

**PRELIMINARY OFFICIAL STATEMENT**

**Dated December 4, 2025**

**Rating:**  
**Moody's: "A2"**  
**(See "OTHER INFORMATION-  
Rating" herein)**

**NEW ISSUE - Book-Entry-Only**

In the opinion of Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "Tax Matters" herein.

**THE CERTIFICATES WILL NOT BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.**



**\$30,470,000\***  
**CITY OF DECATUR, TEXAS**  
**(Wise County)**  
**TAX AND LIMITED WATERWORKS AND SEWER SYSTEM REVENUE**  
**CERTIFICATES OF OBLIGATION, SERIES 2026**

**Dated Date: December 1, 2025**  
**Interest to accrue from Delivery Date**

**Due: March 1, as shown below**

**PAYMENT TERMS** . . . Interest on the \$30,470,000\* City of Decatur, Texas, Tax and Limited Waterworks and Sewer System Revenue Certificates of Obligation, Series 2026 (the "Certificates"), will accrue from the Delivery Date (as defined below), will be payable March 1 and September 1 of each year, commencing September 1, 2026, until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or any integral multiple thereof within a maturity. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "THE CERTIFICATES - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is BOKF, NA., Dallas, Texas (see "THE CERTIFICATES - Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE** . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Texas Local Government Code Chapter 271, Subchapter C, as amended, and an ordinance to be adopted by the City Council of the City of Decatur, Texas (the "City") on December 8, 2025 (the "Ordinance"). The Certificates constitute direct obligations of the City, payable from a combination of (i) a direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City and (ii) a limited pledge (not to exceed \$1,000) of the net revenues of the City's waterworks and sewer system, as provided in the Ordinance (see "THE CERTIFICATES - Authority for Issuance" and "THE CERTIFICATES - Security and Source of Payment").

**PURPOSE** . . . Proceeds from the sale of the Certificates will be used for (i) constructing and improving the City's water and sewer system, including the acquisition of rights of way therefor, (ii) constructing, improving and equipping fire-fighting facilities, including the acquisition of land therefor and (iii) paying professional services of attorneys, financial advisors and other professionals in connection with the issuance of the Certificates.

**BOND INSURANCE** . . . The City has submitted applications to municipal bond insurance companies to have the payment of the principal and interest on the Certificates insured by a municipal bond insurance policy. In the event the Certificates are qualified for municipal bond insurance, the City may elect to purchase, municipal bond insurance to insure the Certificates. (See "BOND INSURANCE" and "BOND INSURANCE - Bond Insurance Risk Factors" herein.)

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**MATURITY SCHEDULE**

**See Schedule on page 2**

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**LEGALITY** . . . The Certificates are offered for delivery when, as and if issued and received by the Underwriters of the Certificates and subject to the approving opinion of the Attorney General of Texas and the opinion of Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel, (see APPENDIX B, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Counsel for the Underwriters.

**DELIVERY** . . . It is expected that the Certificates will be available for delivery through the facilities of DTC on January 8, 2026 (the "Delivery Date").

**HILLTOPSECURITIES**

**FROST BANK**

**RAYMOND JAMES**

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\* Preliminary, subject to change.

# MATURITY SCHEDULE\*

CUSIP Prefix<sup>(1)</sup>: 243320

Maturity (3/1)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix <sup>(1)</sup>	Maturity (3/1)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix <sup>(1)</sup>	Maturity (3/1)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix <sup>(1)</sup>
2027	\$ 480,000				2036	\$ 750,000				2047	\$ 1,300,000			
2028	505,000				2037	790,000				2048	1,365,000			
2029	530,000				2038	830,000				2049	1,440,000			
2030	555,000				2039	870,000				2050	1,515,000			
2031	585,000				2040	915,000				2051	1,590,000			
2032	615,000				2041	965,000				2052	1,670,000			
2033	645,000				2042	1,015,000				2053	1,755,000			
2034	680,000				2043	1,065,000				2054	1,845,000			
2035	715,000				2044	1,120,000				2055	1,940,000			
					2045	1,180,000								
					2046	1,240,000								

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services managed by FactSet Research Systems, Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the City, the Financial Advisor (as defined herein) or the Underwriters (as defined herein) shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

**OPTIONAL REDEMPTION . . .** The City reserves the right, at its option, to redeem Certificates having stated maturities on and after March 1, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES - Optional Redemption").

\*Preliminary, subject to change.

*This Preliminary Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.*

*No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Preliminary Official Statement, and, if given or made, such other information or representations must not be relied upon.*

*For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (the "Rule"), this document, as the same may be supplemented or corrected from time to time, constitutes an official statement of the City with respect to the Certificates described herein that has been "deemed final" by the City as of its date (or the date of any supplement or correction), except for the omission of no more than the information permitted by the Rule.*

*The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the City, Financial Advisor or Underwriters. This Preliminary Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.*

*The Underwriters have provided the following sentence for inclusion in this Preliminary Official Statement. The Underwriters has reviewed the information in this Preliminary Official Statement in accordance with, and as part of, its respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters does not guarantee the accuracy or completeness of such information.*

*The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Preliminary Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.*

**NONE OF THE CITY, ITS FINANCIAL ADVISOR, OR THE UNDERWRITERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY ONLY SYSTEM.**

**IN CONNECTION WITH THE OFFERING OF THE CERTIFICATES, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

**THE CERTIFICATES ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE CERTIFICATES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE CERTIFICATES HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.**

**THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENT.**

## TABLE OF CONTENTS

<b>PRELIMINARY OFFICIAL STATEMENT</b>	
<b>SUMMARY .....</b>	<b>4</b>
<b>CITY OFFICIALS, STAFF, AND CONSULTANTS ....</b>	<b>6</b>
ELECTED OFFICIALS.....	6
SELECTED ADMINISTRATIVE STAFF .....	6
CONSULTANTS, ADVISORS AND INDEPENDENT AUDITORS...	6
<b>INTRODUCTION .....</b>	<b>8</b>
<b>PLAN OF FINANCING.....</b>	<b>9</b>
<b>THE CERTIFICATES .....</b>	<b>10</b>
<b>BOND INSURANCE .....</b>	<b>14</b>
<b>AD VALOREM PROPERTY TAXATION.....</b>	<b>16</b>
TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT .....	21
TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY .....	22
TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY .....	23
TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY .....	23
TABLE 5 - TEN LARGEST TAXPAYERS .....	23
TABLE 6 - TAX ADEQUACY .....	24
TABLE 7 - ESTIMATED OVERLAPPING DEBT.....	24
<b>DEBT INFORMATION.....</b>	<b>25</b>
TABLE 8 – PRO FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS .....	25
<b>FINANCIAL INFORMATION .....</b>	<b>31</b>
TABLE 9 – CHANGES IN NET POSITION.....	31
TABLE 10 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY .....	32
TABLE 11 - MUNICIPAL SALES TAX HISTORY .....	33
TABLE 12 - CURRENT INVESTMENTS.....	35
<b>TAX MATTERS.....</b>	<b>36</b>
<b>CONTINUING DISCLOSURE OF INFORMATION</b>	<b>37</b>
<b>OTHER INFORMATION.....</b>	<b>39</b>
RATING.....	39
LITIGATION .....	39
CYBERSECURITY .....	39
WEATHER EVENTS .....	39
REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE .....	39
LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS .....	39
LEGAL OPINIONS .....	40
AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION .....	40
FINANCIAL ADVISOR .....	40
UNDERWRITING.....	40
FORWARD-LOOKING STATEMENTS DISCLAIMER.....	41
MISCELLANEOUS .....	41
<b>APPENDICES</b>	
EXCERPTS FROM CITY OF DECATUR, TEXAS ANNUAL FINANCIAL REPORT .....	A
FORM OF BOND COUNSEL'S OPINION .....	B

The cover page hereof, this page, the appendices included herein and any addenda, supplement, or amendment hereto, are part of the Preliminary Official Statement.

## PRELIMINARY OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Preliminary Official Statement. The offering of the Certificates to potential investors is made only by means of this entire Preliminary Official Statement. No person is authorized to detach this summary from this Preliminary Official Statement or to otherwise use it without the entire Preliminary Official Statement.

<b>THE CITY</b> .....	The City of Decatur, Texas (the "City"), is a political subdivision and home rule municipal corporation of the State of Texas (the "State") located in Wise County. The City operates as a home rule city under the laws of the State and a charter approved by the voters on February 1, 2003. (see "INTRODUCTION - Description of City").
<b>THE CERTIFICATES</b> .....	The City's \$30,470,000* Tax and Limited Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2026 (the "Certificates"), are scheduled to mature on March 1 in the years 2027 through 2055 (see "THE CERTIFICATES - Description of the Certificates").
<b>PAYMENT OF INTEREST</b> .....	Interest on the Certificates accrues from the Delivery Date, calculated on the basis of a 360-day year consisting of twelve 30-day months, and is payable September 1, 2026, and each September 1 and March 1 thereafter until maturity or prior redemption (see "THE CERTIFICATES - Description of The Certificates" and "THE CERTIFICATES – Optional Redemption").
<b>AUTHORITY FOR ISSUANCE</b> .....	The Certificates are issued pursuant to the Constitution and general laws of the State, including particularly Texas Local Government Code Chapter 271, Subchapter C, as amended, and an ordinance to be adopted by the City Council of the City on December 8, 2025 (the "Ordinance"). (See "THE CERTIFICATES - Authority for Issuance").
<b>SECURITY FOR THE CERTIFICATES</b> .....	The Certificates constitute direct obligations of the City, payable from a combination of (i) a direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City and (ii) a limited pledge (not to exceed \$1,000) of the net revenues of the City's waterworks and sewer system, as provided in the Ordinance (see "THE CERTIFICATES - Security and Source of Payment").
<b>REDEMPTION</b> .....	The City reserves the right, at its option, to redeem Certificates having stated maturities on and after March 1, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES - Optional Redemption").
<b>TAX EXEMPTION</b> .....	In the opinion of Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel, the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law subject to the matters described under "TAX MATTERS" herein.
<b>USE OF PROCEEDS</b> .....	Proceeds from the sale of the Certificates will be used for (i) constructing and improving the City's waterworks and sewer system, including the acquisition of rights of way therefor, (ii) constructing, improving and equipping fire-fighting facilities, including the acquisition of land therefor and (iii), paying professional services of attorneys, financial advisors and other professionals in connection with the issuance of the Certificates.
<b>RATING</b> .....	The Certificates are rated "A2" by Moody's Investors Service, Inc. ("Moody's"), without regard to credit enhancement (See "OTHER INFORMATION - Rating").
<b>BOOK-ENTRY-ONLY SYSTEM</b> .....	The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES - Book-Entry-Only System").
<b>PAYMENT RECORD</b> .....	The City has not defaulted in the payment of its general obligation debt since 1934, when debt was refunded at par with a reduction in interest rate.
<b>MUNICIPAL BOND INSURANCE</b> ....	The City has made an application to municipal bond insurance companies to have the payment of the principal of and interest on the Certificates insured by a municipal bond insurance policy (see "BOND INSURANCE" and "BOND INSURANCE RISKS" herein).

\* Preliminary, subject to change.

# **SELECTED FINANCIAL INFORMATION**

Fiscal					Per	Ratio of Tax	
Year	Estimated	Taxable	Per Capita	Total	Capita	Supported	
Ended	City	Assessed	Taxable	Net Tax	Tax	to Taxable	% of
9/30	Population <sup>(1)</sup>	Valuation <sup>(2)</sup>	Assessed	Supported	Supported	Assessed	Total Tax
			Valuation	Debt	Debt	Valuation	Collections
2022	6,913	\$ 896,823,153	\$ 129,730	\$ 24,470,000	\$ 3,540	2.73%	98.13%
2023	7,001	1,036,208,948	148,009	23,750,000	3,392	2.29%	98.00%
2024	7,102	1,243,743,242	175,126	33,285,000	4,687	2.68%	100.00%
2025	7,977	1,377,846,134	172,727	32,530,000	4,078	2.36%	99.00%
2026	8,775	1,495,281,348 <sup>(3)</sup>	170,402	51,875,000 <sup>(4)</sup>	5,912	3.47%	In Process

(1) Source: City of Decatur.

(2) As reported by the Appraisal District (defined herein).

(3) Includes tax incremental value of \$33,934,837 that is not available for the City's general use.

(4) Projected, includes the Certificates. Preliminary, subject to change.

