

CITY OF DORCHESTER, TEXAS

FINANCIAL STATEMENTS
and
INDEPENDENT AUDITORS' REPORT

SEPTEMBER 30, 2025

City
of
DORCHESTER



CITY OF DORCHESTER, TEXAS

Organizational Data

For the Year Ended September 30, 2025

CITY COUNCIL

		Term Expires In May of
Mayor	David Smith	2027
Mayor Pro-Term	Justin Raner	2027
Alderman	Willies Baillou	2026
Alderman	Jeremy DeVore	2026
Alderman	James Stewart	2027
Alderman	Justyn Davis	2026

PRINCIPAL EMPLOYEES

Water Operator	Gary Bennett
City Secretary	Becky Vincent
Part Time Secretary	Kathy Raner
Director of Public Works	James Parkman
City Attorney	Abernathy, Roeder, Boyd & Hullett, PC PC - Ryan Pittman

WATER RATES

	New Meter	\$	7,600.00	
	Deposit Fee	\$	100.00	
	Transfer Fee	\$	50.00	
	5/8" x 3/4"		Monthly Rate	Monthly Rate
<u>Meter Size</u>	<u>Meter Equivalents</u>		<u>Inside City</u>	<u>Outside City</u>
5/8" x 3/4"	1.00	\$	45.00	\$ 60.00
3/4"	1.50	\$	45.00	\$ 60.00
1"	2.50	\$	112.50	\$ 150.00
1 1/2"	5.00	\$	225.00	\$ 300.00
2"	8.00		Requires City Council Approval	

CITY OF DORCHESTER, TEXAS

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HankinsEastup

Deaton Tonn Seay & Scarborough | A Texas LLC

Independent Auditors' Report

Honorable Mayor and City Council
City of Dorchester, Texas

Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Dorchester, Texas (the “City”) as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the City as of September 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the “Auditors’ Responsibilities for the Audit of the Financials” 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 opinion.

Emphasis of a Matter – Compensated Absences

As discussed in the notes to the financial statements, the City has changed its accounting for compensated absences, which was required by Governmental Accounting Standards Board (GASB) Statement No. 101, which became effective for fiscal years beginning after December 15, 2023. Our opinions are not modified with respect to this matter.

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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors’ Responsibility 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 auditors’ 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedules, as listed in the table of contents, are 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.



Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC
Denton, Texas
March 13, 2026

CITY OF DORCHESTER, TEXAS

Management's Discussion and Analysis

September 30, 2025

As management of the City of Dorchester (the City), Texas, we offer readers of the City of Dorchester's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2025. Please consider this information in conjunction with the accompanying financial statements.

Financial Highlights

- The City's total net position of governmental activities increased by \$96,209 to \$516,529 and the business-type activities decreased by (\$74,627) to \$1,671,649, representing 24% and 76% respectively, of the total net position of \$2,188,278.
- General revenues from governmental activities accounted for \$252,104 (or 90% of governmental revenue), while program revenues resulting from operating grants and contributions amounted to \$28,730. The City had \$763,825 of program revenues, and \$12,186 in general revenues related to business-type activities.
- The City's governmental activities had net expenditures of \$220,810, for which general revenues of \$252,104 were adequate to provide for the costs of these programs in the governmental activities net position. The City had \$900,719 in expenses related to business-type activities, for which total revenues of \$776,011 were not sufficient to offset all of the business-type costs, resulting in a decrease in net position of (\$124,708).

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 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 and liabilities, 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.

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).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or as significant portion of their costs through user fees and charges (*business-type*). The governmental activities of the City include general government and streets and public works. The business-type activities of the City include water.

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 three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported a 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.

CITY OF DORCHESTER, TEXAS

Management's Discussion and Analysis

September 30, 2025

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 two individual governmental funds: the general fund and a special revenue fund. 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 and special revenue fund.

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.

Proprietary Funds. The City reports the activities for which it charges users in a proprietary fund known as an *enterprise fund*. Enterprise funds are 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 sewer operations.

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 Water and Sewer 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.

Government-wide Overall Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$2,188,278 and represented a decrease of \$65,157 over the prior year's net position of \$2,253,435. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - is \$810,600 at September 30, 2025, an increase of \$21,582 from the prior year unrestricted net position of \$789,018.

The following table represents a summary of the City's net position for the years ended September 30, 2025 and 2024:

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Assets						
Current assets	\$ 449,403	\$ 405,923	\$ 478,691	\$ 559,607	\$ 928,094	\$ 965,530
Capital assets	76,423	80,018	1,301,255	1,351,809	1,377,678	1,431,827
Total Assets	<u>525,826</u>	<u>485,941</u>	<u>1,779,946</u>	<u>1,911,416</u>	<u>2,305,772</u>	<u>2,397,357</u>
Liabilities						
Current liabilities	9,297	29,436	108,197	114,486	117,494	143,922
	<u>9,297</u>	<u>29,436</u>	<u>108,197</u>	<u>114,486</u>	<u>117,494</u>	<u>143,922</u>
Net position:						
Net investment in capital assets	76,423	80,018	1,301,255	1,351,809	1,377,678	1,431,827
Restricted for Capital Assets	-	32,590	-	-	-	32,590
Unrestricted	440,106	343,897	370,494	445,121	810,600	789,018
Total Net Position	<u>\$ 516,529</u>	<u>\$ 456,505</u>	<u>\$ 1,671,749</u>	<u>\$ 1,796,930</u>	<u>\$ 2,188,278</u>	<u>\$ 2,253,435</u>

CITY OF DORCHESTER, TEXAS
Management's Discussion and Analysis
September 30, 2025

The following table presents a summary of the changes in net position for the years ended September 30, 2025 and 2024.

