

CITY OF QUEEN CITY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

SEPTEMBER 30, 2025



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WILF & HENDERSON, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Member of AICPA Governmental Audit Quality Center

Independent Auditor's Report

Honorable Mayor and
Members of the City Council
Queen City, Texas

Members of the Council:

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Queen City, 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 8 to the financial statements, during the year ended September 30, 2025, the City implemented Governmental Accounting Standards Board **GASB Statement No. 101, *Compensated Absences***. As a result, beginning net position was restated to recognize compensated absences in accordance with the new standard. Our opinion is 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.

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 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

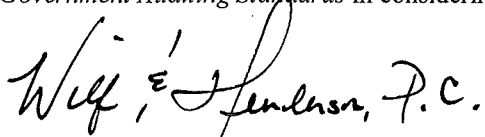
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9, budgetary comparison of the General Fund information on page 42, and Texas Municipal Retirement System pension and OPEB schedules and related notes on pages 43-45 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2026, on our consideration of the City of Queen City, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Wilf & Henderson, P.C." with a stylized flourish at the end.

WILF & HENDERSON, P.C.
Certified Public Accountants
Texarkana, Texas

March 18, 2026

City of Queen City, Texas
Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) for the City of Queen City is designed to:

- Assist the reader in focusing on significant financial issues;
- Provide an overview of the City's financial activities;
- Identify changes in the City's overall financial position and results of operations and assist the user in determining whether financial position has improved or deteriorated as a result of the year's operations;
- Identify any significant variations from the original, amended, and final budget amounts and include any currently known reasons for those variations that are expected to have a significant effect on future services or liquidity; and
- Identify individual fund issues or concerns.

The information contained within this MD&A should be considered only as part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes that are provided in addition to this MD&A.

Overview of the Financial Statements

The MD&A requires supplementary information that introduces the reader to the basic financial statements and provides an overview of the City's financial activities. The City's basic financial statements consist of the following components:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to the financial statements.

A general description of the components of the basic financial statements follows.

Government-Wide Financial Statements

The government-wide financial statements are designed to present the financial operations of the City as a whole in a format similar to private sector companies. All governmental and business-type activities are consolidated into columns which add to a total for the Primary Government. If the City determines that presentation of a component unit (which are other governmental units for which the City can exercise significant influence or for which the Primary Government financial statements would be misleading if component unit information is not presented) is necessary to allow the reader to determine the relationship of the component unit and primary government, the component unit information is presented in a separate column of the financial statements or in a separate footnote.

The focus is on the government-wide (entity-wide) Statement of Net Position and Statement of Activities to give the reader a broad overview of the City's financial position and results of operations.

- a. The Statement of Net Position presents information on the City's assets and liabilities using the accrual basis of accounting, in a manner similar to the accounting used by private business enterprises. The difference between the assets and liabilities is reported as Net Position. Over time, the increases or decreases in net position (and changes in the components of net position) may serve as a useful indicator of whether the financial position of the City is improving or weakening. Although the focus of this MD&A will be on the analysis of the overall changes to net position, the reader should refer to Note 1 - Significant Accounting Policies for an explanation of the components of net position.
- b. The Statement of Activities presents information showing how the government'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 the related cash flows. The format for the Statement of Activities presents the expenses for each function (administrative, police protection, fire protection, public works, sanitation, and park) reduced by the Program Revenues (charges for services, operating grants and contributions, and capital grants and contributions) directly related to each respective function, to determine net costs of each function. The net costs of each function are normally covered by general revenues.

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 and legal requirements. The City of Queen City uses two categories of funds to account for financial transactions: governmental funds and proprietary funds.

Governmental funds are used to account for most of the basic services and projects reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The City of Queen City's governmental funds include the General Fund for accounting for the City's basic services, the Debt Service Fund for accounting of debt payments, and Special Revenue for accounting of restricted resources for a specific purpose.

The Proprietary Fund accounts for water, sewer, and sanitation services for the City of Queen City. Enterprise funds are used to account for the same functions as business-type activities presented in the government-wide financial statements, but the fund presentation provides more detail.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, there are differences in the information presented for government funds and for governmental activities in the government-wide financial statements. Review of these differences provides the reader of the financial statements insight on the long-term impact of the City's more immediate decisions on the current use of financial resources. We describe the differences between government-wide financial statements (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

Notes to the Financial Statements

When reviewing this MD&A, the reader should also refer to and review the notes to the financial statements, as well as the government-wide and fund financial statements.

