	-	275,871
Main street	184,282	67,431	-	-	251,713
Fire protection	2,939,519	-	-	-	2,939,519
Police	4,902,101	40,473	-	-	4,942,574
Animal control	99,021	-	-	-	99,021
Street	1,335,261	-	-	86,278	1,421,539
Library	598,459	-	-	-	598,459
Tax and court	416,572	4,628	-	-	421,200
Parks	828,918	-	-	-	828,918
Planning services	460,076	-	-	-	460,076
Inspection services	736,857	-	-	-	736,857
Cemetery	110,252	-	-	10,724	120,976
Conference center	1,217,358	-	-	-	1,217,358
Economic development	70,481	1,054,553	-	-	1,125,034
Technology	544,328	-	-	-	544,328
Debt service:					
Principal	305,805	420,752	755,000	-	1,481,557
Interest and fiscal charges	65,049	712,119	1,665,737	-	2,442,905
Capital outlay	1,498,131	28,404	-	17,184,831	18,711,366
<b>Total expenditures</b>	<b>18,913,498</b>	<b>2,356,935</b>	<b>2,420,737</b>	<b>17,281,833</b>	<b>40,973,003</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(3,113,147)</b>	<b>440,683</b>	<b>138,754</b>	<b>(14,884,709)</b>	<b>(17,418,419)</b>
<b>Other Financing Sources (Uses)</b>					
Leases (as lessee)	866,062	-	-	-	866,062
Interfund transfers	172,576	(115,911)	-	-	56,665
<b>Total other financing sources (uses)</b>	<b>1,038,638</b>	<b>(115,911)</b>	<b>-</b>	<b>-</b>	<b>922,727</b>
<b>Net Change in Fund Balances</b>	<b>(2,074,509)</b>	<b>324,772</b>	<b>138,754</b>	<b>(14,884,709)</b>	<b>(16,495,692)</b>
<b>Fund Balances, Beginning of Year</b>	<b>4,189,593</b>	<b>8,502,528</b>	<b>1,925,893</b>	<b>21,934,570</b>	<b>36,552,584</b>
<b>Fund Balances, End of Year</b>	<b>\$ 2,115,084</b>	<b>\$ 8,827,300</b>	<b>\$ 2,064,647</b>	<b>\$ 7,049,861</b>	<b>\$ 20,056,892</b>

**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, 2025**

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

Net change in fund balances – governmental funds	\$ (16,495,692)
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 (\$18,711,366) exceeded capital depreciation/amortization expense (\$2,000,454) in the current period.	16,710,912
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.	(16,837)
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.	
Payment on outstanding debt	1,481,557
Issuance of leases	(866,062)
Amortization of deferred charge on refunding	(3,223)
Amortization of bond premiums	165,907
Current year change in accrued interest requires the use of current financial resources; but is not reported as an expense in the governmental activities.	138,583
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.	7,889
Current year pension and OPEB expenditures are reported on the fiscal year basis in the governmental funds 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>(547,157)</u>
Change in the net position of governmental activities	<u>\$ 575,877</u>

**City of Decatur, Texas**  
**Statement of Net Position**  
**Proprietary Fund**  
**September 30, 2025**

	<b>Business-Type Activities</b>
	<b>Enterprise Fund</b>
<b>Assets</b>	
<b>Current assets</b>	
Ad valorem taxes receivable, net	\$ 3,641
Customer receivables	1,106,992
Due from other funds	13,200
Prepays	122,802
Total current assets	<u>1,246,635</u>
<b>Noncurrent assets</b>	
Cash and cash equivalents, restricted for customer deposits	199,713
Cash and cash equivalents, restricted for debt service	400,060
Cash and cash equivalents, restricted for capital projects	4,417,989
Total restricted assets	<u>5,017,762</u>
Land	744,388
Construction in progress	1,492,073
Water and sewer distribution systems and related equipment, net	24,608,410
Total capital assets, net of depreciation	<u>26,844,871</u>
Total noncurrent assets	<u>31,862,633</u>
Total assets	<u>33,109,268</u>
<b>Deferred Outflows of Resources</b>	
Pensions	559,292
OPEB	6,637
Total deferred outflows of resources	<u>565,929</u>

**City of Decatur, Texas**  
**Statement of Net Position**  
**Proprietary Fund**  
**September 30, 2025**

(Continued)

	<u>Business-Type Activities</u>
	<u>Enterprise Fund</u>
<b>Liabilities</b>	
<b>Current liabilities</b>	
Accounts payable	\$ 991,854
Retainage payable	120,937
Due to other funds	373,499
Other current liabilities	93,071
Accrued interest payable	168,122
Current maturities of long-term debt	610,000
Accrued compensated absences	<u>3,583</u>
Total current liabilities	<u>2,361,066</u>
<b>Noncurrent liabilities</b>	
Long-term debt	13,230,000
Debt issuance premium, net of amortization	1,065,942
Accrued compensated absences	233,446
Meter deposits	199,713
Net pension liability	1,374,804
Total OPEB liability	<u>87,277</u>
Total noncurrent liabilities	<u>16,191,182</u>
Total liabilities	<u>18,552,248</u>
<b>Deferred Inflows of Resources</b>	
Deferred gain on refunding	4,400
Pension	117,559
OPEB	<u>22,683</u>
Total deferred inflows of resources	<u>144,642</u>
<b>Net Position</b>	
Net invested in capital assets	16,058,826
Restricted for:	
Debt service	393,331
Unrestricted	<u>(1,473,850)</u>
Total net position	<u>\$ 14,978,307</u>

**City of Decatur, Texas**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Fund**  
**Year Ended September 30, 2025**