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Program Revenues:						
Charges for services - fees and others	-	-	762,825	786,541	762,825	786,541
Operating Grants and Contributions	28,730	125,796	1,000	62,000	29,730	187,796
Capital Grants and Contributions	-	-	-	2,000	-	2,000
General revenues:						
Sales taxes	17,176	15,432	-	-	17,176	15,432
Other local taxes	9,024	7,102	-	-	9,024	7,102
Permits and Fees	205,811	37,043	-	-	205,811	37,043
Investment earnings	13,424	5,661	12,186	11,515	25,610	17,176
Government grants	-	-	-	-	-	-
Miscellaneous	6,669	7,014	-	-	6,669	7,014
Special Items	-	-	-	-	-	-
Total revenues	280,834	198,048	776,011	862,056	1,056,845	1,060,104
Expenditures:						
General government and other	217,970	130,868	-	-	217,970	130,868
Street and Public works	2,840	3,871	-	-	2,840	3,871
Water and sewer	-	-	900,719	952,075	900,719	952,075
Total expenditures:	220,810	134,739	900,719	952,075	1,121,529	1,086,814
Increase in net position before transfers	60,024	63,309	(124,708)	(90,019)	(64,684)	(26,710)
Nonoperating revenues(expenses)						
Transfers In/(Out)	-	(25,000)	-	25,000	-	-
Changes in net position	60,024	38,309	(124,708)	(65,019)	(64,684)	(26,710)
Net position - Beginning of year	456,505	418,196	1,796,930	1,861,949	2,253,435	2,280,145
Restatement as per GASB 101	-	-	(473)	-	(473)	-
Net Position, Beginning of Year, as restated	456,505	418,196	1,796,457	1,861,949	2,252,962	2,280,145
Net position - End of year	\$ 516,529	\$ 456,505	\$ 1,671,749	\$ 1,796,930	\$ 2,188,278	\$ 2,253,435

A portion of the City's total net position, in the amount of \$1,377,678 (63%), reflects its investment in capital assets, (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The balance of unrestricted net position (\$810,600) may be used to meet the City's ongoing obligations to citizens and creditors. This surplus is not an indication that the City has significant resources available to meet financial obligations next year, but rather the result of having *long-term commitments* that are less than currently available resources.

At the end of the current fiscal year, the City of Dorchester is able to report positive balances in both of its categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City's total net position decreased by \$65,157. The total cost of all programs and services was \$1,121,529 which was completely financed through program revenues of \$792,555 and general revenues of \$264,290.

Governmental Activities. During the current fiscal year, net position for governmental activities increased by \$60,024 from the prior fiscal year for an ending balance of \$516,529.

CITY OF DORCHESTER, TEXAS
Management's Discussion and Analysis
September 30, 2025

Business-type Activities. During the current fiscal year, net position for governmental activities increased by \$124,708 from the prior fiscal year for an ending balance of \$1,671,749. The increase is mostly attributable to an decrease in total revenues of \$86,045 mostly due a decrease in operating grants and contributions of \$61,000. Additionally, business-type expenses decreased by approximately \$53,000, mostly due to decreases in professional fees.

Financial Analysis of the City's Funds

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

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

At September 30, 2025, the City's governmental funds reported combined fund balances of \$440,105, an increase of \$63,618 in comparison with the prior year. Of this amount, a total of \$357,981 or 81% percent, constitutes unassigned fund balance, which is available for spending at the government's discretion.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the business-type activities portion of the government-wide financial statements, but in more detail.

At September 30, 2025, the City's proprietary fund reported a total net position of \$1,671,749, a decrease of (\$124,708) in comparison with the prior year. Of this amount, \$370,494 or 22 percent, constitutes unrestricted net position, with the remaining balance of \$1,301,255 classified as *net investment in capital assets*. Other factors concerning the finances of the fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

General fund revenues exceeded expenditures by \$14,084, thus increasing the fund balance for the City's general fund to \$357,981 as of September 30, 2025.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type funds as of September 30, 2025, amounted to \$1,377,678 (net of accumulated depreciation). This investment in capital assets includes land, buildings, systems, machinery and equipment. The total decrease in the City's investment in capital assets for the current fiscal year was 4%, with a decrease in governmental activities of 4% and a decrease in business-type activities of 4%.