City Highlights

Unrestricted net position balance at September 30, 2025 in the governmental activities (including the General Fund) increased from \$398,021 to \$415,928. The business-type activities (consisting of the City's Public Works Funds) unrestricted net position balance increased from \$518,210 to \$537,332. Unrestricted net position represents the net balance accumulated by the City above the amount of net investment in capital assets and the amount for restricted net position (restricted because of constraints imposed by grantors, contributors, or by laws and regulations).

- For governmental activities, the total net investment in capital assets (after subtracting out debt owed on capital assets) increased from \$569,052 to \$976,611. For business-type activities, the total of net investment in capital assets increased from \$1,437,062 to \$1,491,892.
- For governmental activities, the City's long-term debt at September 30, 2025, increased from \$75,731 to \$115,977. For business-type activities, the long-term debt decreased from \$327,395 to \$180,048.
- The most significant continuing revenue sources for governmental activities of the City consisted of \$622,836 of property tax revenues and \$386,489 in other tax revenues.

Government-Wide Financial Analysis

Statement of Net position

Included is a Statement of Net Position for the City of Queen City. The format allows the reader to view the overall financial position of the City.

City of Queen City Statement of Net Position

	Governmental Activities		Business-Type Activities		Component Unit	
	2025	2024	2025	2024	2025	2024
Current assets	\$ 822,452	\$ 759,715	\$ 770,866	\$ 697,177	\$ 602,823	\$ 810,806
Capital assets	1,073,143	677,122	1,667,271	1,764,457	444,840	461,869
Net pension asset	-	-	-	-	-	-
Total Assets	1,895,595	1,436,837	2,438,137	2,461,634	1,047,663	1,272,675
Deferred outflows of resources	50,041	86,213	33,358	57,473	-	-
Current liabilities	82,389	126,010	127,041	111,271	17,055	-
Long-term liabilities	115,977	75,731	180,048	327,395	-	-
Net TMRS liability	172,114	163,553	114,737	109,031	-	-
Net OPEB liability	15,580	14,505	10,386	9,670	-	-
Total Liabilities	386,060	379,799	432,212	557,367	17,055	-
Deferred inflow of resources	15,086	9,701	10,059	6,468	-	-
Net Position:						
Net investment in capital assets	976,611	569,052	1,491,892	1,437,062	444,840	461,869
Restricted	151,951	166,477	-	-	-	-
Unrestricted	415,928	398,021	537,332	518,210	585,768	810,806
Total Net Position	\$ 1,544,490	\$ 1,133,550	\$ 2,029,224	\$ 1,955,272	\$ 1,030,608	\$ 1,272,675

Statement of Activities

A statement of activities for the City of Queen City is presented below listing the major categories of revenues and expenses for the fiscal year ended September 30, 2025. An explanation of the components of this statement is included immediately following the table.

City of Queen City Statement of Activities						
	Governmental Activities		Business-Type Activities		Component Unit	
	2025	2024	2025	2024	2025	2024
Revenues						
Program Revenues						
Charges for Services	\$ 68,026	\$ 62,496	\$ 1,249,907	\$ 1,181,144	\$ -	\$ -
Capital Grants and Contributions	368,625	-	-	-	-	-
General Revenues						
Property taxes	622,836	590,829	-	-	-	-
Other taxes	386,489	357,166	-	-	162,188	148,391
Investment earnings	8,079	5,211	2,392	2,479	8,232	6,517
Miscellaneous	121,054	114,925	-	-	15,000	7,000
Total General Revenues	<u>1,575,109</u>	<u>1,130,627</u>	<u>1,252,299</u>	<u>1,183,623</u>	<u>185,420</u>	<u>161,908</u>
Expenses						
Administrative	282,168	293,118	-	-	-	-
Police	679,768	691,369	-	-	-	-
Public Works	73,962	58,727	-	-	-	-
Judicial	56,460	30,947	-	-	-	-
Tourism	1,877	8,057	-	-	-	-
Debt service - interest and fees	4,046	6,866	-	-	-	-
Water, sewer and garbage	-	-	1,237,714	1,285,803	-	-
QCEDC	-	-	-	-	58,862	54,687
Capital Contribution to City	-	-	-	-	368,625	-
Total Expenses	<u>1,098,281</u>	<u>1,089,084</u>	<u>1,237,714</u>	<u>1,285,803</u>	<u>427,487</u>	<u>54,687</u>
Other Sources (Uses)						
Operating transfer in (out)	(62,499)	(60,481)	62,499	60,481	-	-
Total Other Sources (Uses)	<u>(62,499)</u>	<u>(60,481)</u>	<u>62,499</u>	<u>60,481</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Position	414,329	(18,938)	77,084	(41,699)	(242,067)	107,221
Beginning Net Position	1,133,550	1,152,488	1,955,272	1,996,971	1,272,675	1,165,454
Prior Period Adjustment	(3,389)	-	(3,132)	-	-	-
Ending Net Position	<u>\$ 1,544,490</u>	<u>\$ 1,133,550</u>	<u>\$ 2,029,224</u>	<u>\$ 1,955,272</u>	<u>\$ 1,030,608</u>	<u>\$ 1,272,675</u>