For additional information regarding the City, please contact:

Nate Mara - City Manager  
 Jennifer Summers - Finance Director  
 City of Decatur  
 201 E. Walnut St.  
 Decatur, TX 76234  
 (940) 393-0200

Murphy Davis, Jr.  
 Sentry Management, Inc.  
 5 Eureka Circle, Suite E  
 Wichita Falls, TX 76308  
 (940) 696-2100

or

## CITY OFFICIALS, STAFF, AND CONSULTANTS

### ELECTED OFFICIALS

<u>Name</u>	<u>Position</u>	<u>Expires</u>
Mike McQuiston	Mayor	May 2026
Eddie Allen	At-Large, EDC Rep - Place 5	May 2026
Melinda Reeves	At-Large, Mayor Pro Tem, EDC Rep - Place 6	May 2027
Jake Hayes	Councilmember, Airport Liaison - Place 2	May 2027
Darlene Hilton	Councilmember - Place 3	May 2026
Debra Jackson	Councilmember - Place 1	May 2026
Will Carpenter	Deputy Mayor Pro Tem - Place 4	May 2027

### SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>
Nate Mara	City Manager	3 Years
Asucena Delgado	City Secretary	4 Years
Jennifer Summers	Finance Director	2 Years

### CONSULTANTS, ADVISORS AND INDEPENDENT AUDITORS

Auditors .....	FORVIS Mazars, LLP Dallas, Texas
Bond Counsel .....	Norton Rose Fulbright US LLP Dallas, Texas
Financial Advisor.....	Sentry Management, Inc. Wichita Falls, Texas

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**PRELIMINARY OFFICIAL STATEMENT**  
**RELATING TO**  
**\$30,470,000\***  
**CITY OF DECATUR, TEXAS**  
**TAX AND LIMITED WATERWORKS AND SEWER SYSTEM**  
**REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026**

**INTRODUCTION**

This Preliminary Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$30,470,000\* City of Decatur, Texas, Tax and Limited Waterworks and Sewer System Revenue Certificates of Obligation, Series 2026 (the "Certificates"). Capitalized terms used in this Preliminary Official Statement have the same meanings assigned to such terms in the Ordinance to be adopted by the City Council on December 8, 2025.

There follows in this Preliminary Official Statement descriptions of the Certificates and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Sentry Management, Inc. ("Sentry Management"), Wichita Falls, Texas.

All financial and other information presented in this Preliminary Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future (see "OTHER INFORMATION – Forward-Looking Statements Disclaimer").

**DESCRIPTION OF THE CITY . . .** The City is a political subdivision and home rule municipal corporation of the State of Texas (the "State"), duly organized and existing under the laws of the State, including the City's Home Rule Charter (the "Charter"). The City first adopted its Charter on February 1, 2003 and operates under the Council/Manager form of government with a City Council comprised of the Mayor and six Council members. Council members are elected to two-year terms according to their districts. Some of the services that the City provides are: police, fire and emergency medical services, including all facilities, equipment and personnel, highways and streets, water and sanitary sewer utilities, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. The City's estimated 2026 population is 8,775. The City covers approximately 8.78 square miles.

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\* Preliminary, subject to change.

## PLAN OF FINANCING

**PURPOSE . . .** Proceeds from the sale of the Certificates will be used for (i) constructing and improving the City's waterworks and sewer system, including the acquisition of rights of way therefor, (ii) constructing, improving and equipping fire-fighting facilities, including the acquisition of land therefor and (iii) paying for professional services of attorneys, financial advisors and other professionals in connection with the issuance of the Certificates.

**SOURCES AND USES OF PROCEEDS . . .** The proceeds from the sale of the Certificates will be applied approximately as follows:

### Sources of Funds

Par Amount	\$	-
Reoffering Premium		-
Total Sources of Funds	\$	-

### Uses of Funds

Deposit to Project Fund	\$	-
Underwriter's Discount		-
Cost of Issuance		-
Total Uses of Funds	\$	-

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## THE CERTIFICATES

**DESCRIPTION OF THE CERTIFICATES . . .** The Certificates are dated December 1, 2025, and mature on March 1 in each of the years and in the amounts shown on the cover page hereof. Interest will accrue from the date of the initial delivery of the Certificates, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on March 1 and September 1 of each year, commencing September 1, 2026, until maturity or prior redemption. The definitive Certificates will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "THE CERTIFICATES - Book-Entry-Only System" herein.

**AUTHORITY FOR ISSUANCE . . .** The Certificates are issued pursuant to the Constitution and general laws of the State, including particularly Texas Local Government Code, Chapter 271, Subchapter C, as amended, and the Ordinance to be adopted by City Council of the City on December 8, 2025. (see "THE CERTIFICATES – Security and Source of Payment").

**SECURITY AND SOURCE OF PAYMENT . . .** The Certificates constitute direct obligations of the City, payable from a combination of (i) a direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City and (ii) a limited pledge (not to exceed \$1,000) of the net revenues of the City's waterworks and sewer system, as provided in the Ordinance.

**TAX RATE LIMITATION . . .** All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax to provide for the operations of the City, including the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 Taxable Assessed Valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all general obligation debt, as calculated at the time of issuance and based on a 90% tax collection factor.

**OPTIONAL REDEMPTION . . .** The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after March 1, 2035 in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 2034 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the City may select the maturities of Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

**NOTICE OF REDEMPTION . . .** Not less than 30 days prior to a redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Certificates to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

With respect to any optional redemption of the Certificates, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Certificates to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if sufficient moneys are not received, such notice shall be of no force and effect, the City shall not redeem such Certificates and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Certificates have not been redeemed.

**DEFEASANCE . . .** The Ordinance provides that the City may discharge its obligations to the registered owners of any or all of the Certificates, as applicable, to pay principal and interest thereon (i) by depositing with the Paying Agent/Registrar or other lawfully authorized entity a sum of money equal to the principal of and all interest to accrue on such Certificates to maturity or redemption (if applicable) or (ii) by depositing with the Paying Agent/Registrar or other lawfully authorized entity amounts sufficient, together with the investments earnings thereon, to provide for the payment and/or redemption (if applicable) of such Certificates; provided that such deposits may be invested and reinvested only in (a) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or

insured by the agency or instrumentality and that, on their date of acquisition or purchase by the City are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent and (d) any other then authorized securities or obligations that may be used to defease obligations such as the Certificates under the then applicable laws of the State of Texas. The foregoing obligations may be in book-entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption (if applicable) of the Certificates, as the case may be.

If any of the Certificates are to be redeemed prior to their respective dates of maturity, provision must have been made for the payment to the registered owners of such Certificates at the date of maturity or prior redemption of the full amount to which such owner would be entitled and for giving notice of redemption as provided in the Ordinance.

Under current State law, after such deposit as described above, such Certificates shall no longer be regarded as outstanding or unpaid.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Certificates. Because the Ordinance does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law.

**BOOK-ENTRY-ONLY SYSTEM . . .** *This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by DTC, while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

*The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount or maturity amount as applicable, of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the register and request that copies of the notices be provided directly to them.

Redemption notices for the Certificates shall be sent to DTC. If less than all of the Certificates of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar of each series, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar of each series, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Paying Agent/Registrar of each series, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

**USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT . . .** In reading this Official Statement it should be understood that while the Certificates are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Financial Advisor, or the Underwriters.

**EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM . . .** In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed Certificates will be issued to the holders and the Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE CERTIFICATES - Transfer, Exchange and Registration" below.

**PAYING AGENT/REGISTRAR . . .** The initial Paying Agent/Registrar for the Certificates is BOKF, NA, Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Certificates. If the City replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

**PAYMENT . . .** Interest on the Certificates shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (defined below), and such interest shall be paid (i) by check sent United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Certificates will be paid to the registered owner at their stated maturity upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

**TRANSFER, EXCHANGE AND REGISTRATION . . .** In the event the Book-Entry-Only System should be discontinued, printed certificates will be delivered to the registered owners of the Certificates and thereafter the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the respective Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate designated amount as the Certificates surrendered for exchange or transfer. See "THE CERTIFICATES - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate.

**RECORD DATE FOR INTEREST PAYMENT . . .** The record date ("Record Date") for the interest payable on the Certificates on any interest payment date means the close of business on the 15<sup>th</sup> day of the preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of an Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

**REMEDIES . . .** The Ordinance does not specify events of default with respect to the Certificates. If the City defaults in the payment of principal, interest, or redemption price on the Certificates when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is governed by equitable principles, and within the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. No assurance can be given that a mandamus or other legal action to enforce a default under the Ordinance would be successful. Some Texas case law suggests that mandamus relief may not be available to enforce a non-legislatively mandated contract. The opinion of Bond Counsel will state that all opinions relative to the enforceability of the Certificates are qualified with respect to customary rights of debtors relative to their creditors. See "APPENDIX B – Form of Bond Counsel's Opinion." The Ordinance does not provide for the appointment of a trustee to represent the interest of the certificateholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be

financed by, the registered owners. On April 1, 2016 the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) ("*Wasson*") that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. The Texas Supreme Court reviewed *Wasson* again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore in regard to municipal contract cases (as in tort claims) it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. If sovereign immunity is determined by a court to exist, then, the Texas Supreme Court has ruled in *Tooke v. City of Mexia* 197 S.W. 3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, certificateholders may not be able to bring such a suit against the City for breach of the Certificates or the covenants in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or certificateholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce creditors' rights would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors.

## **BOND INSURANCE**

**GENERAL . . .** The City has submitted applications to municipal bond insurance companies to have the payment of the principal of and interest on the Certificates insured by a municipal bond insurance policy. In the event the Certificates are qualified for municipal bond insurance, and the City desires to purchase such insurance, the cost will be paid by the City. Any fees to be paid to the rating agencies as a result of said insurance will be paid by the City. It will be the responsibility of the City to disclose the existence of insurance, its terms, and the effect thereof with respect to the reoffering of the Certificates. If the City obtains a commitment from a bond insurance company (the "Insurer") to provide a municipal bond insurance policy relating to the Certificates (the "Policy"), the final Official Statement shall disclose certain information relating to the Insurer and the Policy.

**BOND INSURANCE RISK FACTORS . . .** In the event of default of the scheduled payment of principal of or interest on the Certificates when all or a portion thereof becomes due, any owner of the Certificates shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Certificates by the City which is recovered by the City from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the City (unless the Insurer chooses to pay such amounts at an earlier date).

Payment of principal of and interest on the Certificates is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist. The Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the owners.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable solely from the sources of funds pledged to the payment of the Certificates (see "THE CERTIFICATES – Security and Source of Payment"). In the event the Insurer becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Certificates.

If a Policy is acquired, the long-term ratings on the Certificates will be dependent in part on the financial strength of the Insurer and its claims-paying ability. The Insurer's financial strength and claims-paying ability are predicated upon a number of factors which could change over time. No assurance can be given that the long-term ratings of the Insurer and of the ratings on the Certificates, whether or not subject to a Policy, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Certificates.

The obligations of the Insurer under a Policy are general obligations of the Insurer and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law. None of the City, the Financial Advisor or the Underwriters have made independent investigation into the claims-paying ability of any potential Insurer and no assurance or representation regarding the financial strength or projected financial strength of any potential Insurer is given.

**CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS** . . . Moody's Investor Services, Inc., S&P Global Ratings, a division of S&P Global Inc., and Fitch Ratings (collectively, the "Rating Agencies") have downgraded and/or placed on negative watch the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers is possible. In addition, recent events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the Certificates. Thus, when making an investment decision, potential investors should carefully consider the ability of any such bond insurer to pay principal and interest on the Certificates and the claims paying ability of any such bond insurer, particularly over the life of the Certificates.

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## AD VALOREM PROPERTY TAXATION

*The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title I of the Texas Tax Code, as amended (the “Property Tax Code”), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.*

**VALUATION OF TAXABLE PROPERTY.** . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the “Appraisal Review Board”) responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Wise County Appraisal District (the “Appraisal District”). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board. The 88th Texas Legislature expanded the size of the governing body of an appraisal district in a county with a population of more than 75,000 by adding elected directors and authorizing the legislature to provide for a four-year term of office for a member of the board of directors of certain appraisal districts.

State law requires the appraised value of an owner’s principal residence (“homestead” or “homesteads”) to be based solely on the property’s value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property.

State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property. Effective January 1, 2024, an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on certain non-homestead properties (the “Subjected Property”) whose appraised values are not more than the “maximum property value” to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. The maximum property value for the 2025 tax year is \$5,160,000. Through December 31, 2026 (unless extended by the Legislature), the maximum property value may be increased or decreased by the product of the preceding state fiscal year’s increase or decrease in the consumer price index, as applicable, to the maximum property value.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates (see “AD VALOREM PROPERTY TAXATION – City and Taxpayer Remedies”).

**STATE MANDATED HOMESTEAD EXEMPTIONS.** . . State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

**LOCAL OPTION HOMESTEAD EXEMPTIONS.** . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. Cities, counties and school districts are prohibited from repealing or reducing an optional homestead exemption that was granted in tax year 2022 through December 31, 2027.