CITY OF DORCHESTER, TEXAS
Management’s Discussion and Analysis
September 30, 2025

The following schedule presents capital asset balances and accumulated depreciation for the fiscal years ended September 30, 2025 and 2024:

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	10,588	10,588	180,690	180,690	191,278	191,278
Buildings and Improvements	18,692	18,692	55,089	55,089	73,781	73,781
Furniture and Fixtures, and Vehicles	85,178	85,178	1,751,249	1,751,249	1,836,427	1,836,427
Infrastructure	2,486	2,486	9,861	9,861	12,347	12,347
	<u>116,944</u>	<u>116,944</u>	<u>1,996,889</u>	<u>1,996,889</u>	<u>2,113,833</u>	<u>2,113,833</u>
Less accumulated depreciation	(40,521)	(36,926)	(695,634)	(645,080)	(736,155)	(682,006)
Total capital assets, net	<u>76,423</u>	<u>80,018</u>	<u>1,301,255</u>	<u>1,351,809</u>	<u>1,377,678</u>	<u>1,431,827</u>

Long-Term Obligations.

The City had no long-term debt activity for the year ended September 30, 2025. However, the City still maintains the GTUA agreement and the Special Assessment Revenue Bonds for the Cottonwood Public Improvement District. Please refer to notes 5 and 6 to the basic financial statements.

Economic Factors and Next Year’s Budgets and Rates

The City's elected officials considered many factors when setting the fiscal year 2026 budget. In the 2026 fiscal year budget, General Fund revenues are budgeted to increase by 36% from fiscal year 2025 actual amounts, with sales tax revenues making up 42% of the fiscal year 2026 budget. Water and Sewer Fund operating revenues are budgeted similar to fiscal year 2025. Fiscal year 2026 expenses are expected to decrease 11% from actual expenses for fiscal year 2025.

The debt obligation for the Greater Texoma Utility Authority (GTUA)'s and the Special Assessment revenue bonds are not reflected in the City's financial statements and are presented in the notes for disclosure purposes only. The liability for the GTUA debt obligation, however, is separately presented in the publicly available audited financial statements of GTUA as of September 30, 2025.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City’s finances and to demonstrate the City’s accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the City of Dorchester’s business office, at P.O. Box 839, Howe, Texas 75459 or 373 Main Street, Dorchester, Texas 75449.

BASIC FINANCIAL STATEMENTS

CITY OF DORCHESTER, TEXAS
Statement of Net Position
Year Ended September 30, 2025

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 415,950	\$ 255,512	\$ 671,462
Restricted cash and cash equivalents:			
Customer deposits	-	50,211	50,211
Investments	33,453	124,862	158,315
Receivables (net of allowance for uncollectibles)	-	48,106	48,106
Total current assets	<u>449,403</u>	<u>478,691</u>	<u>928,094</u>
Noncurrent Assets:			
Capital Assets:			
Capital assets not being depreciated	10,588	180,690	191,278
Capital assets, net of accumulated depreciation	65,835	1,120,565	1,186,400
Total Capital Assets	<u>76,423</u>	<u>1,301,255</u>	<u>1,377,678</u>
Total noncurrent assets	<u>76,423</u>	<u>1,301,255</u>	<u>1,377,678</u>
Total Assets	<u><u>525,826</u></u>	<u><u>1,779,946</u></u>	<u><u>2,305,772</u></u>
LIABILITIES			
Accounts Payable	-	46,454	46,454
Accrued liabilities	-	340	340
Customer deposits	-	50,211	50,211
Compensated absences	-	11,192	11,192
Deferred revenue	9,297	-	9,297
Total Liabilities	<u>9,297</u>	<u>108,197</u>	<u>117,494</u>
NET POSITION			
Net investment in capital assets	76,423	1,301,255	1,377,678
Unrestricted Net Position	440,106	370,494	810,600
Total Net Position	<u><u>\$ 516,529</u></u>	<u><u>\$ 1,671,749</u></u>	<u><u>\$ 2,188,278</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF DORCHESTER, TEXAS
Statement of Activities
Year Ended September 30, 2025

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES:				
Administration	\$ 217,970	\$ -	\$ 28,730	\$ -
Streets and public works	2,840	-	-	-
Total Governmental Activities	<u>220,810</u>	<u>-</u>	<u>28,730</u>	<u>-</u>
BUSINESS-TYPE ACTIVITIES				
Water and Sewer	\$ 900,719	\$ 762,825	\$ 1,000	\$ -
TOTAL PRIMARY GOVERNMENT	<u>\$ 1,121,529</u>	<u>\$ 762,825</u>	<u>\$ 29,730</u>	<u>\$ -</u>

GENERAL REVENUES:

Taxes:

Sales taxes

Other taxes

Permits and Fees

Investment earnings

Government grants

Miscellaneous

Total General Revenues

Change in Net Position

Net position, beginning

Restatement as per GASB 101

Net position, beginning, as restated

Net position, ending

The accompanying notes are an integral part of these financial statements.