	<b>Business-Type Activities</b>
	<b>Enterprise Fund</b>
<b>Operating Revenues</b>	
Water charges	\$ 3,125,485
Sewer charges	1,858,646
Garbage and other charges	664,403
Other charges for services and miscellaneous	194,609
	<u>5,843,143</u>
<b>Operating Expenses</b>	
Public works	579,967
Sewer plant and operation	1,191,813
Utility billing	233,369
Raw water purchases	561,431
Water utilities	1,474,091
Utility maintenance	1,253,935
Garbage fees	512,450
Depreciation	944,957
	<u>6,752,013</u>
<b>Operating Loss</b>	<u>(908,870)</u>
<b>Nonoperating Revenues (Expenses)</b>	
Ad valorem taxes, interest and penalties	453,031
Interest income	290,418
Miscellaneous	6,725
Interest expense	(602,926)
	<u>147,248</u>
<b>Income Before Transfers</b>	(761,622)
Transfers out	<u>(56,665)</u>
<b>Change in Net Position</b>	(818,287)
<b>Net Position, Beginning of Year</b>	<u>15,796,594</u>
<b>Net Position, End of Year</b>	<u>\$ 14,978,307</u>

**City of Decatur, Texas**  
**Proprietary Fund - Statement of Cash Flows**  
**Year Ended September 30, 2025**

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<b>Cash Flows from Operating Activities</b>	
Cash received from customers	\$ 5,829,193
Cash payments to suppliers for goods and services	(2,835,609)
Cash payments to employees and other directly related employment costs	(2,424,062)
Other operating receipts	<u>380,224</u>
Net cash provided by operating activities	<u>949,746</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
Transfers to other funds	<u>(56,665)</u>
Net cash used for noncapital financing activities	<u>(56,665)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Property taxes (capital), net	452,559
Acquisition and construction of capital assets	(2,997,365)
Principal paid on long-term debt	(530,000)
Interest paid on long-term debt	<u>(747,064)</u>
Net cash used in capital and related financing activities	<u>(3,821,870)</u>
<b>Cash Flows from Investing Activities</b>	
Interest on investments	<u>290,418</u>
Net cash provided by investing activities	<u>290,418</u>
Net decrease in cash and cash equivalents	(2,638,371)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>7,656,133</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 5,017,762</u>

**City of Decatur, Texas**  
**Proprietary Fund - Statement of Cash Flows**  
**Year Ended September 30, 2025**

**(Continued)**

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

Operating loss	\$ (908,870)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	944,957
Miscellaneous expense	6,725
(Increases) decreases in assets and deferred outflows of resources:	
Customer accounts receivable	(20,178)
Deferred outflows of resources	239,618
Prepays	(44,936)
Increases (decreases) in liabilities and deferred inflows of resources:	
Accounts payable and accrued expenses	446,298
Customer deposits	6,228
Due to other funds	373,499
Compensated absences	(10,559)
Net pension liability	(60,633)
Total OPEB liability	609
Deferred inflows of resources	(23,012)
Total adjustments	<u>1,858,616</u>
Net cash provided by operating activities	<u>\$ 949,746</u>

**Schedule of Noncash Capital and Related Financing Activities:**

Purchase of capital assets in accounts payable	\$ 293,692
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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, 2025**

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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 \$(1,882,967) in fiscal year 2025. Expenditures exceeding budget were funded through transfers and fund balance reserves.

#### ***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, 2025, the City's general fund was reimbursed \$27,000 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, 2025, 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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

#### ***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 and fund financial statements for the Enterprise Fund. 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.

**City of Decatur, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2025**

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Capital and lease assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Land and construction in progress are not depreciated.

The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives, or lease term, whichever is shorter:

<b>Capital Asset Classes</b>	<b>Lives (in Years)</b>
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***

Paid-time-off (PTO) and compensatory time are accrued as liabilities as employees earn the benefits to the extent that they meet all of the following criteria: 1) the City's obligation is attributable to employees' services already rendered; 2) the leave accumulates; and 3) it is more likely than not that the City will compensate the employees for the benefits through PTO or some other means, such as cash payments.

For the government-wide financial statements, as well as the enterprise fund financial statements, outstanding compensated absences are recorded as a liability based on the last-in-first-out (LIFO) method.

### ***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.
- OPEB contributions after measurement date – These contributions are deferred and will be recognized in the subsequent fiscal year-end.
- Difference in assumption changes – OPEB – This difference is deferred and amortized over the average remaining service life of all participants in the OPEB plan and recorded as a component of OPEB expense beginning with the period in which they are incurred.

**City of Decatur, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2025**

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- 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.
- 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.
- 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 \$35,525 and court revenues of \$23,541. In the Debt Service Fund, unavailable revenues consist of property taxes in the amount of \$16,307. 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.

**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.

**City of Decatur, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2025**

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

- 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 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**  
**Notes to Basic Financial Statements**  
**September 30, 2025**

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	\$ 27,509	\$ 15,075	\$ -	\$ -	\$ 42,584
Trust principal	-	2,013,598	-	-	2,013,598
Restricted for:					
Capital projects	-	-	-	6,674,895	6,674,895
Cemetery	-	-	-	179,745	179,745
Debt service	-	1,160,248	2,064,647	-	3,224,895
Economic development	-	4,907,826	-	-	4,907,826
Library	-	89,877	-	195,221	285,098
Municipal court	-	359,186	-	-	359,186
School crossing guard program	-	50,814	-	-	50,814
Public safety	-	211,041	-	-	211,041
Assigned to:					
Fire department	32,356	-	-	-	32,356
Parks	256,350	-	-	-	256,350
Other	156,441	-	-	-	156,441
Unassigned	1,642,428	-	-	-	1,642,428
<b>Total fund balances</b>	<b>\$ 2,115,084</b>	<b>\$ 8,807,665</b>	<b>\$ 2,064,647</b>	<b>\$ 7,049,861</b>	<b>\$ 20,037,257</b>

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. At September 30, 2025, unassigned fund balance was below the required level due primarily to increased personnel costs, as well as reduced revenue from investment earnings and a reduction in licenses and permits.

**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**  
**Notes to Basic Financial Statements**  
**September 30, 2025**

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- 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. At September 30, 2025, unrestricted net position was below the required level due to declining revenues from sewer charges and investment earnings.

***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.

***New Accounting Pronouncements***

GASB Statement No. 101, *Compensated Absences*, supersedes Statement 16, *Accounting for Compensated Absences*, issued in 1992. This standard updates the recognition and measurement guidance for compensated absences by aligning the guidance under a unified model. This will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation and can be applied consistently to any type of leave. The City has implemented this Statement in fiscal year 2025, which had no impact on beginning of year net position.