**LOCAL OPTION FREEZE FOR THE ELDERLY AND DISABLED.** . . The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

**PERSONAL PROPERTY.** . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the “production of income” is taxed based on the property’s market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property. At a Statewide election held on November 4, 2025, the voters approved a constitutional amendment which authorized the enactment of legislation passed by the State legislature and signed by the Governor during the 89th Regular Session (as defined herein) with an effective date of January 1, 2026, which provides a person with an exemption from taxation by a taxing unit of \$125,000 of the appraised value of tangible personal property the person owns that is held or used for production of income and has a taxable situs at the same location in the taxing unit (or, if the person leases such property, regardless of where the property is located in the taxing unit).

**FREEPORT AND GOODS-IN-TRANSIT EXEMPTIONS.** . . Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication (“Freeport Property”) are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or outside the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or outside the State within 175 days (“Goods-in-Transit”), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer’s motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

**OTHER EXEMPT PROPERTY.** . . Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

**TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER . . .** The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. The Texas Legislature amended Section 11.35, Tax Code to clarify that “damage” for purposes of such statute is limited to “physical damage.” For more information on the exemption, reference is made to Section 11.35 of the Property Tax Code, as amended.

**TAX INCREMENT REINVESTMENT ZONES.** . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones (“TIRZ”) within its boundaries. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the “tax increment”. During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

**TAX ABATEMENT AGREEMENTS.** . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

For a discussion of how the various exemptions described above are applied by the City, see “AD VALOREM PROPERTY TAXATION – City Application of Tax Code” herein.

**CITY AND TAXPAYER REMEDIES.** . . Under certain circumstances, taxpayers and taxing units, including the City, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value in excess of the current year “minimum eligibility amount”, as determined by the State Comptroller, and situated in a county with a population of 1.2 million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the

appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$61,349,201 for the 2025 calendar year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (see “AD VALOREM PROPERTY TAXATION – Public Hearing and Maintenance and Operations Tax Rate Limitations”). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

**LEVY AND COLLECTION OF TAXES.** . . The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

**CITY’S RIGHTS IN THE EVENT OF TAX DELINQUENCIES.** . . Taxes levied by the City are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the City, having power to tax the property. The City’s tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer’s debt.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

**PUBLIC HEARING AND MAINTENANCE AND OPERATIONS TAX RATE LIMITATIONS.** . . The following terms as used in this section have the meanings provided below:

“adjusted” means lost values are not included in the calculation of the prior year’s taxes and new values are not included in the current year’s taxable values.

“de minimis rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year’s taxable value, plus the debt service tax rate.

“foregone revenue amount” means the greater of zero or the amount expressed in dollars calculated according to the following formula: the voter-approval tax rate less the actual tax rate, then multiplied by the taxing unit’s current total value in the applicable preceding tax year.

“no-new-revenue tax rate” means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year’s total tax levy (adjusted) from the current year’s total taxable values (adjusted).

“preceding total value” means a taxing unit’s current total value in the applicable preceding tax year.

“special taxing unit” means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value.

“unused increment rate” means the greater of (i) zero; or (ii) the sum of the foregone revenue amount for each of the tax years 2022 through 2024 divided by the current total value.

“voter-approval tax rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the “unused increment rate”.

The City’s tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the “maintenance and operations tax rate”), and (2) a rate for funding debt service in the current year (the “debt service tax rate”). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city must annually calculate its voter-approval tax rate and no-new-revenue tax rate in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year. Furthermore, during the 89th Regular Session, the Legislature adopted Senate Bill 1851 (“SB 1851”), which will be applied in connection with the adoption of an ad valorem tax rate for tax year 2026 and thereafter. Under SB 1851, if the Texas Attorney General determines that a city has (a) not had its records and accounts audited and an annual financial statement prepared based on the audit or (b) failed to file its financial statements and auditor’s opinion on such financial statement with the city secretary or city clerk before the 180th day after the city’s fiscal year end, the city may not adopt an ad valorem tax rate that exceeds the city’s no-new-revenue tax rate for (i) the tax year that begins on or after the date of the Attorney General’s determination or (ii) a subsequent tax year that begins before the date the city has had an annual audit completed and financial statements prepared or filed the financial statement and auditor’s opinion on such financial statement with the city secretary, as applicable.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its de minimis rate, an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has posted notice prominently on the appraisal district’s website (if the appraisal district maintains a website) and the assessor for the city has prominently posted on the city’s website notice informing property owner of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase. The appraisal district is also required to post notice in a newspaper of general circulation by August 7 or as soon thereafter as practicable or if there is no newspaper of general circulation, the notice must be posted in the appraisal district’s office.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city’s adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city’s voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its voter-approval tax rate using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city’s total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

**The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City’s ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City’s tax-supported debt obligations, including the Certificates.**

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

**2025 REGULAR AND SPECIAL LEGISLATIVE SESSIONS.** . . . The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The regular session of the Texas Legislature (the "89th Regular Session") convened on January 14, 2025, and adjourned on June 2, 2025. The Governor called a first special session which began on July 21, 2025, and adjourned on August 15, 2025, and a second special session which began on August 15, 2025, and adjourned on September 4, 2025. Additional special sessions may be called by the Governor.

During the 89th Regular Session, the Legislature adopted a general appropriations act and legislation affecting ad valorem taxation procedures. The City is still in the process of reviewing legislation passed during the 89th Regular Session and the special sessions. At this time, the City cannot make any representations as to the full impact of such legislation. Further, the City can make no representations or predictions regarding any legislation that may be considered during any additional special session or the potential impact of such legislation at this time, but it intends to monitor applicable legislation related thereto.

**CITY APPLICATION OF TAX CODE** . . . The City grants a local option exemption of \$25,000 to the market value of the residence homestead of persons 65 years of age or older or the disabled.

The City has not granted a local option, additional exemption of up to 20% of the market value of residence homesteads.

Ad valorem taxes are levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does grant a Freeport exemption; and, the City has not taken action to tax goods-in-transit for the current tax year.

The City has adopted a tax abatement policy.

The City has not created a tax increment financing zone.

The City does not permit split payments and does not allow discounts.

The City has not established a freeze on the taxes on residence homesteads of persons 65 years of age or who are disabled, as may be done on a local option basis.

**ECONOMIC DEVELOPMENT INITIATIVES** . . . The City has created The Corporation for Economic Development of the City of Decatur, Texas (the "Corporation"). The Corporation has an incentive program to attract and encourage business expansion and job creation of primary employers in the City. The incentive program is funded from the proceeds of a half-cent sales tax for economic development collected within the City of Decatur. Any incentive based on the ½% sales tax is subordinate to the lien on and pledge of the sales tax revenues the Corporation has made or will make in support of debt issued by the Corporation that is secured by the ½% sales tax. The Corporation may offer a per-job grant for each basic new job created in Decatur, depending on the average wage of the jobs created. The incentives can be used for facilities and equipment, as well as other related expenses. These grants are not loans and do not have to be paid back. All incentive offers are subject to approval by the Corporation's Board of Directors and the Decatur City Council. Approval is contingent on the financial strength of the company, the feasibility of the project, and the impact of the project on the City.

The City previously entered into an agreement with Gatehouse Decatur Ownership, LLC, a Texas limited liability company ("Gatehouse"), related to a hotel facility constructed by Gatehouse adjacent to the Decatur Conference Center. The hotel was completed in 2017. In the agreement, the City agreed to waive certain building permit fees associated with the hotel project, to provide economic development incentives to Gatehouse in an amount equal to 1% of the sales tax revenues generated by hotel users up to \$500,000 or for a period of 10 years, whichever came first. The agreement also provided economic development incentive payments to Gatehouse in an amount equal to 100% of the hotel occupancy taxes generated by the hotel through 2022 and 45% of the hotel occupancy taxes generated by the hotel through 2027. Additionally, the City determined to set aside in a segregated fund or account ad valorem taxes paid in relation to the hotel project which could be used to provide additional economic development incentives to Gatehouse through 2027.

**TAX INCREMENT FINANCING** . . . The City established Tax Increment Reinvestment Zone Number One ("TIRZ #1") on December 9, 2024. TIRZ #1 encompasses approximately 3,417 acres and is scheduled to terminate on December 31, 2054. For the duration of TIRZ #1, fifty percent (50%) of the tax increment within the boundaries of TIRZ #1 that is collected by the City is restricted for use solely on planned project and financing costs and may not be applied to other obligations, including the Certificates.

**TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT**

2025/26 Market Valuation Established by the Appraisal District <sup>(1)</sup>		\$ 1,993,213,653
Less Exemptions/Reductions at 100% Market Value:		
Over 65/Disabled	\$ 17,326,934	
Disabled Persons/Veterans Exemptions	10,703,400	
Freeport Property Exemption	29,589,614	
Loss to 10% Cap	28,635,015	
Productivity Loss	35,041,758	
Homestead Cap	21,174,207	
Solar	29,504	
Pollution Control	568,311	
Total Exempt Property	354,863,562	<u>497,932,305</u>
2025/26 Taxable Assessed Valuation		\$ 1,495,281,348
2025/26 Incremental Taxable Value of Real Property within Reinvestment Zone Number One		<u>33,934,837</u>
2025/26 Taxable Assessed Valuation available for General Fund Obligations and Debt of City		<u><u>\$ 1,461,346,511</u></u>
City Funded Debt Payable from Ad Valorem Taxes		
General Obligation Debt (as of 09/30/25)	\$ 45,615,000	
The Certificates	<u>30,470,000</u> <sup>(2)</sup>	
General Purpose Funded Debt Payable from Ad Valorem Taxes (as of 9/30/2025)		\$ 76,085,000
Less Self-Supporting General Obligation Debt:		
Waterworks and Sewer System		<u>\$ 23,245,000</u> <sup>(3)</sup>
Net Funded Debt Payable from Ad Valorem Taxes (as of 9/30/25)		\$ 52,840,000
Interest and Sinking Fund Balance (as of 9/30/25)		\$ 2,062,106 <sup>(4)</sup>
Ratio of Tax Supported Debt to Taxable Assessed Valuation (as of 09/30/25) .....		5.09%
2026 Population - 8,775		
Per Capita Taxable Assessed Valuation - \$170,402		
Per Capita Funded Debt - \$8,671		

(1) As reported by the Appraisal District.

(2) Preliminary, subject to change.

(3) Includes a portion of the Certificates.

(4) Preliminary information provided by City Staff.

**TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY <sup>(1)</sup>**

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2026 <sup>(2)</sup>		2025		2024	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 605,444,009	30.38%	\$ 576,553,925	38.67%	\$ 569,227,099	41.14%
Real, Residential, Multi-Family	105,694,627	5.30%	69,370,064	4.65%	48,469,605	3.50%
Real, Vacant Platted Lots/Tracts	16,291,649	0.82%	9,310,447	0.62%	9,757,398	0.71%
Real, Acreage (Land Only)	35,338,702	1.77%	32,773,964	2.20%	37,440,203	2.71%
Real, Farm and Ranch Improvements	25,862,378	1.30%	22,396,873	1.50%	22,922,864	1.66%
Real, Commercial and Industrial	595,926,837	29.90%	546,187,587	36.64%	480,665,851	34.74%
Oil, Gas & Minerals	12,320,623	0.62%	11,073,367	0.74%	22,468,227	1.62%
Real and Intangible, Personal, Utilities	32,927,302	1.65%	30,719,056	2.06%	28,073,784	2.03%
Tangible Personal, Business	143,518,490	7.20%	168,837,449	11.33%	100,818,054	7.29%
Tangible Personal, Other	28,410,388	1.43%	1,554,309	0.10%	42,515,354	3.07%
Mobile Homes	1,512,908	0.08%	-	0.00%	1,574,746	0.11%
Residential Inventory	588,458	0.03%	-	0.00%	-	0.00%
Special Inventory	23,731,890	1.19%	22,053,650	1.48%	19,835,338	1.43%
Total Exempt Property	365,645,392	18.34%	-	0.00%	-	0.00%
Total Appraised Value Before Exemptions	\$ 1,993,213,653	100.00%	\$ 1,490,830,691	100.00%	\$ 1,383,768,523	100.00%
Less Total Exemptions/Reductions	(497,932,305)		(112,984,557)		(140,025,281)	
Taxable Assessed Value	<u>\$ 1,495,281,348</u>		<u>\$ 1,377,846,134</u>		<u>\$ 1,243,743,242</u>	

  

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2023		2022	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 469,092,627	40.60%	\$ 398,538,204	39.79%
Real, Residential, Multi-Family	35,971,149	3.11%	26,748,812	2.67%
Real, Vacant Platted Lots/Tracts	9,119,304	0.79%	10,232,110	1.02%
Real, Acreage (Land Only)	35,482,105	3.07%	36,241,919	3.62%
Real, Farm and Ranch Improvements	11,100,495	0.96%	8,541,840	0.85%
Real, Commercial and Industrial	398,292,572	34.48%	345,485,040	34.49%
Oil, Gas & Minerals	17,961,646	1.55%	8,005,968	0.80%
Real and Intangible, Personal, Utilities	25,704,433	2.22%	23,170,945	2.31%
Tangible Personal, Business	104,200,470	9.02%	125,700,211	12.55%
Tangible Personal, Other	46,909,615	4.06%	851,120	0.08%
Real Inventory	1,454,501	0.13%	430	0.00%
Special Inventory	-	0.00%	18,070,150	1.80%
Total Appraised Value Before Exemptions	\$ 1,155,288,917	100.00%	\$ 1,001,586,749	100.00%
Less: Total Exemptions/Reductions	(119,079,969)		(104,763,596)	
Taxable Assessed Value	<u>\$ 1,036,208,948</u>		<u>\$ 896,823,153</u>	

(1) As reported by the Appraisal District.