Government-Wide Review of Statement of Activities

The statement of net position presents revenues, expenses, and changes in net position separately for governmental activities and business-type activities. The format allows for presentation of general revenues (i.e., taxes, investment earnings, miscellaneous revenues, and gain on sale of capital assets) followed by a listing of general revenues to support the City's overall governmental or business-type activities. Expenses are presented on a functional basis, with depreciation on fixed assets directly allocated to the related expense (e.g., administration and general, police, fire).

Governmental Activities

Operating revenues are divided into taxes and other sources of revenue. For the City of Queen City, the major tax revenues are property tax revenue of \$622,836 and other tax revenue of \$386,489. Remaining revenue sources consist of investment earnings of \$8,079, fines and court fees and other taxes of \$68,026, and miscellaneous revenue of \$121,054. Majority of the increase in revenues is due to the capital grant revenue recognized in the current year.

Expenses are presented in the statement of activities by function and total \$1,098,281 (including interest on long-term debt) for the current fiscal year-end. Expenses increased approximately \$9,197.

Business-Type Activities

Business-type activities provided by the City of Queen City consist of water, sewer, and sanitation totaling \$1,230,007. Revenues for the current fiscal year in the investment earnings subcategory are \$2,392. The City also received a Capital Contribution of \$19,900.

The City reports the total amount of expenses as \$1,237,714 for the fiscal year ended September 30, 2025. The decrease in expenses is due to decrease in supplies and repair and maintenance expenses. The change in net position (revenues less expenses) for the current fiscal year is \$77,084. This is an increase from the prior year change of (\$41,699).

Governmental Funds

At year-end, the City's governmental funds, consisting of the General Fund, Debt Service Fund, and Other Non-Major Funds reported combined fund balances of \$620,503, with \$140,405 recorded as restricted and \$480,098 recorded as unassigned. Under the modified-accrual basis for fund financial statements, the emphasis is on accounting for current financial resources of the City.

The fund-reporting format presents in the Statement of Revenues, Expenditures, and Changes in Fund Balance all revenue types followed by the expenses of the City, also presented on a functional basis. However, for the fund financial statements, the City reports only current year capital expenditures and does not report depreciation on capital assets. The major revenue sources are similar to the government-wide presentation above, with additional detail provided for services for which the City receives a fee or charge for services (licenses and permits, sanitation fees, fines, court fees, and parks and recreation fees). The General Fund reported revenue in excess of expenditures of \$66,667. Fund balance at the end of the current fiscal year for the General Fund was \$480,858. Debt Service Fund reported revenue in excess of expenditures of \$460. Fund balance at the end of the current fiscal year for the Debt Service Fund was \$130,810. Other Non-Major reported expenditures in excess of revenues of (\$1,872). Fund balance at the end of the current fiscal year for the Other Non-Major funds was \$8,835.

Proprietary Fund

The total amounts presented for the Proprietary Fund (utility fund for water, sewer and sanitation services) are identical to the government-wide presentation. Statement of Revenues, Expenses, and Changes in Net Position, presents a more detailed listing of expenses than presented in the government-wide statements, pending implementation of financial reporting improvements to report activities of the water, sewer and sanitation systems on a functional basis. The major operating expenses of this fund include \$222,347 for salaries and related costs, \$54,503 for retirement expenses, \$311,421 for contracted services, \$254,318 for repairs, and \$117,086 for depreciation and amortization. Non-operating revenues and expenses includes \$2,392 of interest revenue and \$62,499 of transfers in for accumulated amounts sent to the DSF for Utility Fund debt payments.

Budget

The City Council did not amend the 2024-2025 budget during the year.

Capital Assets and Long-Term Debt

Capital Assets

At the end of the fiscal year 2025, the governmental activities had \$1,073,143 invested in a broad range of capital assets, the business-type activities had \$1,667,271 invested in capital assets, and the component unit had \$444,840 invested in capital assets. Detailed information about the City's capital assets is presented in Note 7 to the financial statements.

Long-Term Debt

At year-end in the governmental activities, the City owed \$96,532 in notes payable. In the business-type activities, the City owed \$150,000 in bonds and \$25,379 in notes payable. Detailed information about the City's long-term liabilities is presented in Note 8 and 9 to the financial statements.

Next Year's Budget and Economic Factors

The City's elected and appointed officials consider many factors when setting the fiscal-year budget for 2026. The budget was approved by the City Council during its regular September council meeting.