GASB Statement No. 102, *Certain Risk Disclosures*, supersedes the Statement by the National Council of Governmental Accounting (NCGA) Interpretation 6, *Notes to the Financial Statements Disclosure*, paragraph 5. This Standard establishes financial reporting requirements for risks related to vulnerabilities due to certain concentrations or constraints. For concentrations and constraints meeting the definitions in the Standard, governments will disclose the concentrations or constraints, related events that could have a substantial impact, and action taken to mitigate the risk. The City has implemented this Statement in fiscal year 2025, which had no impact on beginning of year net position.

***Future Accounting Pronouncements***

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.

**City of Decatur, Texas**  
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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.

GASB Statement No. 105, *Subsequent Events*. The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in the application and better meeting the information needs of financial statement users. The requirements of this Statement will take effect for the City's fiscal year 2027. Management has not yet determined the impact of this Statement on its financial statements.

## **Note 2. Deposits and Investments**

### ***Deposits***

At September 30, 2025, the carrying amount of the City's cash and cash equivalents (including certificates of deposit) was \$24,973,987 and the respective bank balances totaled \$24,987,568.

### ***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 2025, 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, 2025, the carrying amount of the City's certificates of deposits and money market funds totaled \$877,609 and \$1,321,887, 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, 2025, 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.

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The City's investments carried at NAV as of September 30, 2025, are:

Investments	Total	Weighted-Average Maturity (in Years)	Credit Risk
Money Markets	\$ 1,321,887	0.31	AAAm
	<u>\$ 1,321,887</u>		

***Fair Value of Investments***

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

**Level 1** Quoted prices for identical investments in active markets;

**Level 2** Observable inputs other than those in Level 1; and

**Level 3** Unobservable inputs.

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, 2025.

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, 2025:

Investments measured at net asset value	
Money Markets - NAV	<u>\$ 1,321,887</u>
Total investments at net asset value	<u>1,321,887</u>
Investments measured at amortized cost	
Certificates of deposits	<u>877,609</u>
Total investments at amortized cost	<u>877,609</u>
Total investments	<u>\$ 2,199,496</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**  
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**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, 2025, were 99.14% of the adjusted tax levy. Allocations of property tax levy by purpose for 2025 are as follows (amounts per \$100 assessed value):

General Fund	\$ 0.3991
Debt Service Fund	<u>0.1784</u>
 Total City	 <u>\$ 0.5776</u>
 Wise County Water Supply District – Debt Service	 <u>\$ 0.0322</u>
 Total Wise County Water Supply District	 <u>\$ 0.0322</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>
<b>Receivables</b>					
Ad valorem taxes receivable	\$ 114,283	\$ -	\$ 51,088	\$ 14,196	\$ 179,567
Accounts receivable	3,321	-	-	1,106,992	1,110,313
Sales taxes	831,200	415,599	-	-	1,246,799
Gross receipts taxes	149,481	-	-	-	149,481
Lease receivable	-	21,815	-	-	21,815
Other government agencies	37,235	-	-	-	37,235
Other receivables	816,779	-	-	-	816,779
Less allowance for uncollectibles	<u>(740,886)</u>	<u>-</u>	<u>(30,001)</u>	<u>(10,555)</u>	<u>(781,442)</u>
Net receivables	<u>\$ 1,211,413</u>	<u>\$ 437,414</u>	<u>\$ 21,087</u>	<u>\$ 1,110,633</u>	<u>\$ 2,780,547</u>

**Leases Receivable**

The City leases a building to a third party, the terms of which expire in 2030. The City recognized approximately \$6,500 in lease revenue and \$1,100 in interest revenue during the current fiscal year related to the lease. As of September 30, 2025, the City’s receivable for lease payments was \$21,815. 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, 2025, the balance of the deferred inflow of resources was \$20,998.

**City of Decatur, Texas**  
**Notes to Basic Financial Statements**  
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***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. 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, 2025, was approximately \$8,000. The future principal and interest lease receipts for regulated leases as of September 30, 2025, were as follows:

<u>Year Ending September 30,</u>	<u>Payment</u>
2026	7,503
2027	7,277
2028	6,826
2029	6,826
2030	6,826
2031-2035	34,130
2036-2040	34,130
2041-2045	34,130
2046-2050	19,200
2051-2055	12,000
2056-2060	12,000
2061-2065	9,600
2066-2067	<u>1,800</u>
Total	<u>\$ 192,248</u>

**City of Decatur, Texas**  
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**Note 5. Capital and Lease Assets**

Capital asset activity for the year ended September 30, 2025, was as follows:

	Beginning of Year	Additions	Sales / Disposals	Transfers	End of Year
<b>Governmental Activities</b>					
Capital assets not being depreciated					
Land	\$ 11,864,677	\$ -	\$ -	\$ -	\$ 11,864,677
Construction in progress	<u>13,147,082</u>	<u>15,813,770</u>	<u>-</u>	<u>(1,395,863)</u>	<u>27,564,989</u>
Total capital assets not being depreciated	<u>25,011,759</u>	<u>15,813,770</u>	<u>-</u>	<u>(1,395,863)</u>	<u>39,429,666</u>
Capital assets being depreciated					
Airport	7,158,357	138,307	-	-	7,296,664
Conference center	7,671,298	-	-	-	7,671,298
Fire equipment	6,050,043	36,000	-	-	6,086,043
General government	980,124	12,359	-	-	992,483
Library	1,717,127	6,996	-	1,395,863	3,119,986
Parks	4,211,018	873,994	-	-	5,085,012
Police	2,488,406	963,878	-	-	3,452,284
Street equipment	1,215,814	-	-	-	1,215,814
Street infrastructure	18,735,805	-	-	-	18,735,805
Other assets	<u>1,402,852</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,402,852</u>
Total capital assets being depreciated	51,630,844	2,031,534	-	1,395,863	55,058,241
Less: accumulated depreciation	<u>(22,957,687)</u>	<u>(1,577,465)</u>	<u>-</u>	<u>-</u>	<u>(24,535,152)</u>
Total capital assets being depreciated, net	<u>28,673,157</u>	<u>454,069</u>	<u>-</u>	<u>1,395,863</u>	<u>30,523,089</u>
Governmental activities capital assets, net	<u>\$ 53,684,916</u>	<u>\$ 16,267,839</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,952,755</u>
<b>Business-type Activities</b>					
Capital assets not being depreciated					
Land	\$ 744,388	\$ -	\$ -	\$ -	\$ 744,388
Construction in progress	<u>444,520</u>	<u>1,911,567</u>	<u>-</u>	<u>(864,014)</u>	<u>1,492,073</u>
Total capital assets not being depreciated	<u>1,188,908</u>	<u>1,911,567</u>	<u>-</u>	<u>(864,014)</u>	<u>2,236,461</u>
Capital assets being depreciated					
Sewer system	7,872,922	-	-	-	7,872,922
Trucks	461,138	11,065	-	-	472,203
Equipment	242,988	123,847	-	-	366,835
Water and sewer lines	9,233,448	171,510	-	-	9,404,958
Water meters	1,211,871	-	-	-	1,211,871
Treated water distribution system	5,374,338	-	-	864,014	6,238,352
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	<u>6,413,487</u>	<u>87,233</u>	<u>-</u>	<u>-</u>	<u>6,500,720</u>
Total capital assets being depreciated	36,791,317	393,655	-	864,014	38,048,986
Less: accumulated depreciation	<u>(12,495,619)</u>	<u>(944,957)</u>	<u>-</u>	<u>-</u>	<u>(13,440,576)</u>
Total capital assets being depreciated, net	<u>24,295,698</u>	<u>(551,302)</u>	<u>-</u>	<u>864,014</u>	<u>24,608,410</u>
Business-type activities capital assets, net	<u>\$ 25,484,606</u>	<u>\$ 1,360,265</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,844,871</u>

**City of Decatur, Texas**  
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Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental Activities**

General government	\$	34,831
Airport		190,396
Fire protection		255,554
Police		142,723
Animal control		752
Streets		436,880
Library		84,892
Tax and court		3,262
Parks		170,318
Inspection services		17,136
Cemetery		9,891
Conference center		144,019
Planning		149
Economic development		86,662
		<u>86,662</u>
Total depreciation expense – governmental activities	\$	<u>1,577,465</u>

**Business-type Activities**

Water, sewer, and garbage	\$	<u>944,957</u>
Total depreciation expense – business-type activities	\$	<u>944,957</u>

Lease asset activity for the year ended September 30, 2025, was as follows:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Disposals</u>	<u>End of Year</u>
<b>Governmental Activities</b>				
Lease assets being amortized				
Vehicle	\$ 1,478,668	\$ 583,320	\$ -	\$ 2,061,988
Equipment	350,111	162,038	-	512,149
Copy machine	-	120,704	-	120,704
	<u>1,828,779</u>	<u>866,062</u>	<u>-</u>	<u>2,694,841</u>
Total lease assets being amortized	1,828,779	866,062	-	2,694,841
Less: accumulated amortization	<u>(638,989)</u>	<u>(422,989)</u>	<u>-</u>	<u>(1,061,978)</u>
Total lease assets being amortized, net	<u>1,189,790</u>	<u>443,073</u>	<u>-</u>	<u>1,632,863</u>
Governmental activities lease assets, net	<u>\$ 1,189,790</u>	<u>\$ 443,073</u>	<u>\$ -</u>	<u>\$ 1,632,863</u>

**City of Decatur, Texas**  
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Amortization expense was charged to functions/programs of the primary government as follows:

<b>Governmental Activities</b>	
General government	\$ 105,747
Fire Protection	122,667
Police	177,655
Streets	12,690
Economic Development	<u>4,230</u>
 Total amortization expense – governmental activities	 <u><u>\$ 422,989</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](http://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, 2024, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	92
Inactive employees entitled to but not yet receiving benefits	99
Active employees	<u>152</u>
	<u><u>343</u></u>

**City of Decatur, Texas**  
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**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 16.28% and 15.47% in calendar years 2025 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were \$1,709,074, and were equal to the required contributions.

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2024, 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, 2024, 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.

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The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	7.10%
Core Fixed Income	6.00%	5.00%
Non-Core Fixed Income	6.00%	6.80%
Hedge Funds	5.00%	6.40%
Private Equity	13.00%	8.50%
Private Debt	13.00%	8.20%
Real Estate	12.00%	6.70%
Infrastructure	6.00%	6.00%
Other Private Markets	4.00%	7.30%
	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)
<b>Balance at October 1, 2024</b>	\$ 39,341,226	\$ 32,889,809	\$ 6,451,417
Changes for the year:			
Service cost	1,812,223	-	1,812,223
Interest on total pension liability	2,660,610	-	2,660,610
Effect of difference in expected and actual experience	911,986	-	911,986
Benefit payments	(1,661,776)	(1,661,776)	-
Administrative expenses	-	(21,917)	21,917
Member contributions	-	703,581	(703,581)
Net investment income	-	3,421,259	(3,421,259)
Employer contributions	-	1,554,914	(1,554,914)
Other	-	(512)	512
Net changes	3,723,043	3,995,549	(272,506)
<b>Balance at September 30, 2025</b>	\$ 43,064,269	\$ 36,885,358	\$ 6,178,911

**City of Decatur, Texas**  
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***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

<b>1% Decrease in Discount Rate (5.75%)</b>	<b>Current Single Rate Assumption (6.75%)</b>	<b>1% Increase in Discount Rate (7.75%)</b>
\$ 12,485,444	\$ 6,178,911	\$ 1,026,160

***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](http://www.tmr.com).

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

For the year ended September 30, 2025, the City recognized pension expense of \$2,405,566.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference in expected and actual experience	\$ 1,205,913	\$ -
Difference in assumption changes or inputs	-	126,413
Difference between projected and actual investment earnings on pension plan investments	-	401,940
Employer contributions subsequent to the measurement date	<u>1,307,756</u>	<u>-</u>
Total	<u>\$ 2,513,669</u>	<u>\$ 528,353</u>

\$1,307,756 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, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2026	\$ 568,069
2027	689,877
2028	(340,149)
2029	<u>(240,237)</u>
	<u>\$ 677,560</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, 2024, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	68
Inactive employees entitled to but not yet receiving benefits	23
Active employees	<u>152</u>
	<u><u>243</u></u>

***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 0.26% and 0.30% in calendar years 2025 and 2024, respectively. The retiree portion of the total SBDF contribution rates for the City were 0.11% and 0.10% in calendar years 2025 and 2024, respectively.