(2) Includes tax incremental value of \$33,934,837 that is not available for the City's general use.

NOTE: Valuations shown are certified taxable assessed values reported by the Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

**TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY**

Fiscal Year Ended 9/30	Estimated Population <sup>(1)</sup>	Taxable Assessed Valuation <sup>(2)</sup>	Taxable Assessed Valuation Per Capita	Tax Supported Debt Outstanding at End of Year	Ratio of Tax Supported Debt to Taxable Assessed Valuation	Tax Supported Debt Per Capita
2022	6,913	\$ 896,823,153	\$ 129,730	\$ 24,470,000	2.73%	\$ 3,540
2023	7,001	1,036,208,948	148,009	23,750,000	2.29%	3,392
2024	7,102	1,243,743,242	175,126	33,285,000	2.68%	4,687
2025	7,977	1,377,846,134	172,727	32,530,000	2.36%	4,078
2026	8,775	1,495,281,348 <sup>(3)</sup>	170,402	51,875,000 <sup>(4)</sup>	3.47% <sup>(4)</sup>	5,912 <sup>(4)</sup>

(1) Source: City staff and North Central Texas Council of Governments.

(2) As reported by the Appraisal District.

(3) Includes tax incremental value of \$33,934,837 that is not available for the City's general use.

(4) Projected, includes the Certificates. Preliminary, subject to change.

**TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY**

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2022	\$ 0.58169	\$ 0.49036	\$ 0.09133	\$ 5,224,705	98.13%	98.13%
2023	0.64526	0.44366	0.20160	6,659,363	98.00%	98.00%
2024	0.58117	0.41679	0.16438	7,229,796	100.00%	100.00%
2025	0.57755	0.39913	0.17842	7,957,764	99.00%	99.00% <sup>(1)</sup>
2026	0.56571	0.40701	0.15870	8,458,956	In Process of Collections	

(1) Preliminary, subject to change.

**TABLE 5 - TEN LARGEST TAXPAYERS <sup>(1)</sup>**

Name of Taxpayer	Nature of Property	2025/26 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Decatur Health Services LLC	Medical	\$ 69,292,723	4.63%
Poco Graphite Inc.	Manufacturing	42,734,020	2.86%
Pecos Housing Finance Corporation	Real Estate Services	29,199,767	1.95%
Hospital Corporation of America Inc.	Medical	23,430,637	1.57%
Karl Klement Properties Inc.	Real Estate Services	21,609,000	1.45%
James Wood Motors Inc.	Auto Retail	19,068,255	1.28%
Deer Park Apts QOZB LLC	Apartments	17,137,120	1.15%
Lowes Home Centers Inc	Retail	15,620,091	1.04%
BAAG Management	Hotel/Motel	15,470,871	1.03%
ONCOR Electric Delivery Co LLC	Electric Utility	15,042,500	1.01%
		<u>\$ 268,604,984</u>	<u>17.96% <sup>(2)</sup></u>

(1) As reported by the Appraisal District.

(2) As shown in the table above, the top ten taxpayers in the City currently account for approximately 17.96% of the City's tax base. Adverse developments in economic conditions could adversely impact these businesses and, consequently, the tax values in the City, resulting in less local tax revenue. If any major taxpayer, or a combination of top taxpayers, were to default in the payment of taxes, the ability of the City to make timely payment of debt service on the Certificates may be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process that may only occur annually or to find debt service payments from other resources, if available. See "THE CERTIFICATES – Remedies".

**GENERAL OBLIGATION DEBT LIMITATION . . .** No general obligation debt limitation is imposed on the City under current State law or the City's Home Rule Charter (see "THE CERTIFICATES - Tax Rate Limitation").

**TABLE 6 - TAX ADEQUACY <sup>(1)</sup>**

2026 Principal and Interest Requirements	\$ 2,989,354
\$0.2020 Tax Rate at 99% Collection Produces	\$ 2,990,264
Average Annual Principal and Interest Requirements, 2026 - 2055	\$ 3,105,574
\$0.2098 Tax Rate at 99% Collection Produces	\$ 3,105,729
Maximum Principal and Interest Requirements, 2027	\$ 3,659,150
\$0.2472 Tax Rate at 99% Collection Produces	\$ 3,659,372

(1) Includes the Certificates and net of self-supporting debt. See Table "8 – Pro Forma General Obligation Debt Service Requirements herein". Preliminary, subject to change.

**TABLE 7 - ESTIMATED OVERLAPPING DEBT <sup>(1)</sup>**

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax Certificates ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

Taxing Jurisdiction	2025/26 Taxable Assessed Value	2025/26 Tax Rate	Total Tax Debt	Estimated % Applicable	City's Overlapping Tax Debt As of 9-30-25	Authorized But Unissued Debt As Of 9-30-25
City of Decatur	\$ 1,495,281,348	\$ 0.56571	\$ 51,875,000 <sup>(2)</sup>	100.00%	\$ 51,875,000 <sup>(2)</sup>	\$ -
Decatur Independent School District	4,311,882,329	0.90290	34,779,845	35.85%	12,468,574	-
Wise County	15,027,991,353	0.22750	-	10.43%	-	-
Wise County Water Supply District	1,495,644,112	0.03220	755,000	100.00%	755,000	-
Total Direct and Overlapping Tax Supported Debt					\$ 65,098,574	
Ratio of Direct and Overlapping Tax Supported Debt to Taxable Assessed Valuation					4.35%	
Per Capita Overlapping Tax Supported Debt					\$ 7,815.09	

(1) Source: Municipal Advisory Council of Texas.

(2) Includes the Certificates. Preliminary, subject to change.

## DEBT INFORMATION

**TABLE 8 – PRO FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

Fiscal Year Ending 9/30	Outstanding Debt		The Certificates <sup>(1)</sup>		Total Debt Requirements	Less W&S Self- Supporting Requirements <sup>(2)</sup>	Total Debt Less Self- Supporting Requirements	% of Principal Retired
	Principal	Interest	Principal	Interest				
2026	\$ 1,205,000	\$ 1,912,425	\$ -	\$ 986,043	\$ 4,103,468	\$ 1,114,114	\$ 2,989,354	
2027	1,265,000	1,854,600	480,000	1,511,500	5,111,100	1,451,950	3,659,150	
2028	1,325,000	1,793,925	505,000	1,486,875	5,110,800	1,455,575	3,655,225	
2029	950,000	1,739,125	530,000	1,461,000	4,680,125	1,448,200	3,231,925	
2030	1,000,000	1,690,375	555,000	1,433,875	4,679,250	1,449,825	3,229,425	10.27%
2031	1,055,000	1,639,000	585,000	1,405,375	4,684,375	1,455,075	3,229,300	
2032	1,110,000	1,584,875	615,000	1,375,375	4,685,250	1,453,950	3,231,300	
2033	1,160,000	1,528,125	645,000	1,343,875	4,677,000	1,451,575	3,225,425	
2034	1,215,000	1,473,175	680,000	1,310,750	4,678,925	1,449,325	3,229,600	
2035	1,275,000	1,419,950	715,000	1,275,875	4,685,825	1,457,025	3,228,800	22.17%
2036	1,330,000	1,364,225	750,000	1,239,250	4,683,475	1,453,350	3,230,125	
2037	1,385,000	1,306,125	790,000	1,200,750	4,681,875	1,453,400	3,228,475	
2038	1,445,000	1,245,525	830,000	1,160,250	4,680,775	1,452,075	3,228,700	
2039	1,510,000	1,182,225	870,000	1,117,750	4,679,975	1,454,275	3,225,700	
2040	1,580,000	1,116,000	915,000	1,073,125	4,684,125	1,454,875	3,229,250	37.16%
2041	1,645,000	1,046,850	965,000	1,026,125	4,682,975	1,448,975	3,234,000	
2042	1,720,000	974,650	1,015,000	976,625	4,686,275	1,456,325	3,229,950	
2043	1,790,000	899,300	1,065,000	924,625	4,678,925	1,451,825	3,227,100	
2044	1,875,000	820,600	1,120,000	870,000	4,685,600	1,455,500	3,230,100	
2045	1,955,000	738,325	1,180,000	812,500	4,685,825	1,457,100	3,228,725	56.00%
2046	2,040,000	652,475	1,240,000	752,000	4,684,475	1,456,625	3,227,850	
2047	2,120,000	569,500	1,300,000	688,500	4,678,000	1,456,109	3,221,891	
2048	2,210,000	489,469	1,365,000	621,875	4,686,344	1,455,594	3,230,750	
2049	2,285,000	406,203	1,440,000	551,750	4,682,953	1,453,109	3,229,844	
2050	2,370,000	319,828	1,515,000	477,875	4,682,703	1,453,531	3,229,172	79.50%
2051	2,465,000	229,938	1,590,000	400,250	4,685,188	1,451,734	3,233,453	
2052	2,555,000	136,406	1,670,000	318,750	4,680,156	1,452,641	3,227,516	
2053	865,000	67,125	1,755,000	233,125	2,920,250	899,875	2,020,375	
2054	910,000	22,750	1,845,000	143,125	2,920,875	903,500	2,017,375	
2055	-	-	1,940,000	48,500	1,988,500	661,125	1,327,375	100.00%
	<u>\$ 45,615,000</u>	<u>\$ 30,223,094</u>	<u>\$ 30,470,000</u>	<u>\$ 28,227,293</u>	<u>\$ 134,535,387</u>	<u>\$ 41,368,158</u>	<u>\$ 93,167,229</u>	

(1) Average life of the issue -18.528 years. Interest on the Certificates has been calculated at the rate of 4.67% for purposes of illustration. Preliminary, subject to change.

(2) Includes a portion of the Certificates.

**AUTHORIZED BUT UNISSUED GENERAL OBLIGATION Certificates** . . . The City does not have any authorized but unissued general obligation debt.

**ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT** . . . The City does not anticipate issuing additional tax supported debt in the next 12 months.

**OTHER OBLIGATIONS** . . . The City has no unfunded debt outstanding as of September 30, 2025.

**PENSION FUND . . .** The City of Decatur, Texas participates as one of more than 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.tmrs.com](http://www.tmrs.com).

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

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.

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

Inactive Employees or Beneficiaries Currently Receiving Benefits	85
Inactive Employees Entitled to But Not Yet Receiving Benefits	96
Active Employees	139
	<hr/> 320

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

Employees for the City were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 15.47% and 14.17% in calendar years 2024 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2024, were \$1,473,755, and were equal to the required contributions.

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

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

Inflation	2.50% 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.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global equity	35.00%	6.70%
Core fixed income	6.00%	4.70%
Non-core fixed income	20.00%	8.00%
Other Public and Private Markets	12.00%	8.00%
Real estate	12.00%	7.60%
Hedge Funds	5.00%	6.40%
Private equity	10.00%	11.60%
	100.00%	

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

#### *Changes in the Net Pension Liability*

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

#### *Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate*

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

	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
City's Net Pension Liability	\$ 12,251,971	\$ 6,451,417	\$ 1,715,978

**PENSION PLAN FIDUCIARY NET PENSION** . . . Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmrs.com](http://www.tmrs.com).

**PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS**  
For the year ended September 30, 2024, the City recognized pension expense of \$2,019,508.

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

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

\$1,153,596 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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

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

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

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

**EMPLOYEES COVERED BY BENEFIT TERMS . . .** At the December 31, 2023, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	62
Inactive employees entitled to but not yet receiving benefits	24
Active Employees	<u>139</u>
	225

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

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

**TOTAL OPEB LIABILITY.** . . The City's Total OPEB Liability (TOL) was measured as of December 31, 2023, and was determined by an actuarial valuation as of the date.

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

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

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

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

**DISCOUNT RATE.** . . The discount rate used to measure the Total OPEB Liability as of December 31, 2023, was 3.77%, compared to 4.05% as of December 31, 2022. Because the Supplemental Death Benefits Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of the measurement date of December 31, 2023.