Net (expense) Revenue and Changes in Net Position
Primary Government

<u>Governmental Activities</u>	<u>Business_Type Activities</u>	<u>Total</u>
\$ (189,240)	\$ -	\$ (189,240)
(2,840)	-	(2,840)
<u>(192,080)</u>	<u>-</u>	<u>(192,080)</u>
\$ -	\$ (136,894)	(136,894)
<u>\$ -</u>	<u>\$ (136,894)</u>	<u>\$ (328,974)</u>

17,176	-	17,176
9,024	-	9,024
205,811	-	205,811
13,424	12,186	25,610
-	-	-
6,669	-	6,669
<u>252,104</u>	<u>12,186</u>	<u>264,290</u>
60,024	(124,708)	(256,764)
456,505	1,796,930	2,253,435
-	(473)	(473)
<u>456,505</u>	<u>1,796,457</u>	<u>2,252,962</u>
<u>\$ 516,529</u>	<u>\$ 1,671,749</u>	<u>\$ 2,188,278</u>

CITY OF DORCHESTER, TEXAS
Balance Sheet – Governmental Funds
Year Ended September 30, 2025

	General Fund	Special Revenue Fund	Developer Capital Fees Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 324,528	\$ 9,297	\$ 82,125	\$ 415,950
Investments	33,453	-	-	33,453
Receivables	-	-	-	-
Total Assets	<u>357,981</u>	<u>9,297</u>	<u>82,125</u>	<u>449,403</u>
LIABILITIES				
Accounts Payable	-	-	-	-
Deferred revenue	-	9,297	-	9,297
Total Liabilities	<u>-</u>	<u>9,297</u>	<u>-</u>	<u>9,297</u>
NET POSITION				
Restricted for:				
Capital Projects	-	-	82,125	82,125
Unassigned fund balance	357,981	-	-	357,981
Total Fund Balances	<u>357,981</u>	<u>-</u>	<u>82,125</u>	<u>440,106</u>
Total liabilities and Fund Balances	<u>\$ 357,981</u>	<u>\$ 9,297</u>	<u>\$ 82,125</u>	<u>\$ 449,403</u>

The accompanying notes are an integral part of these financial statements.

CITY OF DORCHESTER, TEXAS
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
September 30, 2025

Total Fund Balance - Governmental Funds	\$ 440,106
Amounts reported for governmental activities in the statement of net position are different due to the following:	
Capital assets (net of accumulated depreciation) used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statements.	76,423
Total net position of governmental activities	<u>\$ 516,529</u>

The accompanying notes are an integral part of these financial statements.

CITY OF DORCHESTER, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2025

	General Fund	Special Revenue Fund	Developer Capital Fees Fund	Total Governmental Funds
Revenues:				
Sales taxes	\$ 17,176	\$ -	\$ -	\$ 17,176
Franchise taxes	9,024	-	-	9,024
Permits and fees	1,772	-	204,038	205,810
Contributions	-	28,730	-	28,730
Investment earnings	10,371	441	2,613	13,425
Miscellaneous	6,670	-	-	6,670
Total Revenues	<u>45,013</u>	<u>29,171</u>	<u>206,651</u>	<u>280,835</u>
Expenditures:				
General government	30,929	29,171	157,116	217,216
Streets and public works	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>30,929</u>	<u>29,171</u>	<u>157,116</u>	<u>217,216</u>
Excess of Revenues Over (Under) Expenditures	<u>14,084</u>	<u>-</u>	<u>49,535</u>	<u>63,619</u>
Other Financing Resources (Uses):				
Transfers out	-	-	-	-
Transfers in	-	-	-	-
Total Other Financing Resources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	14,084	-	49,535	63,619
Fund Balance - October 1 (beginning)	<u>343,897</u>	<u>-</u>	<u>32,590</u>	<u>376,487</u>
Fund Balance - September 30 (ending)	<u>\$ 357,981</u>	<u>\$ -</u>	<u>\$ 82,125</u>	<u>\$ 440,106</u>

The accompanying notes are an integral part of these financial statements.

CITY OF DORCHESTER, TEXAS
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended September 30, 2025

Net Change in Fund Balance – Total Governmental Funds \$ 63,619

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:

Depreciation expense (3,595)

Change in net position of governmental activities \$ 60,024

The accompanying notes are an integral part of these financial statements.

CITY OF DORCHESTER, TEXAS
Statement of Net Position - Proprietary Funds
Year Ended September 30, 2025

ASSETS	<u>BUSINESS-TYPE ACTIVITIES</u>
Current Assets:	
Cash and cash equivalents	\$ 305,723
Investments	124,862
Accounts receivable	48,106
Total current assets	<u>478,691</u>
 Non Current Assets	
Capital assets	
Capital assets not being depreciated	180,690
Capital assets, net of accumulated depreciation	1,120,565
Total Capital Assets	<u>1,301,255</u>
Total Assets	<u><u>1,779,946</u></u>
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	46,454
Accrued interest payable	340
Customer Deposits	50,211
Compensated absences	11,192
Total liabilities	<u>108,197</u>
 NET POSITION	
Net investment in capital assets	1,301,255
Unrestricted	370,494
Total Net Position	<u><u>\$ 1,671,749</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF DORCHESTER, TEXAS
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
Year Ended September 30, 2025