***Total OPEB Liability***

The City’s Total OPEB Liability (TOL) was measured as of December 31, 2024, and was determined by an actuarial valuation as of that date.

***Actuarial Assumptions***

The Total OPEB Liability in the December 31, 2024, 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	4.08% as of December 31, 2024 (3.77% as of December 31, 2023)
Retirees’ share of benefit-related costs	\$ 0

**City of Decatur, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2025**

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, 2024, 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, 2024, was 4.08%, compared to 3.77% as of December 31, 2023. 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, 2024.

**Changes in the Total OPEB Liability**

	<b>Increase (Decrease)</b>
	<b>Total OPEB Liability</b>
<b>Balance at October 1, 2024</b>	\$ 389,520
Changes for the year:	
Service cost	22,113
Interest on total OPEB liability	14,912
Effect of difference in expected and actual experience	(3,087)
Effect of assumptions changes or inputs	(21,148)
Benefit payments	(10,051)
Net Changes	2,739
<b>Balance at September 30, 2025</b>	\$ 392,259

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.08%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08%) or 1-percentage-point higher (5.08%) than the current rate:

<b>1% Decrease in Discount Rate (3.08%)</b>	<b>Current Discount Rate Assumption (4.08%)</b>	<b>1% Increase in Discount Rate (5.08%)</b>
\$ 466,238	\$ 392,259	\$ 333,784

**City of Decatur, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2025**

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

For the year ended September 30, 2025, the City recognized OPEB expense of \$18,678.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference in expected and actual experience	\$ 2,625	\$ 8,701
Changes of assumptions	18,362	93,236
Employer contributions subsequent to the measurement date	8,836	-
<b>Total</b>	<b>\$ 29,823</b>	<b>\$ 101,937</b>

\$8,836 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, 2026. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2026	\$ (34,871)
2027	(38,556)
2028	(1,971)
2029	(4,056)
2030	(1,496)
	<u>\$ (80,950)</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, 2025**

**Note 9. Long-term Debt**

The following is a summary of the long-term debt activity for the year ended September 30, 2025:

	<b>Beginning Balance</b>	<b>Borrowings/ Additions</b>	<b>Repayments/ Reductions</b>	<b>Ending Balances</b>	<b>Amounts Due Within One Year</b>
<b>Governmental Activities</b>					
Refunding bonds	\$ 1,565,000	\$ -	\$ (365,000)	\$ 1,200,000	\$ 385,000
Sales tax revenue bonds	13,290,000	-	(420,000)	12,870,000	-
Certificate of obligations	31,720,000	-	(390,000)	31,330,000	580,000
Unamortized bond premium	2,739,491	-	(165,907)	2,573,584	-
	<u>49,314,491</u>	<u>-</u>	<u>(1,340,907)</u>	<u>47,973,584</u>	<u>965,000</u>
Bonds payable, net					
Leases payable	1,324,902	866,062	(306,557)	1,884,407	467,286
Compensated absences*	1,038,124	-	(7,889)	1,030,235	2,184
	<u>1,038,124</u>	<u>-</u>	<u>(7,889)</u>	<u>1,030,235</u>	<u>2,184</u>
Total governmental activities	<u>\$ 51,677,517</u>	<u>\$ 866,062</u>	<u>\$ (1,655,353)</u>	<u>\$ 50,888,226</u>	<u>\$ 1,434,470</u>
<b>Business-type Activities</b>					
Unlimited tax refunding bonds	\$ 1,110,000	\$ -	\$ (355,000)	\$ 755,000	\$ 370,000
Certificate of obligations	13,260,000	-	(175,000)	13,085,000	240,000
Unamortized bond premium	1,139,407	-	(73,465)	1,065,942	-
	<u>15,509,407</u>	<u>-</u>	<u>(603,465)</u>	<u>14,905,942</u>	<u>610,000</u>
Bonds payable, net					
Compensated absences*	247,588	-	(10,559)	237,029	3,583
	<u>247,588</u>	<u>-</u>	<u>(10,559)</u>	<u>237,029</u>	<u>3,583</u>
Total business-type activities	<u>\$ 15,756,995</u>	<u>\$ -</u>	<u>\$ (614,024)</u>	<u>\$ 15,142,971</u>	<u>\$ 613,583</u>

\*The change in the accrued compensated absences balance is presented as a net amount, in accordance with GASB 101.

***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, 2025, are as follows:

<b>Issuance</b>	<b>Sale Date</b>	<b>Original Borrowing</b>	<b>Interest Rates to Maturity</b>	<b>Final Maturity</b>	<b>Outstanding End of Year</b>
General Obligation Refunding Bonds	2018	\$ 3,530,000	2.0%-4.0%	2028	\$ 1,200,000
					<u>\$ 1,200,000</u>

**City of Decatur, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2025**

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, 2025, are as follows:

<b>Issuance</b>	<b>Sale Date</b>	<b>Original Borrowing</b>	<b>Interest Rates to Maturity</b>	<b>Final Maturity</b>	<b>Outstanding End of Year</b>
Tax and Limited Waterworks and Sewer System Revenue Certification of Obligations	2022	\$ 31,210,000	4.0%-5.0%	2052	\$ 31,330,000
Tax and Limited Waterworks and Sewer System Revenue Certification of Obligations	2024	\$ 14,310,000	4.0%-5.0%	2054	<u>13,085,000</u>
					<u>\$ 44,415,000</u>

The annual aggregate maturities for the governmental activities refunding bonds and certificates of obligation for years subsequent to September 30, 2025, are as follows:

<b>Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	1,231,851	1,901,851
2030	705,000	1,197,599	1,902,599
2031-2035	4,085,000	5,422,105	9,507,105
2036-2040	5,095,000	4,414,570	9,509,570
2041-2045	6,325,000	3,190,799	9,515,799
2046-2050	7,760,000	1,746,904	9,506,904
2051-2054	<u>4,860,000</u>	<u>333,092</u>	<u>5,193,092</u>
Totals	<u>\$ 32,530,000</u>	<u>\$ 21,495,419</u>	<u>\$ 54,025,419</u>

The annual aggregate maturities for the business-type activities certificates of obligation for years subsequent to September 30, 2025, are as follows:

<b>Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	295,000	492,777	787,777
2031-2035	1,730,000	2,223,022	3,953,022
2036-2040	2,155,000	1,799,527	3,954,527
2041-2045	2,660,000	1,288,930	3,948,930
2046-2050	3,265,000	690,572	3,955,572
2051-2054	<u>1,935,000</u>	<u>123,129</u>	<u>2,058,129</u>
Totals	<u>\$ 13,085,000</u>	<u>\$ 8,727,685</u>	<u>\$ 21,812,685</u>

**City of Decatur, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2025**

**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, 2025, are as follows:

<b>Issuance</b>	<b>Sale Date</b>	<b>Original Borrowing</b>	<b>Interest Rates to Maturity</b>	<b>Final Maturity</b>	<b>Outstanding End of Year</b>
Sales Tax Revenue Bonds	2016	\$ 1,500,000	3.25%	2037	\$ 950,000
Sales Tax Revenue Bonds, Taxable Series	2018	\$ 5,665,000	2.71%-4.28%	2039	4,130,000
Sales Tax Revenue Bonds, Taxable Series	2023	\$ 8,100,000	5.40%-5.80%	2053	<u>7,790,000</u>
					<u>\$ 12,870,000</u>

The annual aggregate maturities for the governmental activities EDC sales tax revenue bonds for years subsequent to September 30, 2025, are as follows:

<b>Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2026	-	703,726	703,726
2027	445,000	686,390	1,131,390
2028	455,000	668,121	1,123,121
2029	475,000	648,820	1,123,820
2030	495,000	628,242	
2031-2035	2,835,000	2,784,702	5,619,702
2036-2040	2,840,000	2,064,927	4,904,927
2041-2045	1,540,000	1,503,577	3,043,577
2046-2050	2,130,000	914,696	3,044,696
2051-2053	<u>1,655,000</u>	<u>169,052</u>	<u>1,824,052</u>
Totals	<u>\$ 12,870,000</u>	<u>\$ 10,772,253</u>	<u>\$ 22,519,011</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, 2025, before year end.

The following is a summary of pledged revenues of the EDC for the year ended September 30, 2025:

<b>Revenue Pledged</b>	<b>Total Pledged Revenue</b>	<b>Current Year Debt Service Payments</b>	<b>Percentage Portion of Pledged Revenue Stream</b>	<b>Remaining Principal and Interest</b>	<b>Period Revenue will not be Available for Other Purposes</b>
.5% sales and use tax	\$ 2,397,430	\$ 1,132,871	47.3%	\$ 22,519,011	Until 2053

**City of Decatur, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2025**

***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, 2025, are as follows:

<b>Issuance</b>	<b>Sale Date</b>	<b>Original Borrowing</b>	<b>Interest Rates to Maturity</b>	<b>Final Maturity</b>	<b>Outstanding End of Year</b>
Unlimited Tax Refunding	2018	\$ 3,040,000	2.0%-4.0%	2027	<u>\$ 755,000</u>
					<u><u>\$ 755,000</u></u>

The annual aggregate maturities for the business-type activities unlimited tax refunding bonds for years subsequent to September 30, 2025, are as follows:

<b>Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2026	370,000	30,200	400,200
2027	<u>385,000</u>	<u>15,400</u>	<u>400,400</u>
Totals	<u><u>\$ 755,000</u></u>	<u><u>\$ 45,600</u></u>	<u><u>\$ 800,600</u></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, 2025:

<b>Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2026	\$ 467,286	\$ 106,020	\$ 573,306
2027	443,482	78,575	522,057
2028	450,567	53,131	503,698
2029	249,705	27,304	277,009
2030	201,727	13,122	214,849
2031-2034	<u>71,640</u>	<u>2,201</u>	<u>73,841</u>
Total	<u><u>\$ 1,884,407</u></u>	<u><u>\$ 280,353</u></u>	<u><u>\$ 2,164,760</u></u>

**City of Decatur, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2025**

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**Note 10. Due to/From Other Funds**

The following is a summary of due to/from other funds at September 30, 2025:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General Fund	Special Revenue	\$ 132,127
General Fund	Enterprise Fund	\$ 373,499
Special Revenue	General Fund	\$ 300
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. Finally, the Enterprise Fund owes the General Fund for a short-term deficiency in the cash position of the enterprise fund. It is anticipated that the balance will be repaid in one year or less.

**Note 11. Interfund Transfers**

Interfund transfers for the year ended September 30, 2025 were as follows:

<b>Transfer In</b>	<b>Transfer Out</b>	<b>Amount</b>
General Fund	Special Revenue	\$ 115,911
General Fund	Enterprise Fund	\$ 56,665

Transfers are for (1) for the enterprise fund to the general fund for debt service payments on an existing lease financed by the general fund for the use of the enterprise fund and (2) for the special revenue to the general fund for the transfer of funds for public safety revenue.

**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.

For the fiscal year ended September 30, 2025, 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	\$ 68,081
Total	<u>\$ 68,081</u>

**Note 14. Subsequent Events**

The City issued Tax and Limited Waterworks and Sewer System Revenue Certificates of Obligation, Series 2026 on January 8, 2026, for \$30,490,000 for construction and improving the City's water & sewer system, as well as constructing, improving and equipping the fire-fighting facilities, including the acquisition of land therefor.