#### CHANGES IN THE TOTAL OPEB LIABILITY

	Increase (Decrease)
	Total OPEB Liability
Balance at October 1, 2023	\$ 353,769
Changes for the year:	
Service cost	17,525
Interest on total OPEB liability	14,487
Effect of difference in expected and actual experience	(5,535)
Effect of assumptions changes or inputs	18,912
Benefit payments	(9,638)
Net Changes	35,751
Balance at September 30, 2022	\$ 389,520

**SENSITIVITY OF THE TOTAL OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE.** . . The following presents the total OPEB liability of the City, calculated using the discount rate of 3.77%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.77%) or 1-percentage-point higher (4.77%) than the current rate:

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

**OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB**

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	\$ 5,454	\$ 10,883
Changes of assumptions	44,837	114,470
Employer contributions subsequent to the measurement date	7,457	-
Total	<u>\$ 57,748</u>	<u>\$ 125,353</u>

\$7,457 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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

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

**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.

## FINANCIAL INFORMATION

**TABLE 9 – CHANGES IN NET POSITION <sup>(1)</sup>**

	Fiscal Year Ended September 30,				
	2024	2023	2022	2021	2020
Revenues:					
<u>Program Revenues</u>					
Charges for Services	\$ 2,722,791	\$ 2,633,120	\$ 2,775,002	\$ 1,904,465	\$ 1,789,227
Operating Grants and Contributions	455,307	403,996	527,667	356,326	489,033
Capital Grants and Contributions	45,501	563,885	65,157	31,647	733,816
<u>General Revenues</u>					
Property Taxes	7,473,831	6,687,323	5,231,054	5,024,395	5,135,364
Sales Taxes	6,773,131	6,666,226	6,093,094	5,462,755	4,761,377
Franchise, Occupancy and other taxes	1,200,052	1,359,894	1,299,259	1,142,170	1,013,899
Investment Earnings	1,733,656	936,793	246,896	7,465	100,567
Gain (Loss) on Sale of Fixed Assets	39,544	455,497	-	-	3,122
Contributions not restricted for specific purpose	1,149,777	-	-	-	-
Miscellaneous	487,524	340,733	640,152	596,123	337,017
Total Revenues	\$ 22,081,114	\$ 20,047,467	\$ 16,878,281	\$ 14,525,346	\$ 14,363,422
Expenses:					
General Government	\$ 1,889,103	\$ 2,137,567	\$ 1,448,753	\$ 1,227,784	\$ 762,268
Airport	390,625	397,011	295,479	389,263	347,077
Main Street	233,089	238,723	220,937	165,786	199,218
Fire protection	3,177,662	2,927,743	2,417,365	1,718,108	1,626,165
Police	4,728,312	4,459,470	3,370,866	2,848,460	2,880,765
Animal Control	84,098	63,647	51,704	66,003	51,564
Streets	1,722,538	1,922,178	1,786,003	1,413,510	1,520,063
Library	557,802	629,636	591,058	581,361	696,025
Tax and Court	431,092	409,943	285,899	324,096	305,892
Parks	947,935	902,924	705,545	601,312	575,546
Planning services	428,603	483,940	430,956	347,623	533,828
Inspection services	669,563	565,149	569,880	324,738	298,287
Cemetery	146,798	262,672	92,025	108,561	103,023
Conference center	1,325,367	1,245,452	968,246	762,251	807,547
Technology	548,066	567,552	452,144	518,931	418,679
Interest and fiscal charges	2,024,810	1,523,722	1,100,440	438,133	354,083
Economic Development	1,116,020	1,166,583	909,353	749,242	812,024
Total Expenses	\$ 20,421,483	\$ 19,903,912	\$ 15,696,653	\$ 12,585,162	\$ 12,292,054
Change in Net Position	\$ 1,659,631	\$ 143,555	\$ 1,181,628	\$ 1,940,184	\$ 2,071,368
Net Transfers	10,504	9,962	933,661	(476,880)	-
Increase in Net Position	\$ 1,670,135	\$ 153,517	\$ 2,115,289	\$ 1,463,304	\$ 2,071,368
Net Position - Beginning of the Year	34,451,246	34,297,729	32,280,332	30,817,028	28,745,660
Prior Period Adjustment	-	-	(97,892)	-	-
Net Position - End of the Year	<u>\$ 36,121,381</u>	<u>\$ 34,451,246</u>	<u>\$ 34,297,729</u>	<u>\$ 32,280,332</u>	<u>\$ 30,817,028</u>

(1) Source: City's Annual Financial Reports.

**TABLE 10 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY <sup>(1)</sup>**

	Fiscal Year Ended September 30,				
	2024	2023	2022	2021	2020
<u>Revenues:</u>					
Property Taxes	\$ 5,394,673	\$ 4,577,192	\$ 4,401,736	\$ 4,200,226	\$ 3,884,427
Sales Taxes	4,515,421	4,444,150	4,062,063	3,641,810	3,174,252
Franchise, Occupancy & Other Taxes	1,200,052	1,359,894	1,299,259	1,142,170	1,013,899
Interest Income	280,686	165,046	41,661	2,629	33,498
Contributions, grants and donations	1,287,360	744,738	413,068	294,220	401,906
Conference center	621,551	539,359	432,256	191,825	371,538
Building Permits & Inspection Fees	521,243	281,715	589,303	357,221	351,277
Fine and Forfeitures	743,643	1,074,033	717,840	701,839	694,665
Other	1,259,735	1,133,290	1,281,216	880,377	625,558
Total Revenues	<u>\$ 15,824,364</u>	<u>\$ 14,319,417</u>	<u>\$ 13,238,402</u>	<u>\$ 11,412,317</u>	<u>\$ 10,551,020</u>
<u>Expenditures:</u>					
General Government	\$ 1,689,010	\$ 1,904,737	\$ 1,311,575	\$ 1,110,292	\$ 808,975
Airport	202,431	207,997	128,720	227,034	185,573
Main Street	177,208	164,986	159,773	142,895	167,544
Fire Protection	2,733,057	2,387,303	2,300,400	1,557,354	1,464,932
Police	4,234,546	3,848,301	3,287,147	2,709,798	2,745,484
Animal Control	81,037	62,871	50,928	65,227	50,788
Street	1,121,086	1,133,813	953,055	893,782	891,500
Library	493,472	549,061	549,657	515,057	523,864
Tax and Court	394,654	366,482	291,227	310,574	299,364
Parks	767,118	661,919	636,035	520,767	494,139
Planning Services	411,271	432,191	460,741	354,283	542,407
Inspection Services	625,950	532,042	585,283	326,467	301,654
Cemetery	121,330	104,052	90,148	82,572	97,768
Civic Center	1,150,024	1,190,590	866,866	628,632	676,389
Economic Development	63,221	209,298	130,651	160,758	68,507
Technology	545,757	549,398	466,762	523,180	422,902
Debt Service	324,125	142,707	89,806	-	-
Capital Expenditures	1,287,878	1,522,428	896,867	1,478,826	429,069
Total Expenditures	<u>\$ 16,423,175</u>	<u>\$ 15,970,176</u>	<u>\$ 13,255,641</u>	<u>\$ 11,607,498</u>	<u>\$ 10,170,859</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(598,811)</u>	<u>(1,650,759)</u>	<u>(17,239)</u>	<u>(195,181)</u>	<u>380,161</u>
Other Financing Sources (Uses)					
Other Sources (Uses)	213,524	784,472	188,482	628,918	3,122
Operating Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 4,574,880</u>	<u>\$ 5,441,167</u>	<u>\$ 5,269,924</u>	<u>\$ 4,836,187</u>	<u>\$ 4,452,904</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u><u>\$ 4,189,593</u></u>	<u><u>\$ 4,574,880</u></u>	<u><u>\$ 5,441,167</u></u>	<u><u>\$ 5,269,924</u></u>	<u><u>\$ 4,836,187</u></u>

(1) Source: City's Annual Financial Reports.

**TABLE 11 - MUNICIPAL SALES TAX HISTORY**

The City has adopted the provisions of Chapter 321 of the Texas Tax Code, as amended, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City. The proceeds of such tax are credited to the General Fund and are not pledged to payment of the Certificates. Collections and enforcements are effected through the offices of the State Comptroller of Public Accounts, who monthly remits the proceeds of the tax, after deduction of a 2% service fee, to the City.

The Tax Code provides certain cities and counties the option of assessing a maximum one-half percent (1/2%) sales tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional tax is approved and levied, the ad valorem property tax levy must be reduced by the estimated amount of the sales tax revenues to be generated in the current year. Subject to the approval of a majority of the voters in a local option election, state law also provides certain cities the option of assessing a sales and use tax for a variety of other purposes, including economic and industrial development, municipal street maintenance and repair, and sports and community venues.

State law limits the maximum aggregate sales and use tax rate in any area to 8¼%. Accordingly, the collection of local sales and use taxes in the area of the City (including sales and use taxes levied by the City) is limited to no more than 2% (when combined with the State sales and use tax rate of 6¼%).

In addition to the one percent (1%) local sales and use tax referred to above, at an election held on August 8, 1992 voters of the City have approved the imposition of an additional one-half percent (1/2%) sales and use tax for economic development. Levy of the additional sales and use tax began on January 1, 1993. The current aggregate sales and use tax levied in the City is 8¼% of which, 6¼% is levied by the State, 1% is levied by the City, ½% is levied by Wise County and ½% is levied by the City for economic development.

Fiscal Year Ended	1% Total Collected	1/2% Sales Tax for Economic Development	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2022	4,062,063	2,031,032	77.75%	0.4529	588
2023	4,444,151	2,222,076	66.74%	0.4289	635
2024	4,515,421	2,257,711	62.46%	0.3631	636
2025	4,794,863 <sup>(1)</sup>	2,397,432 <sup>(1)</sup>	60.25%	0.3480	601

(1) Preliminary, unaudited.

## FINANCIAL POLICIES

**Basis of Accounting** . . . The accounting policies of the City conform to generally accepted accounting principles for governmental entities as promulgated by the Government Accounting Standards Board. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and pension trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the combined balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary and trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the combined statement of net assets. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in total net assets.

The modified accrual basis of accounting is used by all governmental funds types, pension trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recorded when the related fund liability is incurred. However, principal of and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Major revenue sources which have been treated as susceptible to accrual under the modified basis of accounting include property taxes, charges for services, intergovernmental revenues, and investment of available funds.

The accrual basis of accounting is utilized by proprietary and trust funds. Under this method, revenue is recorded when earned and expenses are recorded at the time liabilities are incurred.

The City reports unearned revenue on its combined balance sheet. Unearned revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualified expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

Deferred outflows of resources are used to report consumptions of net position by the City that are applicable to a future reporting period. Deferred inflows of resources are used to report acquisitions of net assets by the City that are applicable to future reporting periods. The deferred inflow is reclassified to revenue on the government-wide financial statements.

*Fund Balances* . . . It is the City's practice regarding the General Fund and Enterprise Funds that working capital resources should be maintained at 60 days of the Funds' operating expenses. The City maintains its various debt service funds in accordance with the covenants of the applicable Ordinance.

*Budgetary Procedures* . . . The City's Home Rule Charter establishes the fiscal year as the twelve-month period beginning each October 1. Each year by the middle of June, the City Manager, after review, submits a budget of estimated revenues and expenditures to the City Council. Subsequently, the City Council will hold work sessions to discuss and amend the budget to coincide with their direction of the City. Various public hearings may be held to comply with state and local statutes. The City Council will adopt a budget prior to October 1 through passage of an ordinance. If the Council fails to adopt a budget then the prior year budget remains in effect.

During the fiscal year, budgetary control is maintained by the monthly review by department heads of departmental appropriation balances. Actual operations are compared to the amounts set forth in the budget. Departmental appropriations that have not been expended lapse at the end of the fiscal year. Therefore, funds that were budgeted and not used by the departments during the fiscal year are not available for their use unless appropriated in the ensuing fiscal year's budget.

## **INVESTMENTS**

The City invests its investable funds in investments authorized by Texas law and in accordance with investment policies approved by the City Council. Both state law and the City's investment policies are subject to change.

**LEGAL INVESTMENTS** . . . Under State law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; (8) certificates of deposit and share certificates (i) issued by or through an institution that either has its main office or a branch office in the State of Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Insurance Fund, or are secured as to principal by obligations described in the clauses (1) through (7) or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (9) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (10) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (7) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (7) above, clauses (12) through (14) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less; (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that comply with federal Securities and Exchange Commission Rule 2a-7; and (14) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of Certificate proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAA-m or an equivalent by at least one nationally recognized rating service.

The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by ordinance or resolution.

The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

**INVESTMENT POLICIES . . .** Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Texas Public Funds Investment Act (Texas Government Code, Chapter 2256). All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest during the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

**TABLE 12 - CURRENT INVESTMENTS <sup>(1)</sup>**

As of September 30, 2025, the City's investable funds were invested in the following categories:

Description	Percent	Book Value
Certificates of Deposit	0.56%	\$ 148,485
Checking Account	99.44%	26,230,273
	100.00%	\$ 26,378,758

(1) Source: City Officials.