	BUSINESS-TYPE ACTIVITIES
Operating Revenues	
Charges for services	\$ 751,240
Other reimbursements	11,585
Total operating revenues	762,825
Operating Expenses	
Personnel services	111,387
Contractual services	28,650
General and administrative	39,171
Professional fees	46,324
Repairs and maintenance	106,821
Supplies and materials	25,168
Lease payments	303,255
Utilities	134,830
Insurance	50,610
Miscellaneous	3,949
Depreciation	50,554
Total operating expenses	900,719
Operating loss	(137,894)
Nonoperating Revenues (Expenses)	
Investment earnings	12,186
Contributions	1,000
Total nonoperating revenues (expenses), net	13,186
Change in net position	(124,708)
Net Position, Beginning of Year	1,796,930
Restatement as per GASB 101	(473)
Net Position, Beginning of Year, as restated	1,796,457
Net Position, End of Year	\$ 1,671,749

The accompanying notes are an integral part of these financial statements.

CITY OF DORCHESTER, TEXAS
Statement of Cash Flows – Proprietary Fund
Year Ended September 30, 2025

Cash Flows from Operating Activities	
Cash received from customers	\$ 781,241
Cash payments to employees for services	(111,330)
Cash payments to other suppliers for goods and services	<u>(745,124)</u>
Net cash used in operating activities	<u>(75,213)</u>
Cash Flows from Noncapital Financing Activities	
Transfers to other funds	-
Contributions	<u>1,000</u>
Net cash provided by noncapital financing activities	<u>1,000</u>
Cash Flows from Investing Activities	
Interest on investments	<u>(19,651)</u>
Net cash provided by investing activities	<u>(19,651)</u>
Net Increase in Cash and Cash Equivalents	(93,864)
Cash and Cash Equivalents, Beginning of Year	<u>399,587</u>
Cash and Cash Equivalents, End of Year	<u>305,723</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating loss	<u>\$ (137,894)</u>
Adjustment to reconcile operating income to net cash provided by operating activities	
Depreciation	50,554
(Increases) decreases in assets:	
Accounts receivable	18,416
Increases (decreases) in liabilities:	
Accounts payable	(6,344)
Accrued liabilities	(1,818)
Customer deposits	(3)
Compensated absences	<u>1,876</u>
Total adjustments	<u>62,681</u>
Net Cash Provided by Operating Activities	<u>\$ (75,213)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF DORCHESTER, TEXAS
Notes to Basic Financial Statements
September 30, 2025

Note 1: Summary of Significant Accounting Policies

The accompanying financial statements of the City of Dorchester, Texas (City) have been prepared in conformity with generally accepted accounting principles applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following notes to the City's financial statements are an integral part of the City's annual financial report.

Description of the Reporting Entity

The City of Dorchester is a political subdivision and municipal corporation of the State of Texas (State), organized and existing under the laws of the State. The City is governed by an elected mayor and city council. The services provided by the City are diverse. The City's services include, but are not limited to, the traditional local government responsibilities of public safety, street maintenance, and water utilities. The respective fund financial statements and budgets (where legally adopted) of these multi-faceted services are all included in the City's financial reporting entity as more fully described in the subsequent section of this Note, as well as the City's government-wide financial statements.

Related Organizations

Related organizations are excluded from the financial reporting entity because the City's accountability does not extend beyond making appointments. Audited financial statements are available from the following organization: Great Texoma Utility Authority (GTUA). GTUA assists local governments, including the City, in the development of water, sewer, and solid waste facilities. The City financed certain water and sewer facilities through debt issued by GTUA and the City is contractually obligated to make sufficient payments to GTUA for annual debt service requirements of that debt. The City has no significant influence over the operations of GTUA, as its scope benefits other entities besides the City.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The enterprise fund is a proprietary fund type. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF DORCHESTER, TEXAS
Notes to Basic Financial Statements
September 30, 2025

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund and fiduciary fund financial statements. 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 revenue 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.

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 City 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, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund - The General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - These funds are established to account for funds legally restricted for specified purposes. For funds in this type, project accounting is used to account for the various sources of funds. The City uses a special revenue fund to account for developer reimbursement funds associated with Public Improvement District (PID) assessments.

Developer Capital Fees Fund - to account for Developer Fees paid to build capital projects per the agreements.

The City reports the following major proprietary fund:

Enterprise Fund - The City utilizes an Enterprise Fund to account for the City's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of these activities. The City uses this fund to account for the operations of the waterworks system, which provides water service on a user charge to the general public.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Cash and Investments

The City's cash and cash equivalents are considered to be cash on hand and demand deposits.

Receivables, Payables, and Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

CITY OF DORCHESTER, TEXAS
Notes to Basic Financial Statements
September 30, 2025

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the governmental activities column in the government-wide financial statements. The City defines capital assets as all assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the time received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of governmental activities is not included as part of the capitalized value of the assets constructed.