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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, 2025**

	Budgeted Amounts			Actual	Variance with Final Budget Positive (Negative)
	Original	Amendments	Final		
<b>Revenues</b>					
Ad valorem taxes, penalties, and interest	\$ 5,613,902	\$ -	\$ 5,613,902	\$ 5,533,895	\$ (80,007)
Sales taxes	4,606,575	-	4,606,575	4,794,864	188,289
Franchise, occupancy, and other taxes	1,450,000	-	1,450,000	1,341,510	(108,490)
Interest on investments	200,000	-	200,000	163,504	(36,496)
Contributions, grants, and donations	405,000	-	405,000	430,937	25,937
Conference center	630,000	-	630,000	611,887	(18,113)
Licenses and permits	685,000	-	685,000	715,125	30,125
Fines and fees	941,400	-	941,400	796,757	(144,643)
Other revenue	2,014,069	-	2,014,069	1,411,872	(602,197)
<b>Total revenues</b>	<b>16,545,946</b>	<b>-</b>	<b>16,545,946</b>	<b>15,800,351</b>	<b>(745,595)</b>
<b>Expenditures</b>					
Current:					
General government	2,013,556	-	2,013,556	2,325,157	(311,601)
Airport	257,628	-	257,628	275,871	(18,243)
Main street	163,940	-	163,940	184,282	(20,342)
Fire	3,010,530	-	3,010,530	2,939,519	71,011
Police	4,913,870	-	4,913,870	4,902,101	11,769
Animal control	116,874	-	116,874	99,021	17,853
Street	1,164,122	-	1,164,122	1,335,261	(171,139)
Library	599,614	-	599,614	598,459	1,155
Court	581,743	-	581,743	416,572	165,171
Parks	837,472	-	837,472	828,918	8,554
Planning services	581,743	-	581,743	460,076	121,667
Inspection services	704,551	-	704,551	736,857	(32,306)
Cemetery	138,969	-	138,969	110,252	28,717
Conference center	1,203,818	-	1,203,818	1,217,358	(13,540)
Economic development	-	-	-	70,481	(70,481)
Technology	565,601	-	565,601	544,328	21,273
Debt service:					
Principal	-	-	-	305,805	(305,805)
Interest and fiscal charges	-	-	-	65,049	(65,049)
Capital outlay	176,500	-	176,500	1,498,131	(1,321,631)
<b>Total expenditures</b>	<b>17,030,531</b>	<b>-</b>	<b>17,030,531</b>	<b>18,913,498</b>	<b>(1,882,967)</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(484,585)</b>	<b>-</b>	<b>(484,585)</b>	<b>(3,113,147)</b>	<b>(2,628,562)</b>
<b>Other Financing Sources</b>					
Transfer in	570,000	-	570,000	172,576	(397,424)
Leases (as lessee)	-	-	-	866,062	866,062
<b>Total other financing sources</b>	<b>570,000</b>	<b>-</b>	<b>570,000</b>	<b>1,038,638</b>	<b>468,638</b>
<b>Net Change in Fund Balance</b>	<b>85,415</b>	<b>-</b>	<b>85,415</b>	<b>(2,074,509)</b>	<b>(2,159,924)</b>
<b>Fund Balance, Beginning</b>	<b>4,189,593</b>	<b>-</b>	<b>4,189,593</b>	<b>4,189,593</b>	<b>-</b>
<b>Fund Balance, Ending</b>	<b>\$ 4,275,008</b>	<b>\$ -</b>	<b>\$ 4,275,008</b>	<b>\$ 2,115,084</b>	<b>\$ (2,159,924)</b>

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

	Measurement Year			
	2015	2016	2017	2018
<b>Total Pension Liability</b>				
Service cost	\$ 996,805	\$ 1,003,930	\$ 1,015,285	\$ 1,039,690
Interest (on the total pension liability)	1,401,676	1,456,889	1,562,688	1,672,578
Difference between expected and actual experience	(455,380)	(326,739)	(342,431)	(413,969)
Change in assumptions	74,579	-	-	-
Benefit payments, including refunds of employee contributions	(444,145)	(479,130)	(665,611)	(573,875)
<b>Net Change in Total Pension Liability</b>	1,573,535	1,654,950	1,569,931	1,724,424
<b>Total Pension Liability – Beginning</b>	19,747,611	21,321,146	22,976,096	24,546,027
<b>Total Pension Liability – Ending (a)</b>	<u>\$ 21,321,146</u>	<u>\$ 22,976,096</u>	<u>\$ 24,546,027</u>	<u>\$ 26,270,451</u>
<b>Plan Fiduciary Net Position:</b>				
Contributions – employer	\$ 835,221	\$ 845,704	\$ 858,170	\$ 878,793
Contributions – employee	398,267	394,140	397,039	409,557
Net investment income	23,193	1,116,673	2,549,630	(644,925)
Benefit payments, including refunds of employee contributions	(444,145)	(479,130)	(665,611)	(573,875)
Administrative expense	(14,123)	(12,603)	(13,199)	(12,448)
Other	(698)	(679)	(669)	(650)
<b>City’s Net Change in Plan Fiduciary Net Position</b>	797,715	1,864,105	3,125,360	56,452
<b>Plan Fiduciary Net Position – Beginning</b>	15,714,302	16,512,017	18,376,122	21,501,482
<b>Plan Fiduciary Net Position – Ending (b)</b>	<u>\$ 16,512,017</u>	<u>\$ 18,376,122</u>	<u>\$ 21,501,482</u>	<u>\$ 21,557,934</u>
<b>City’s Net Pension Liability – Ending (a) – (b)</b>	\$ 4,809,129	\$ 4,599,974	\$ 3,044,545	\$ 4,712,517
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	77.44%	79.98%	87.60%	82.06%
<b>Covered Payroll</b>	\$ 5,689,535	\$ 5,630,567	\$ 5,671,981	\$ 5,850,819
<b>City’s Net Pension Liability as a Percentage of Covered Payroll</b>	84.53%	81.70%	53.68%	80.54%