## TAX MATTERS

**TAX EXEMPTION . . .** The delivery of the Certificates is subject to the opinion of Bond Counsel to the effect that interest on the Certificates for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. A form of Bond Counsel's opinion is reproduced in Appendix B. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering the foregoing opinion, Bond Counsel will rely upon representations and certifications of the City made in a certificate dated the date of delivery of the Certificates pertaining to the use, expenditure, and investment of the proceeds of the Certificates and will assume continuing compliance by the City with the provisions of the Ordinance subsequent to the issuance of the Certificates. The Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Certificates and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Certificates are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of the proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Certificates to be includable in the gross income of the owners thereof from the date of the issuance of the Certificates.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Certificates is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the Certificates would have no right to participate in the audit process.

In responding to or defending an audit of the tax-exempt status of the interest on the Certificates, the City may have different or conflicting interests from the owners of the Certificates. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust ("FASIT"), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than \$1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer's applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Certificates. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Certificates.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Certificates from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Certificates. Prospective purchasers of the Certificates should consult with their own tax advisors with respect to any proposed or future change in tax law.

**TAX ACCOUNTING TREATMENT OF DISCOUNT AND PREMIUM ON CERTAIN CERTIFICATES . . .** Each of the Certificates will be deemed to be issued with original issue discount for federal income tax purposes (a "Discount Certificate"), because the initial interest payment date is more than twelve months after the Certificates will be delivered to the initial purchasers. The amount of original issue discount will further vary if the initial public offering price of a Discount Certificate (assuming that a substantial amount of the Discount Certificates of that maturity are sold to the public at such price) differs from the amount payable on such Discount Certificate at its maturity. A portion of the original issue discount allocable to the holding period of such Discount Certificate by the initial purchaser will, upon the disposition of such Discount Certificate (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Certificates described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Certificate, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Certificate and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Certificate by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount and downward for the payments denominated as interest allocable to the period for which such Discount Certificate was held) is includable in gross income.

Owners of Discount Certificates should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Certificates. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Certificates may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

### CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement while it remains obligated to advance funds to pay such Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at [www.emma.msrb.org](http://www.emma.msrb.org).

**ANNUAL REPORTS . . .** The City will provide to the MSRB updated financial information and operating data annually. The information to be updated includes quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under the Tables numbered 1 through 12 and in Appendix A. The City will update and provide this information in the numbered tables within six months after the end of each fiscal year ending in or after 2025 and audited financial statements within 12 months after the end of each fiscal year ending in or after 2025. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix A or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

The City's current fiscal year end is September 30. Accordingly, updated unaudited information included in the above-referenced tables must be provided by March 31 in each year, and audited financial statements must be provided by September 30 of each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the City otherwise would be required to provide financial information and operating data.

**NOTICE OF CERTAIN EVENTS . . .** The City shall notify the MSRB, in a timely manner not in excess of ten Business Days after the occurrence of the event, of any of the following events with respect to the Certificates: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material; (15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, and of which reflect financial difficulties. (Neither the Certificates nor the Ordinance makes any provision for debt service reserves or liquidity enhancement.) The term "Business Day" means a day other than a Saturday, Sunday, a legal holiday, or a day on which banking institutions are authorized by law or executive order to close in the City or the city where the designated payment office of the Paying Agent/Registrar is located (currently, the designated payment office of the Paying Agent/Registrar is in Dallas, Texas).

As used in clause 12 above, the phrase "bankruptcy, insolvency, receivership or similar event" means the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if jurisdiction has been assumed by leaving the City Council and official or officers of the City in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

As used in clauses 15 and 16 above, the term "Financial Obligation" means: (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii), however, the term Financial Obligation shall not include Municipal Securities as to which a final official statement has been provided to the MSRB consistent with the Rule; the term "Municipal Securities" means securities which are direct obligations of, or obligations guaranteed as to principal or interest by, a state or any political subdivision thereof, or any agency or instrumentality of a state or any political subdivision thereof, or any municipal corporate instrumentality of one or more states and any other Municipal Securities described by Section 3(a)(29) of the Securities Exchange Act of 1934, as the same may be amended from time to time.

In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

**AVAILABILITY OF INFORMATION . . .** The City has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at [www.emma.msrb.org](http://www.emma.msrb.org).

**LIMITATIONS AND AMENDMENTS . . .** The City has agreed to update information and to provide notices of certain specified events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Certificates may seek a writ of mandamus to compel the City to comply with its agreement.

The City's continuing disclosure agreements for the Certificates may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions, as so amended, would have permitted an Underwriter to purchase or sell the Certificates in the primary offering of such Certificates in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Ordinance that authorizes such an amendment) of the outstanding Certificates consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the registered owners and beneficial owners of such Certificates. The City may also amend or repeal the provisions of the continuing disclosure agreements if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an Underwriter from lawfully purchasing or selling the Certificates in the primary offering of such Certificates. If the City amends its agreements, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

**COMPLIANCE WITH PRIOR UNDERTAKINGS . . .** Due to an administrative oversight, certain annual financial information and material events were not timely filed with EMMA for fiscal year ending 2019. All information was filed on June 16, 2021, including a notice of late filing. The City has implemented procedures to ensure timely filing of all future financial information.

## **OTHER INFORMATION**

### **RATING**

The Certificates and the unenhanced presently outstanding tax-supported debt of the City are rated "A2" by Moody's. An explanation of the significance of each such rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of the organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that a rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the company, if in the judgment of the company, the circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price and marketability of the Certificates.

### **LITIGATION**

In the opinion of City officials, the City is not a party to any litigation or other proceeding pending or to their knowledge threatened, in or before any court, agency or other administrative body (either state or federal) which, if decided adversely to the City, would have a material adverse effect on the financial condition of the City.

### **CYBERSECURITY**

The City's operations are increasingly dependent on information technologies and services, which are exposed to cybersecurity risks and cyber incidents or attacks. While the City continually assesses and monitors its cybersecurity risks, the City has been (and may be in the future) subject to cyber-attacks from time to time. In response to such assessments and monitoring, the City takes actions it deems appropriate in response to cybersecurity risks, including, but not limited to, implementing cybersecurity training programs, obtaining technology improvements to mitigate cybersecurity risks, and taking other similar measures. To date, the City has not been the victim of any cyber-attack that has had a material adverse effect on its operations or financial condition. However, no assurance can be given that the City will fully prevent or successfully remediate the operational and/or financial impact of any cybersecurity incursions or incidents arising from events wholly or partially beyond the City's control, including electrical telecommunications outages, natural disasters or cyber-attacks initiated by criminal activities of individuals or organizations. Any such occurrence could materially and adversely affect the City's operations and/or financial condition.

### **WEATHER EVENTS**

The City is located in the north central region of Texas. Land located in this area is susceptible to high winds, tornadoes, fires and arid conditions. If a future weather event significantly damages all or part of the properties comprising the tax base within the City, the assessed value of property within the City could be substantially reduced, which could result in a decrease in tax revenue and/or necessitate an increase in the City tax rate. Under certain conditions, Texas law allows a city to increase property tax rates without voter approval upon the occurrence of certain disasters such as a tornado, flooding or extreme drought and upon gubernatorial or presidential declaration of disaster. There can be no assurance that a casualty loss to taxable property within the City will be covered by insurance (or that property owners will carry flood or the appropriate, applicable other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds or that insurance proceeds will be used to rebuild or repay any damaged improvements within the City or be sufficient for such purposes. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the City could be adversely affected.

### **REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE**

The sale of the Certificates has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2). The Certificates have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of the Preliminary Official Statement. The Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

### **LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS**

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201), the Certificates (i) are negotiable instruments, (ii) are investment securities to which Chapter 8 of the Texas Uniform Commercial Code applies, and (iii) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Certificates are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Certificates have to be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency before the Certificates are eligible investments for sinking funds and other public funds. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital and savings and loan associations.

The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Certificates to any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Certificates for such purposes. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

#### **LEGAL OPINIONS**

The City will furnish to the Underwriters a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Certificate and to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "Tax Matters" herein. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Preliminary Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions "PLAN OF FINANCING" (except under the subcaption "Sources and Uses of Proceeds"), "THE CERTIFICATES" (exclusive of the subcaptions "Book-Entry-Only System" and "Remedies"), "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (exclusive of the subcaption "Compliance with Prior Undertakings") and the subcaptions "Legal Opinions" (except for the last sentence of the first paragraph thereof), "Registration and Qualification of Certificates for Sale," and "Legal Investments and Eligibility to Secure Public Funds in Texas" under the caption "OTHER INFORMATION" in the Preliminary Official Statement, and such firm is of the opinion that the information relating to the Certificates and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Certificates, such information conforms to the Ordinance. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates. The legal opinion will accompany the Certificates deposited with DTC or will be printed on or attached to the Certificates in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Counsel to the Underwriters, whose legal fees are contingent upon the sale and delivery of the Certificates.

The various legal opinions to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise from the transaction.

#### **AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION**

The financial data and other information contained herein have been obtained from City records, audited and unaudited financial statements and other sources, which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and Ordinance contained in this Preliminary Official Statement are made subject to all of the provisions of such statutes, documents and Ordinance. These summaries do not purport to be complete statements of such provisions and reference is made to such statutes, documents and Ordinance for further information. Reference is made to original documents in all respects.

#### **FINANCIAL ADVISOR**

Sentry Management, Inc. ("Sentry Management"), is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. Sentry Management, in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the City has provided the following sentence for inclusion in this Preliminary Official Statement. The Financial Advisor has reviewed the information in this Preliminary Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

#### **UNDERWRITING**

The Underwriters have agreed, subject to certain conditions, to purchase the Certificates from the City at an underwriting discount of \$\_\_\_\_\_ from the initial prices/yields to the public as shown on the inside cover page hereof. The Underwriters will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Certificates into investment trusts) at prices lower or yields higher than the public offering prices or yields of such Certificates, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

#### **FORWARD-LOOKING STATEMENTS DISCLAIMER**

The statements contained in this Preliminary Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Preliminary Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Preliminary Official Statement will prove to be accurate.

#### **MISCELLANEOUS**

The Ordinance will approve the form and content of this Preliminary Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Certificates by the Underwriters.

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City of Decatur, Texas

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**APPENDIX A**

EXCERPTS FROM THE  
CITY OF DECATUR, TEXAS  
ANNUAL COMPREHENSIVE FINANCIAL REPORT  
For the Year Ended September 30, 2024

The information contained in this Appendix consists of excerpts from the City of Decatur, Texas Annual Comprehensive Financial Report for the Year Ended September 30, 2024 and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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## **Independent Auditor's Report**

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

### ***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Decatur, Texas (City), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the City, as of September 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

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

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

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

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

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

In performing an audit in accordance with GAAS, we:

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

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

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

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

***Forvis Mazars, LLP***

Dallas, Texas  
February 19, 2025

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

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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, 2024. The analysis should be read in conjunction with the financial statements that follow.

***Financial Highlights***

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$51,917,975 (net position). Of this amount, \$(661,745) represents unrestricted net position, and is a deficit balance due to the net pension and other postemployment benefit liabilities recorded at year-end.
- The City's total net position increased \$1,276,643 from prior year. \$1,670,135 of this increase was attributed to governmental activities, which offset the \$393,492 decrease from business-type activities.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$36,552,584. Approximately 3% of this amount (\$915,349) is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unrestricted fund balance (the total of the assigned and unassigned components of fund balance) for the general fund was \$2,892,936, or approximately 18% of total general fund expenditures.
- The City's total outstanding long-term debt, excluding unamortized premiums, increased by \$12,152,047 during the current fiscal year because of a new bond and lease issuance.

***Overview of the Financial Statements***

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

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

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

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

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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, 2024**

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

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

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

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

**Government-wide Overall Financial Analysis**

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City's, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$51,917,975, at the close of the most recent fiscal year.

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

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

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

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By far, the largest portion of the City's net position (78%) reflects its investment in capital and lease assets (e.g., land, buildings, machinery, equipment, vehicles, infrastructure, and lease assets), net of accumulated depreciation/amortization, and less any related outstanding debt that was used to acquire those assets. The City uses these capital and lease assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital and lease assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

The City's net position increased \$1,276,643 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

**Governmental Activities.** During the current fiscal year, net position for governmental activities increased \$1,670,135 from the prior fiscal year for an ending balance of \$36,121,381. The increase in net position is primarily due to recognition of grant revenue under the Coronavirus State and Local Fiscal Recovery Funds and ad valorem tax revenues due to increased valuations and sales tax revenues due to a spike in inflation.

**Business-type Activities.** For the City's business-type activities, the results for the current fiscal year yielded an ending balance of \$15,796,594. The total decrease in net position for business-type activities was \$393,492 from the prior fiscal year. Operations in 2024 and 2023 were relatively consistent.