Depreciation expense is calculated on the straight-line method. Depreciation methods are designed to amortize the cost of the assets over their estimated useful lives. Estimated useful lives of major categories of property are as follows:

<u>Assets</u>	
Buildings, systems, and improvements	25-50 years
Streets and improvements	15-50 years
Furniture and equipment	3-20 years

Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the financial statements and during the reporting period. Accordingly, actual amounts could differ from those estimates.

Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and liabilities is called net position. Net position is comprised of three components: (1) net investment in capital assets; (2) restricted; and (3) unrestricted.

- Net investment in capital assets represents the City’s total investment in capital assets, net of accumulated depreciation and reduced by outstanding balances of any borrowings attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position consists of restricted assets reduced by liabilities related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets and liabilities of resources that do not meet the definition of the two preceding categories.

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- ***Nonspendable***: This classification includes amounts that cannot be spent because they are either: (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

CITY OF DORCHESTER, TEXAS

Notes to Basic Financial Statements

September 30, 2025

- **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 or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by board resolution of the City Council. 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 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 a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the Council delegating this responsibility to other individuals within the City.
- **Unassigned:** This classification includes all amounts not included in other spendable classifications, including the residual fund balance for the General Fund.

As previously mentioned, sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental 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 fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Budgetary Policy and Control

Budgetary Basis of Accounting

The City's fiscal year begins on October 1 and ends on September 30 of the following calendar year. Prior to the beginning of each fiscal year, the City Secretary submits to the City Council a proposed budget for all City departments, divisions, and offices for the fiscal year beginning on the following October 1. The operating budget, which represents the financial plan of the ensuing fiscal year, includes proposed expenditures or expenses and the means of financing them. Public hearings are conducted at which all interested persons are encouraged to comment concerning the proposed budget.

The budget for the subsequent fiscal year, as well as the current year revised budget, is legally enacted by the City Council through passage of an ordinance prior to October 1 each year.

Annual budgets are legally adopted for all City departments, divisions, and offices on a basis consistent with GAAP, except that depreciation is not budgeted in the enterprise funds. Formal budgetary accounting is employed as a management control technique to assist controlling revenues and expenditures or expenses in the general fund and the enterprise fund. Appropriations for certain non-budgeted special revenue funds and capital projects funds are controlled on a project basis and are carried forward each year until the project is completed or the grant receipts are expended.

Adjustments to the original adopted budget must be either approved on an individual item basis or through the overall revised budget. During the fiscal year, it was not necessary to amend the original budget by City Council action. The general fund original budget and amended budget are presented in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual.

CITY OF DORCHESTER, TEXAS

Notes to Basic Financial Statements

September 30, 2025

Program and General Revenues

Amounts reported as program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment.

All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund and internal service funds are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 2: Deposits and Investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Cash Deposits

At September 30, 2025, the total carrying amounts of the City's deposits in checking accounts and interest-bearing savings accounts were \$671,462 and the bank balances were \$678,232. The City's cash deposits at September 30, 2025, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment Pools, (9) guaranteed investment contracts, (10) and common trust funds.

The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies. In compliance with the Public Funds Investment Act, the City has adopted a deposit and investment policy. That policy addresses the following risks:

CITY OF DORCHESTER, TEXAS

Notes to Basic Financial Statements

September 30, 2025

- **Custodial Credit Risk - Deposits:** In the case of deposits, this is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. As of September 30, 2025, the City's cash balances totaled \$671,462. This entire amount was either collateralized with securities held by the City's financial institution's agent in the City's name or covered by FDIC insurance. Thus, the City's deposits are not exposed to custodial credit risk.
- **Custodial Credit Risk - Investments:** For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2025, the City held all its investments in bank certificates of deposit. The City is not exposed to custodial credit risk for its certificates of deposit as all are collateralized with securities held by the financial institution's agent.
- **Credit Risk:** This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for the City's financial institution is unrated.
- **Interest Rate Risk:** This is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to nine months from the time of purchase. Additionally, all investments in bank certificates of deposit are covered by the City's depository pledge.
- **Foreign Currency Risk:** This is the risk that exchange rates will adversely affect the fair value of an investment. At September 30, 2025, the City was not exposed to foreign currency risk.
- **Concentration of Credit Risk:** This is the risk of loss attributed to the magnitude of the City's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. At September 30, 2025, the City held 100% of its investments in certificates of deposit under the City's depository pledge.

The City's investments at September 30, 2025, are shown below:

	Carrying Amount	Market Value
Certificates of Deposit	\$ 158,315	\$ 158,315

Fair Value Measurements

The City categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- **Level 1** - Quoted prices for identical investments in active markets;
- **Level 2** – Significant other observable inputs; and
- **Level 3** – Significant unobservable inputs.

Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

CITY OF DORCHESTER, TEXAS
Notes to Basic Financial Statements
September 30, 2025

	Fair Value Measurements			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of Deposit	\$ 158,315	\$ -	\$ 158,315	\$ -

The fair value of the certificates of deposit at September 30, 2025, was determined based on level 2 inputs. The City estimates the fair value of these investments using inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Note 3: Receivables and Allowances for Uncollectible Accounts

Receivables in the City’s proprietary fund (business-type activities) represent amounts due from customers for water utility services. These receivables are generally due within one month. Receivables are reported net of an allowance for uncollectible accounts and revenues net of what is estimated to be uncollectible. The allowance is estimated based upon accounts receivable past due by more than 90 days.