**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					
2019	2020	2021	2022	2023	2024
\$ 1,088,653	\$ 1,125,635	\$ 1,116,065	\$ 1,398,515	\$ 1,524,635	\$ 1,812,223
1,789,101	1,907,098	2,054,184	2,207,262	2,450,850	2,660,610
(239,082)	470,890	403,597	1,427,740	853,338	911,986
13,187	-	-	-	(286,436)	-
(619,153)	(1,225,327)	(1,414,247)	(1,480,261)	(1,495,469)	(1,661,776)
2,032,706	2,278,296	2,159,599	3,553,256	3,046,918	3,723,043
26,270,451	28,303,157	30,581,453	32,741,052	36,294,308	39,341,226
<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>	<u>\$ 43,064,269</u>
\$ 899,535	\$ 923,369	\$ 902,793	\$ 1,144,239	\$ 1,245,902	\$ 1,554,914
429,812	452,152	456,615	570,490	615,478	703,581
3,336,804	1,944,519	3,611,679	(2,280,401)	3,380,188	3,421,259
(619,153)	(1,225,327)	(1,414,247)	(1,480,261)	(1,495,469)	(1,661,776)
(18,832)	(12,567)	(16,689)	(19,713)	(21,475)	(21,917)
(565)	(490)	115	23,524	(150)	(512)
4,027,601	2,081,656	3,540,266	(2,042,122)	3,724,474	3,995,549
21,557,934	25,585,535	27,667,191	31,207,457	29,165,335	32,889,809
<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>	<u>\$ 36,885,358</u>
\$ 2,717,622	\$ 2,914,262	\$ 1,533,595	\$ 7,128,973	\$ 6,451,417	\$ 6,178,911
90.40%	90.47%	95.32%	80.36%	83.60%	85.65%
\$ 6,140,177	\$ 6,446,936	\$ 6,500,087	\$ 8,149,853	\$ 8,762,268	\$ 10,051,151
44.26%	45.20%	23.59%	87.47%	73.63%	61.47%

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

	Fiscal Year			
	2016	2017	2018	2019
Actuarially determined contribution	\$ 861,843	\$ 852,666	\$ 885,707	\$ 923,462
Contribution in relation of the actuarially determined contribution	<u>861,843</u>	<u>852,666</u>	<u>885,707</u>	<u>923,462</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,705,700	\$ 5,575,266	\$ 5,793,311	\$ 6,257,027
Contributions as a percentage of covered payroll	15.10%	15.29%	15.29%	14.76%

**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	21 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.

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Fiscal Year					
2020	2021	2022	2023	2024	2025
\$ 903,060	\$ 909,084	\$ 1,130,849	\$ 1,190,786	\$ 1,473,755	\$ 1,709,074
<u>903,060</u>	<u>909,084</u>	<u>1,130,849</u>	<u>1,190,786</u>	<u>1,473,755</u>	<u>1,709,074</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 6,272,936	\$ 6,505,748	\$ 8,081,629	\$ 8,509,910	\$ 9,716,400	\$ 10,627,063
14.40%	13.97%	13.99%	13.99%	15.17%	16.08%

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

	Measurement Year		
	2017	2018	2019
<b>Total OPEB Liability</b>			
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)
<b>Net Change in Total OPEB Liability</b>	46,841	(2,915)	80,380
<b>Total OPEB Liability – Beginning</b>	233,905	280,746	277,831
<b>Total OPEB Liability – Ending</b>	<u>\$ 280,746</u>	<u>\$ 277,831</u>	<u>\$ 358,211</u>
<b>Covered Employee Payroll</b>	\$ 5,671,981	\$ 5,850,819	\$ 6,140,177
<b>City’s Total OPEB Liability as a Percentage of Covered Employee Payroll</b>	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%
2024	4.08%

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

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

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Measurement Year				
2020	2021	2022	2023	2024
\$ 26,432	\$ 26,650	\$ 36,674	\$ 17,525	\$ 22,113
10,188	9,593	9,493	14,487	14,912
9,240	(14,693)	5,373	(5,535)	(3,087)
67,129	16,711	(191,298)	18,912	(21,148)
(1,934)	(5,850)	(8,150)	(9,638)	(10,051)
111,055	32,411	(147,908)	35,751	2,739
358,211	469,266	501,677	353,769	389,520
<u>\$ 469,266</u>	<u>\$ 501,677</u>	<u>\$ 353,769</u>	<u>\$ 389,520</u>	<u>\$ 392,259</u>
\$ 6,446,936	\$ 6,500,087	\$ 8,149,853	\$ 8,762,268	\$ 10,051,151
7.28%	7.72%	4.34%	4.45%	3.90%

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

**Independent Auditor's Report**

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

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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 21, 2026.

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2025-001 and 2025-002, 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 responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the responses.

***Purpose of This Report***

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

***Forvis Mazars, LLP***

**Dallas, Texas  
January 21, 2026**

City of Decatur, Texas  
Schedule of Findings and Responses  
Year Ended September 30, 2025

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Reference Number	Finding
2025-001	<p data-bbox="370 359 646 386"><b>Segregation of Duties</b></p> <p data-bbox="370 422 1481 478"><b>Criteria or Specific Requirement:</b> Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p data-bbox="370 514 1481 663"><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="370 699 1481 756"><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="370 791 1481 877"><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="370 913 1481 1031"><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="370 1066 1481 1186"><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>

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Reference Number	Finding
2025-002	<p data-bbox="370 359 678 386"><b>Year-End Close Process</b></p> <p data-bbox="370 422 1481 483"><b>Criteria or Specific Requirement:</b> Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p data-bbox="370 514 1481 604"><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="370 636 1481 697"><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="370 728 1481 789"><b>Effect:</b> Adjustments to various accounts were necessary in order to correct the financial statements.</p> <p data-bbox="370 821 1481 942"><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="370 974 1481 1064"><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**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended September 30, 2025**

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Reference Number	Summary of Finding	Status
2024-001	<p><b>Segregation of Duties</b></p> <p><b>Reason for Recurrence and Status of Corrective Action Plan:</b> The City is a small municipality with a limited number of personnel within certain areas that creates a lack of segregation of duties. However, the City understands the importance of segregation of duties as it relates to maintaining internal control. The City will continue to work to create sufficient checks and balances to minimize any risk</p>	Unresolved – See Finding 2025-001
2024-002	<p><b>Year-End Close Process</b></p> <p><b>Reason for Recurrence and Status of Corrective Action Plan:</b> The City is a small municipality with a limited number of personnel within certain areas that causes delays and timeliness of year-end close procedures. However, the City understands the importance of this process. The City will continue to work to create policies and procedures to improve the timeliness and accuracy of financial information.</p>	Unresolved – See Finding 2025-002

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