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

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Government Totals</b>	
	<b>FY2024</b>	<b>FY2023</b>	<b>FY2024</b>	<b>FY2023</b>	<b>FY2024</b>	<b>FY2023</b>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 2,722,791	\$ 2,633,120	\$ 5,982,697	\$ 6,081,189	\$ 8,705,488	\$ 8,714,309
Operating grants and contributions	455,307	403,996	-	-	455,307	403,996
Capital grants and contributions	45,501	563,885	-	910,100	45,501	1,473,985
Total program revenues	3,223,599	3,601,001	5,982,697	6,991,289	9,206,296	10,592,290
General revenues:						
Ad valorem taxes	7,473,831	6,687,323	428,501	403,415	7,902,332	7,090,738
Sales taxes	6,773,131	6,666,226	-	-	6,773,131	6,666,226
Franchise, occupancy and other taxes	1,200,052	1,359,894	-	-	1,200,052	1,359,894
Interest on investments	1,733,656	936,793	537,118	278,756	2,270,774	1,215,549
Gain on sale of capital assets	39,544	-	-	-	39,544	-
Contributions not restricted for a specific purpose	1,149,777	455,497	-	-	1,149,777	455,497
Miscellaneous	487,524	340,733	-	-	487,524	340,733
Total general revenues	18,857,515	16,446,466	965,619	682,171	19,823,134	17,128,637
Total revenues	22,081,114	20,047,467	6,948,316	7,673,460	29,029,430	27,720,927
<b>Expenses</b>						
General government	1,889,103	2,137,567	-	-	1,889,103	2,137,567
Airport	390,625	397,011	-	-	390,625	397,011
Main street	233,089	238,723	-	-	233,089	238,723
Fire protection	3,177,662	2,927,743	-	-	3,177,662	2,927,743
Police	4,728,312	4,459,470	-	-	4,728,312	4,459,470
Animal control	84,098	63,647	-	-	84,098	63,647
Streets	1,722,538	1,922,178	-	-	1,722,538	1,922,178
Library	557,802	629,636	-	-	557,802	629,636
Tax and court	431,092	409,943	-	-	431,092	409,943
Parks	947,935	902,924	-	-	947,935	902,924
Planning services	428,603	483,940	-	-	428,603	483,940
Inspection services	669,563	565,149	-	-	669,563	565,149
Cemetery	146,798	262,672	-	-	146,798	262,672
Conference center	1,325,367	1,245,452	-	-	1,325,367	1,245,452
Economic development	1,116,020	1,166,583	-	-	1,116,020	1,166,583
Technology	548,066	567,552	-	-	548,066	567,552
Interest and fiscal charges	2,024,810	1,523,722	-	-	2,024,810	1,523,722
Water, sewer, and garbage	-	-	7,341,808	7,209,635	7,341,808	7,209,635
Total expenses	20,421,483	19,903,912	7,341,808	7,209,635	27,763,291	27,113,547
Increase (decrease) in net position before transfers and contributions to permanent endowment	1,659,631	143,555	(393,492)	463,825	1,266,139	607,380
Contributions to permanent endowment	10,504	9,962	-	-	10,504	9,962
<b>Change in Net Position</b>	<b>1,670,135</b>	<b>153,517</b>	<b>(393,492)</b>	<b>463,825</b>	<b>1,276,643</b>	<b>617,342</b>
<b>Net Position, Beginning</b>	<b>34,451,246</b>	<b>34,297,729</b>	<b>16,190,086</b>	<b>15,726,261</b>	<b>50,641,332</b>	<b>50,023,990</b>
<b>Net Position, Ending</b>	<b>\$ 36,121,381</b>	<b>\$ 34,451,246</b>	<b>\$ 15,796,594</b>	<b>\$ 16,190,086</b>	<b>\$ 51,917,975</b>	<b>\$ 50,641,332</b>

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

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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, 2024, the City's governmental funds reported combined fund balances of \$36,552,584, an increase of \$515,890 in comparison with the prior year. Approximately 3% of this amount (\$915,349) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is either nonspendable, restricted, or assigned to indicate that it is: 1) not in spendable form (\$15,410), 2) legally required to be maintained intact (\$2,013,598), 3) restricted for particular purposes (\$31,630,640), or 4) assigned for particular purposes (\$1,977,587).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$915,349, while total fund balance decreased to \$4,189,593. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 6% of total general fund expenditures, while total fund balance represents approximately 26% of that same amount.

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

The special revenue fund had a \$488,704 increase in fund balance during the current fiscal year to bring the year-end fund balance to \$8,502,528. The increase in fund balance was mainly attributable to increased sales tax revenue and decreased capital outlay expenditures compared to the prior year. A significant portion of fund balance is restricted for economic development while the trust principal of the cemetery endowment is nonspendable.

The debt service fund had a slight increase in fund balance during the current year of \$168,478 to bring the year-end fund balance to \$1,925,893. The increase in fund balance was mainly attributable to increased property tax revenue.

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

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

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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 of the Enterprise Fund at the end of the year was \$379,913. The total change in net position was \$(393,492). Operations in 2024 and 2023 were relatively consistent.

***General Fund Budgetary Highlights***

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

***Pensions and Retiree Health Care***

Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* created specific reporting requirements for pensions that are different than that used for funding purposes. Both valuations are important as the reporting valuation provides a rigorous standard measure that can be used to compare the City's pension liabilities to other governments around the nation. The funding valuation is important as the actuarial methods used, including strategies for repaying any unfunded actuarial accrued liabilities combined with the City's history of making those contributions provides insights regarding the City's commitment to the effectiveness of its funding strategy. On a reporting basis, the City's financial statements reflect a Net Pension Liability as of September 30, 2024, of \$6,451,417 which is 73.63% of the City's measurement year 2023 covered payroll of \$8,762,268.

Retiree supplemental death benefit actuarially accrued liability has been calculated in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. The Total OPEB Liability is \$389,520 as of September 30, 2024, which is 4.45% of the City's measurement year 2023 covered payroll of \$8,762,268.

***Capital and Lease Assets and Debt Administration***

**Capital and Lease Assets.** The City's investment in capital and lease assets for its governmental and business-type activities as of September 30, 2023, amounts to \$80,359,312 (net of accumulated depreciation and amortization). This investment in capital and lease assets includes land, construction in progress, buildings, machinery, equipment, vehicles, park facilities, roads, the water treatment plant, and right to use lease assets. The total increase in capital assets for the current fiscal year was approximately 25%.

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

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

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

- Construction in connection with police department project

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

**Long-term Debt.** At the end of the current fiscal year, the City had total debt outstanding, excluding unamortized premiums, of \$62,269,902

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

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

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

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

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

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

- Ad valorem tax revenues are budgeted to increase due to slightly higher certified values and construction.
- Sales tax, hotel/motel taxes are anticipated to increase slightly.
- Water and sewer revenues are anticipated to remain steady/increases consider with ongoing rate study.
- Expenditures are budgeted to increase due to increased personnel cost, professional services, and funding received under ARPA that needs to be expended by December 2026.
- Capital expenditures include the purchase of equipment, vehicles, and infrastructure improvements.

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

The City blends the Wise County Water Supply District (District) into the business-type activities of the City. The District's separately issued 2024 financial statements dated December 10, 2024, may be obtained by contacting the District's General Manager, Greg Hall at 201 E. Walnut, Decatur, Texas 76234.

***Financial Contact***

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

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## ***Basic Financial Statements***

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

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

See Notes to Financial Statements

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

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

**General revenues and contributions to permanent endowment**

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

Total general revenues and transfers

Change in net position

Net position, beginning of year

Net position, end of year

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

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

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

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

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

Total fund balances – governmental funds	\$ 36,552,584
Capital and lease assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	54,874,706
Certain revenue earned but reported as a deferred inflow of resources in the funds.	92,210
The accrued interest payable on long-term debt is not due and payable in the current year and, therefore, it is not reported in the governmental funds.	(655,856)
Long-term liabilities and related deferred outflows and inflows of resources (deferred charge on refunding, deferred outflows of resources – pension, deferred outflows of resources – OPEB, deferred inflows of resources – pension, and deferred inflows of resources – OPEB), including bonds payable, leases payable, compensated absences, net pension liability, and total OPEB liability are not due and payable in the current period and, therefore, are not reported in the governmental funds financial statements.	<u>(54,742,263)</u>
Total net position – governmental activities	<u>\$ 36,121,381</u>

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

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

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

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

Net change in fund balances – governmental funds	\$ 515,890
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation/amortization expense. This is the amount by which capital expenditures (\$13,926,224) exceeded capital depreciation/amortization expense (\$1,801,750) in the current period.	12,124,474
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The net effect of various miscellaneous transactions involving capital assets (i.e. sales or donations) is to decrease net position.	(30,456)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the net change in current year for these revenues.	(62,082)
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The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of deferred gain/loss on refunding, premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(9,965,047)
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Current year change in accrued interest requires the use of current financial resources; but is not reported as an expense in the governmental activities.	(354,093)
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Current year changes in long-term liabilities for compensated absences did/(did not) require the use of current financial resources; and are/(are not) reported as expenses in governmental activities.	(156,134)
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Current year pension and OPEB expenditures are reported on the fiscal year basis in the governmental statement of revenues, expenditures, and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in deferred outflows/inflows of resources balances.	<u>(402,417)</u>
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Change in the net position of governmental activities	<u>\$ 1,670,135</u>
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**City of Decatur, Texas**  
**Statement of Net Position**  
**Proprietary Fund**  
**September 30, 2024**

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

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

(Continued)

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

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

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

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

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**Cash Flows from Operating Activities**

Cash received from customers	\$ 5,912,257
Cash payments to suppliers for goods and services	(3,407,938)
Cash payments to employees and other directly related employment costs	(2,257,215)
Other operating payments	<u>(23,039)</u>

Net cash provided by operating activities	<u>224,065</u>
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**Cash Flows from Capital and Related Financing Activities**

Property taxes (capital), net	430,349
Acquisition and construction of capital assets	(3,882,979)
Proceeds from issuance of long-term debt	4,054,163
Principal paid on long-term debt	(510,000)
Interest paid on long-term debt	<u>(490,297)</u>

Net cash used in capital and related financing activities	<u>(398,764)</u>
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**Cash Flows from Investing Activities**

Interest on investments	<u>537,118</u>
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Net cash provided by investing activities	<u>537,118</u>
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Net increase in cash and cash equivalents	362,419
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<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>7,293,714</u>
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<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 7,656,133</u></u>
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**City of Decatur, Texas**  
**Proprietary Fund - Statement of Cash Flows**  
**Year Ended September 30, 2024**

**(Continued)**

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

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

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

Purchase of capital assets in accounts payable	\$ 985,835
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## **Note 1. Summary of Significant Accounting Policies**

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

### ***Description of the Reporting Entity***

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

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

### ***Blended Component Units***

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

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

### ***Related Organizations***

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

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

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

## ***Basis of Presentation***

### ***Government-wide Financial Statements***

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

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

### ***Fund Financial Statements***

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

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.
- The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The Corporation for Economic Development of the City of Decatur, Texas is a blended component unit of the City that has been included in this fund for financial statement presentation.
- The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.
- The Capital Project Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The City reports the following major enterprise fund:

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

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

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

### ***Transactions Between Funds***

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

The city allocates to the enterprise fund and the special revenue fund an indirect cost percentage of administrative services for those funds but paid through the general fund along with other indirect costs deemed necessary for their operations. During the fiscal year ended September 30, 2024, the City's general fund was reimbursed \$527,000 for these services.

### ***Cash and Cash Equivalents***

The City considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2024, cash equivalents consisted primarily of certificates of deposit.

### ***Prepaid Items***

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

### ***Capital and Lease Assets***

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

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

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

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

<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***

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

### ***Lease Liability***

The City is a lessee for noncancellable leases. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more. At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

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

### ***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS' Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### ***Defined Benefit Other Postemployment Benefit Plan***

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

### ***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future reporting period(s) and so will not be recognized as an outflow of resources (expense/expenditure/reduction of net pension liability or total OPEB liability) until then. The City has the following items that qualify for reporting in this category:

- Deferred charge on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension contributions after measurement date – These contributions are deferred and will be recognized in the subsequent fiscal year-end.
- Difference in expected and actual experience – pension – This difference is deferred and amortized over the average remaining service life of all participants in the pension plan and recorded as a component of pension expense beginning with the period in which they are incurred.
- Difference in projected and actual earnings on pension plan investments – pension – This difference is deferred and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.
- OPEB contributions after measurement date – These contributions are deferred and will be recognized in the subsequent fiscal year-end.