Receivables of business-type activities, as of September 30, 2025, are as follows:

	Business-Type Activities
Services	\$ 56,467
Less: Allowance for uncollectible accounts	(8,361)
Receivables, net	\$ 48,106

Changes in the allowance for uncollectible accounts during the fiscal year ended September 30, 2025 are as follows:

	Business-Type Activities
Allowance for uncollectible accounts, beginning of year	\$ (4,412)
Bad debt expense	(3,949)
Allowance for uncollectible accounts, end of year	\$ (8,361)

CITY OF DORCHESTER, TEXAS
Notes to Basic Financial Statements
September 30, 2025

Note 4: Capital Assets

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

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 10,588	\$ -	\$ -	\$ 10,588
Total capital assets not being depreciated	10,588	-	-	10,588
Capital assets being depreciated				
Buildings and improvements	18,692	-	-	18,692
Equipment and furniture	2,486	-	-	2,486
Infrastructure (Streets)	85,178	-	-	85,178
Total capital assets being depreciated	106,356	-	-	106,356
Less accumulated depreciation:				
Buildings and improvements	(15,382)	(353)	-	(15,735)
Equipment and furniture	(2,084)	(402)	-	(2,486)
Infrastructure (Streets)	(19,460)	(2,840)	-	(22,300)
Total accumulated depreciation	(36,926)	(3,595)	-	(40,521)
Total capital assets being depreciated, net	69,430	(3,595)	-	65,835
Business-Type Activities:				
Capital assets, not being depreciated -				
Land	\$ 180,690	\$ -	\$ -	\$ 180,690
Construction in Progress	-	-	-	-
Assets not being depreciated	180,690	-	-	180,690
Capital assets, being depreciated:				
Buildings and Improvements	55,089	-	-	55,089
Furniture and Fixtures, and Vehicles	1,751,249	-	-	1,751,249
Infrastructure	9,861	-	-	9,861
Capital assets being depreciated	1,816,199	-	-	1,816,199
Less accumulated depreciation for:				
Buildings and improvements	(49,047)	(123)	-	(49,170)
Furniture and Fixtures, and Vehicles	(586,791)	(50,121)	-	(636,912)
Infrastructure	(9,242)	(310)	-	(9,552)
Total accumulated depreciation	(645,080)	(50,554)	-	(695,634)
Capital assets being depreciated, net	1,171,119	(50,554)	-	1,120,565
Business-Type activities capital assets, net	\$ 1,351,809	\$ (50,554)	\$ -	\$ 1,301,255

CITY OF DORCHESTER, TEXAS
Notes to Basic Financial Statements
September 30, 2025

Depreciation expense was charged as a direct expense on the statement of activities to programs of the primary government as follows:

Governmental Activities	
General government	\$ 755
Streets and public works	<u>2,840</u>
	<u>\$ 3,595</u>

Note 5: Agreement with the Greater Texoma Utility Authority (GTUA)

The City has entered into various contracts with the Greater Texoma Utility Authority (GTUA), whereby GTUA provides water and sewer services to the City. As part of the contractual agreements, GTUA issues debt for the benefit of the City, the proceeds of which are used to finance construction of water and sewer facilities and infrastructure within the City. Although this debt is not that of the City, the City is contractually obligated for the repayment of principal and interest on the debt through a pledging of water and sewer revenues.

During the year ended September 30, 2025, the City paid \$303,255 to GTUA in accordance with these contracts. Future payments under these contracts average approximately \$259,000 per year for the next 38 years. A summary of the remaining debt service as of September 30, 2025, is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	110,000	179,840	289,840
2027	117,000	176,740	293,740
2028	75,000	173,394	248,394
2029	75,000	171,182	246,182
2030-2034	405,000	818,980	1,223,980
2035-2039	470,000	739,076	1,209,076
2040-2044	540,000	638,674	1,178,674
2045-2049	620,000	520,740	1,140,740
2050-2054	715,000	382,270	1,097,270
2055-2059	825,000	223,130	1,048,130
2060-2062	555,000	47,154	602,154
Total	<u>\$ 4,507,000</u>	<u>\$ 4,071,180</u>	<u>\$ 8,578,180</u>

Following is an excerpt from the audited financial statements of GTUA, reflecting the balances as of and for the year ended September 30, 2025. These assets, deferred outflows of resources, liabilities, and net position are not that of the City but are the City's allocation of resources held by GTUA.

CITY OF DORCHESTER, TEXAS
Notes to Basic Financial Statements
September 30, 2025

Schedule of Net Position

	2025	2024
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,455	\$ 4,103
Interest receivable	91,102	97,714
Restricted Assets:		
Cash and cash equivalents	607,567	512,992
Temporary investments	4,345,000	4,345,000
Total current assets	5,047,124	4,959,809
Non-current Assets		
Restricted Assets:		
Cash and cash equivalents	223,500	191,000
Capital assets, net	202,167	102,380
Total non-current assets	425,667	293,380
Total assets	5,472,791	5,253,189
Liabilities		
Current Liabilities		
Due to other funds	19,885	24,560
Accrued interest payable	59,946	60,922
Unearned revenue	36,667	35,000
Revenue bonds payable	110,000	105,000
Total current liabilities	226,498	225,482
Non-current Liabilities:		
Revenue bonds payable	4,397,000	4,507,000
Total non-current liabilities	4,397,000	4,507,000
Total liabilities	4,623,498	4,732,482
Net Position		
Net investment in capital assets	647,734	348,372
Restricted	-	-
Restricted for debt service	223,500	191,000
Unrestricted	(21,941)	(18,665)
Total net position	\$ 849,293	\$ 520,707

Comparative Schedule of Revenues and Expenses

	2024	2024
Operating Revenues		
Charges for services	301,588	312,860
Total operating revenues	301,588	312,860
Operating Expenses		
General and administrative	13,307	5,751
Depreciation	23,213	23,189
Total operating expenses	36,520	28,941
Operating Income (Loss)	265,068	283,919
Non-Operating Revenues (Expenses)		
Investment earnings	245,308	283,540
Debt service	(181,790)	(184,668)
Bond issuance costs	-	-
Total non-operating revenues (expenses)	63,518	98,872
Change in Net Position	328,586	382,792
Net Position, Beginning of Year	520,707	137,915
Net Position, End of Year	\$ 849,293	\$ 520,707

CITY OF DORCHESTER, TEXAS
Notes to Basic Financial Statements
September 30, 2025

Note 6: Special Assessment Revenue Bonds

The City maintains Special Assessment Revenue Bonds. Total bond principal outstanding for these issues is \$20,891,000 at year-end. Proceeds of the bonds were deposited into trust accounts with BOK Financial for the purpose of funding improvements. BOK Financial serves as trustee, for the benefit of the bond holders, for these funds as well as any and all other property or money of every name and nature, which is, from time-to-time hereafter by delivery or in writing of any kind, conveyed, pledged, assigned, or transferred to the trustee. The City has no direct or contingent liability or moral obligation for the payment of this debt; therefore, this debt is not recorded as long-term debt of the City.

Note 7: Risk Management

The City is exposed to various risks of loss related to torts, theft, damage, destruction of assets, error and omissions, and natural disasters, for which the government carries commercial insurance. During fiscal year 2025, the City was covered under a general liability insurance policy plan with a combined single limit of \$1 million.

The City has commercial insurance for all other risks of loss, including employee health benefits, workers' compensation, and employee life and accident insurance. There have been no settlements in excess of insurance coverage during the past three fiscal years.

Contingent Liabilities – Litigation – The City may be contingently liable in respect of lawsuits and claims in the ordinary course of operations that, in the opinion of management, will not have a material adverse effect on the combined financial statements.

Additionally, the City is currently involved in a legal proceeding as the plaintiff, which is primarily related to challenging the construction of a cement kiln near the jurisdiction of the City. As of the reporting date, management believes that the outcome of this proceeding is likely to be favorable and that the City has valid legal grounds for recovery. However, due to the inherent uncertainties of litigation, the timing and amount of any potential recoveries cannot be reasonably estimated at this time.

Management continues to monitor the progress of this case and will recognize any proceeds or settlements when they become probable and can be reasonably measured, in accordance with applicable accounting standards.

Note 8: Subsequent Events

The City has evaluated subsequent events through March 13, 2026, the date on which the financial statements were available to be issued. Management considers that no events have occurred subsequent to the date of these financial statements, that would require additional adjustment or disclosure.

City
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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DORCHESTER, TEXAS
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – General Fund
September 30, 2025

	Original and Final Budget	Actual	Variance with Final Budget
Revenues:			
Sales Tax	12,000	17,176	5,176
Franchise Tax	8,000	9,024	1,024
Permits and Fees	-	1,772	1,772
Investment Earnings	4,000	10,371	6,371
Rent income	6,300	6,600	300
Miscellaneous	3,000	70	(2,930)
Total Revenues	<u>33,300</u>	<u>45,013</u>	<u>11,713</u>
Expenditures:			
General Government	47,400	30,929	(16,471)
Public works	-	-	-
Capital Outlay	-	-	-
Total Expenditures	<u>47,400</u>	<u>30,929</u>	<u>(16,471)</u>
Excess of Revenues Over (Under) Expenditures	<u>(14,100)</u>	<u>14,084</u>	<u>28,184</u>
Net Change in Fund Balance	<u>(14,100)</u>	<u>14,084</u>	<u>28,184</u>
Fund Balance - October 1 (beginning)	343,897	343,897	343,897
Fund Balance - September 30 (ending)	<u><u>329,797</u></u>	<u><u>357,981</u></u>	<u><u>372,081</u></u>

City
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