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

In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future reporting period(s) and so will not be recognized as an inflow of resources (revenue/increase of net pension liability or total OPEB liability) until that time. The City has the following items that qualify for reporting in this category:

- Deferred gain on refunding – A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Difference in assumption changes – OPEB – This difference is deferred and amortized over the average remaining service life of all participants in the OPEB plan and recorded as a component of OPEB expense beginning with the period in which they are incurred.
- Difference in expected and actual experience – OPEB – This difference is deferred and amortized over the average remaining service life of all participants in the OPEB plan and recorded as a component of OPEB expense beginning with the period in which they are incurred.
- Difference in assumption changes – pension – This difference is deferred and amortized over the average remaining service life of all participants in the pension plan and recorded as a component of pension expense beginning with the period in which they are incurred.
- Leases – This is reported under both the full accrual and modified accrual basis of accounting. This is measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. The City will recognize an inflow of resources from the deferred inflows of resources in a systematic and rational manner over the term of the lease.
- Unavailable revenue – This arises only under a modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from the following sources: property taxes and court revenues. In the General Fund, deferred inflows of resources consist of property taxes of \$34,580 and court revenues of \$44,256. In the Debt Service Fund, unavailable revenues consist of property taxes in the amount of \$13,374. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

### ***Fund Balance Policies and Classifications***

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

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

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

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

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

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

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

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

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

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

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

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

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

***Minimum Fund Balance Policy***

The Council has adopted a financial policy to maintain a minimum level of unassigned fund balance in the General Fund and Debt Service Fund. The City strives to maintain a Budget Fund Balance in the General Fund equivalent to, at a minimum, twenty-five percent (25%) of regular ongoing operating expenditures (equivalent to 3 months) and, at a maximum, thirty-five percent (35%) of regular ongoing operating expenditures. For the purposes of this policy, current fiscal year's actual expenditures will exclude significant non-recurring items.

***Net Position***

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

- **Net Investment in Capital Assets** – This category groups all capital and lease assets, including infrastructure, into one component of net position. Accumulated depreciation/amortization and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- **Restricted Net Position** – This category represents net position that have external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

- **Unrestricted Net Position** – The category represents net position of the City, not restricted for any project. Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts reported as restricted – net position and unrestricted net-position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted-net position to have been depleted before unrestricted net position is applied.

### ***Minimum Net Position Balance Policy***

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

### ***Use of Estimates***

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

### ***Future Accounting Pronouncements***

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

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

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

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

**Note 2. Deposits and Investments**

***Deposits***

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

***Investments***

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

For fiscal year 2024, the City invested in non-negotiable certificates of deposits measured at amortized cost, as well as money market funds valued at NAV. The City records all interest revenue related to investment activities in the respective funds. As of September 30, 2024, the carrying amount of the City's certificates of deposits and money market funds totaled \$1,150,969 and \$1,324,023, respectively.

***Custodial Credit Risk***

There is a risk that, in the event of a bank failure, the City's deposits may not be returned. Both the City's investment policy and the *Texas Public Funds Investment Act* requires that all deposits of the City that exceed the Federal Depository Insurance Corporation (FDIC) coverage levels are collateralized with securities held by a third-party custodian in the City's name. As of September 30, 2024, the value of the City's deposits and investments not insured through the FDIC has been fully collateralized and meets the requirements of the City's policy and state statutes.

***Interest Rate Risk***

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

The City's investments carried at NAV as of September 30, 2024, are:

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

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

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***Fair Value of Investments***

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

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

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

**Level 3** Unobservable inputs.

Debt and equity securities classified as Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches: debt securities are normally valued based on price data obtained from observed transactions and market price quotations from broker dealers and/or pricing vendors; equity securities are valued using fair value per share for each fund. Securities classified as Level 3 have limited trade information, these securities are priced or using the last trade price or estimated using recent trade prices. The City has no Level 1, 2 or 3 investments at September 30, 2024.

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2024:

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

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

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

**Note 3. Ad Valorem Taxes**

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

Taxes are due on October 1 immediately following the levy date and are delinquent after the following January 31st. Current tax collections for the year ended September 30, 2024, were 99.24% of the adjusted tax levy. Allocations of property tax levy by purpose for 2024 are as follows (amounts per \$100 assessed value):

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

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

**Note 4. Receivables**

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

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

**Leases Receivable**

The City leases a building to a third party, the terms of which expire in 2030. The City recognized approximately \$4,900 in lease revenue and \$1,000 in interest revenue during the current fiscal year related to the lease. As of September 30, 2024, the City's receivable for lease payments was \$27,911. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of September 30, 2024, the balance of the deferred inflow of resources was \$27,459.

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

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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. At the end of the ground lease, the improvements revert to City ownership. The City had seven leases during the year that had terms exceeding one year. The revenue recognized for these leases during the fiscal year ended September 30, 2024, was approximately \$8,000. The future principal and interest lease receipts for regulated leases as of September 30, 2024, were as follows:

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

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

**Note 5. Capital and Lease Assets**

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

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

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

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

**Governmental Activities**

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

Total depreciation expense – governmental activities	\$	<u>1,487,440</u>
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**Business-type Activities**

Water, sewer, and garbage	\$	<u>870,386</u>
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Total depreciation expense – business-type activities	\$	<u>870,386</u>
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Lease asset activity for the year ended September 30, 2024, was as follows:

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

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

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

**Governmental Activities**

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

**Note 6. Defined Benefit Pension Plan**

***Plan Description***

The City of Decatur, Texas participates as one of over 900 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the *TMRS Act*, Subtitle G, Title B, Texas Government Code (TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of the System with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available comprehensive annual financial report (Annual Report) that can be obtained at [www.tmr.com](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, 2023, valuation and measurement date, the following employees were covered by the benefit terms:

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

***Contributions***

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

Employees for the City were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 15.47% and 14.17% in calendar years 2024 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2024, were \$1,473,755, and were equal to the required contributions.

***Net Pension Liability***

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

***Actuarial Assumptions***

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

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage.

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

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

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

***Discount Rate***

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

***Changes in the Net Pension Liability***

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

### ***Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate***

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

<b><u>1% Decrease in Discount Rate (5.75%)</u></b>	<b><u>Current Single Rate Assumption (6.75%)</u></b>	<b><u>1% Increase in Discount Rate (7.75%)</u></b>
\$ 12,251,971	\$ 6,451,417	\$ 1,715,978

### ***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TMRS financial report. That report may be obtained at [www.tmr.com](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, 2024, the City recognized pension expense of \$2,019,508.

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

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

\$1,153,596 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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

### ***Allocation of Pension Items***

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

**Note 7. Postemployment Benefits Other Than Pensions**

***Plan Description***

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

***Benefits Provided***

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

***Employees Covered by Benefit Terms***

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

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

***Contributions***

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

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

***Total OPEB Liability***

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

***Actuarial Assumptions***

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

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

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

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

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

**Discount Rate**

The discount rate used to measure the Total OPEB Liability as of December 31, 2023, was 3.77%, compared to 4.05% as of December 31, 2022. Because the Supplemental Death Benefits Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of the measurement date of December 31, 2023.

**Changes in the Total OPEB Liability**

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

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.77%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.77%) or 1-percentage-point higher (4.77%) than the current rate:

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

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

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

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

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference in expected and actual experience	\$ 5,454	\$ 10,883
Changes of assumptions	44,837	114,470
Employer contributions subsequent to the measurement date	7,457	-
	<u>57,748</u>	<u>-</u>
Total	<u>\$ 57,748</u>	<u>\$ 125,353</u>

\$7,457 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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

***Allocation of OPEB Items***

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

**Note 8. Deferred Compensation Plan**

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

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

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

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

**Note 9. Long-term Debt**

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

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

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

***Refunding Bonds and Certificates of Obligation***

The City issues tax and waterworks sewer system surplus revenue refunding bonds and general obligation refunding bonds to provide funds for the acquisition and construction of major capital facilities and to achieve debt service savings. The Bonds constitute direct obligations of the City, payable from an annual, continuing ad valorem tax levied, within the limit prescribed by law, on all taxable property located within the City. Refunding bonds outstanding at September 30, 2024, are as follows:

<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	\$ 1,565,000
					<u>\$ 1,565,000</u>

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

The City issues tax and waterworks sewer system revenue certifications of obligation to provide funds for the acquisition and construction of major capital facilities. The Certificates constitute direct obligations of the City, payable from an annual, continuing ad valorem tax levied, within the limit prescribed by law, on all taxable property located within the City and a limited pledge of the net revenues of the City's waterworks and sewer systems. Certificates of obligations outstanding are payable out of both the governmental and business-type activities and at September 30, 2024, are as follows:

<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	\$ 30,670,000
Tax and Limited Waterworks and Sewer System Revenue Certification of Obligations	2024	\$ 14,310,000	4.0%-5.0%	2054	14,310,000
					<u>\$ 44,980,000</u>

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

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

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

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

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

**Sales Tax Revenue Bonds**

The Corporation for Economic Development of the City of Decatur, Texas (EDC) issues sales tax revenue bonds to provide funds for the acquisition and construction of major capital improvements. The Bonds do not constitute direct obligations of the City. The bonds are payable from a one-half of a one percent sales and use tax collected within the boundaries of the City. Sales tax bonds outstanding at September 30, 2024, are as follows:

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

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

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

The maturity schedule above shows that there is no principal due for the upcoming year. This is due to the City having paid the principal and interest maturities due on October 1, 2024, before year end.

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

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

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

***Unlimited Tax Refunding Bonds***

The Wise County Water Supply District (District) issues unlimited tax refunding bonds to provide funds for the acquisition and construction of major capital facilities and achieve debt service savings. The bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the District without legal limit as to rate or amount. Unlimited tax refunding bonds outstanding at September 30, 2024, are as follows:

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

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

<b>Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2025	\$ 355,000	\$ 44,400	\$ 399,400
2026	370,000	30,200	400,200
2027	<u>385,000</u>	<u>15,400</u>	<u>400,400</u>
Totals	<u>\$ 1,110,000</u>	<u>\$ 90,000</u>	<u>\$ 1,200,000</u>

***Lease Liability***

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

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

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

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

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

Receivable Fund	Payable Fund		Amount
General Fund	Special Revenue	\$	132,127
Special Revenue	General Fund	\$	114,409
Enterprise Fund	General Fund	\$	13,200

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

**Note 11. Interfund Transfers**

All interfund transfers between the various funds are approved supplements to the operations of those funds. There were no transfers between funds for the year ended September 30, 2024.

**Note 12. Commitments and Contingencies**

***Risk Management***

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

**Note 13. Tax Abatement Agreements**

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

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

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

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

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***Required Supplementary Information***

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

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

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

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

**Other Information:**

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

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

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

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

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

**Notes to Schedule of Contributions**

**Valuation Date:**

Notes

Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

**Methods and Assumptions Used to Determine Contribution Rates:**

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

**Other Information:**

Notes

There were no benefit changes during the year.

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

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

	Measurement Year		
	2017	2018	2019
<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%

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

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**APPENDIX B**

FORM OF BOND COUNSEL'S OPINION

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[Closing Date]

Norton Rose Fulbright US LLP  
2200 Ross Avenue, Suite 3600  
Dallas, Texas 75201-7932  
United States

Tel +1 214 855 8000  
Fax +1 214 855 8200  
nortonrosefulbright.com

IN REGARD to the authorization and issuance of the "City of Decatur, Texas, Tax and Limited Waterworks and Sewer System Revenue Certificates of Obligation, Series 2026," dated December 1, 2025, in the principal amount of \$\_\_\_\_\_ (the "Certificates"), we have examined into their issuance by the City of Decatur, Texas (the "City"), solely to express legal opinions as to the validity of the Certificates and the exclusion of the interest on the Certificates from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Certificates, or the sufficiency of the security for or the value or marketability of the Certificates.

THE CERTIFICATES are issued in fully registered form only and in denominations of \$5,000 or any integral multiple thereof (within a maturity). The Certificates mature on March 1 in each of the years specified in an ordinance adopted by the City Council of the City authorizing the issuance of the Certificates (the "Ordinance"), unless redeemed prior to maturity in accordance with the terms stated on the Certificates. The Certificates accrue interest from the dates, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Certificates, including the Ordinance and an examination of the initial Certificate executed and delivered by the City (which we found to be in due form and properly executed); (ii) certifications of officers of the City relating to the expected use and investment of proceeds of the sale of the Certificates and certain other funds of the City and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Certificates, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Certificates have been duly authorized by the City and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the City, payable from an ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the City, and are additionally payable from and secured by a limited pledge of the Net Revenues (as defined in the Ordinance) of the City's Waterworks and Sewer System in the manner and to the extent provided in the Ordinance, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with the general principles of equity.

Page 2 of Legal Opinion of Norton Rose Fulbright US LLP

Re: "City of Decatur, Texas, Tax and Limited Waterworks and Sewer System Revenue  
Certificates of Obligation, Series 2026"

2. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the City with the provisions of the Ordinance relating to sections 141 through 150 of the Code, interest on the Certificates for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals.

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

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