The City Council's continued support with providing insurance, education, and cost of living pay to city employees has helped keep the city well-staffed.

The adopted tax rate for 2025-2026 is \$0.702970. The City's valuation will result in a slight increase in tax dollars available due to the rise in appraisals and new property added to the tax rolls. It is anticipated that the equity position of the City will increase. The financial position of the City is at adequate levels to provide the services that citizens are requiring.

The City is applying for a TWDB grant to fund a new city well and new meters. The City Council evaluates Water and Sewer rates yearly at their budget hearing to provide much necessary revenue for the Water Works Department Operations. New water rates went into effect November 1, 2025.

Requests for Information

This financial report is designed to provide a general overview of the City of Queen City's finances and to demonstrate the City's accountability. If you have questions regarding this report or need additional information, contact the City Secretary's Office at 601 Loop 236, Queen City, Texas 75572. The phone number for the City is (903) 796-7986.

***CITY OF QUEEN CITY, TEXAS
BASIC FINANCIAL STATEMENTS***

CITY OF QUEEN CITY, TEXAS
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 780,869	\$ 300,643	\$ 1,081,512	\$ 411,279
Restricted cash	10,345	98,612	108,957	-
Investments	-	-	-	166,044
Receivables:				
Property Taxes - Delinquent, net of allowance	111,079	-	111,079	-
Account Receivable - Utility, net of allowance	-	139,069	139,069	-
Warrants, net of allowances	37,832	-	37,832	-
Sales Tax	89,251	-	89,251	-
Interfund Accounts	(228,777)	228,777	-	-
Due from Component Unit	7,154	-	7,154	-
Due from Other Governments	14,699	-	14,699	25,500
Inventories	-	3,765	3,765	-
Property, Plant and Equipment				
Land and Easements	64,950	15,064	80,014	165,000
Construction in Progress	368,625	19,900	388,525	-
Land Improvements, Net	-	-	-	115,252
Streets, Net	-	-	-	164,588
Buildings and Improvements, Net	191,010	-	191,010	-
Water and Sewer Systems, Net	-	1,582,782	1,582,782	-
Vehicles and Equipment, Net	289,153	49,525	338,678	-
Infrastructure, Net	159,405	-	159,405	-
Total Assets	<u>\$ 1,895,595</u>	<u>\$ 2,438,137</u>	<u>\$ 4,333,732</u>	<u>\$ 1,047,663</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflow Related to TMRS Pension	\$ 46,593	\$ 31,060	\$ 77,653	\$ -
Deferred Outflow Related to TMRS OPEB	3,448	2,298	5,746	-
Total Deferred Outflows of Resources	<u>\$ 50,041</u>	<u>\$ 33,358</u>	<u>\$ 83,399</u>	<u>\$ -</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 7,873	\$ 9,942	\$ 17,815	9,901
Payroll Tax & Benefits Payable	24,591	18,487	43,078	-
Due to State	18,916	-	18,916	-
Due to Other Governments	31,009	-	31,009	-
Due to City	-	-	-	7,154
Meter Deposits	-	98,612	98,612	-
Accrued Compensated Absences - Due in One Year	2,784	1,767	4,551	-
Notes and Bonds Payable - Due Within One Year	21,919	156,451	178,370	-
Noncurrent Liabilities:				
Net Pension Liability - TMRS	172,114	114,737	286,851	-
Net OPEB Liability - TMRS	15,580	10,386	25,966	-
Accrued Compensated Absences - Due in More Than One Year	16,661	2,902	19,563	-
Notes and Bonds Payable - Due in More Than One Year	74,613	18,928	93,541	-
Total Liabilities	<u>\$ 386,060</u>	<u>\$ 432,212</u>	<u>\$ 818,272</u>	<u>\$ 17,055</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflow Related to TMRS Pension	\$ 8,673	\$ 5,783	\$ 14,456	\$ -
Deferred Inflow Related to TMRS OPEB	6,413	4,276	10,689	-
Total Deferred Inflows of Resources	<u>\$ 15,086</u>	<u>\$ 10,059</u>	<u>\$ 25,145</u>	<u>\$ -</u>
NET POSITION				
Net Investment in Capital Assets	\$ 976,611	\$ 1,491,892	\$ 2,468,503	\$ 444,840
Restricted for:				
Debt service	142,356	-	142,356	-
Hotel Tax for Tourism	8,835	-	8,835	-
Police Designated Funds	760	-	760	-
Unrestricted	415,928	537,332	953,260	585,768
Total Net Position	<u>\$ 1,544,490</u>	<u>\$ 2,029,224</u>	<u>\$ 3,573,714</u>	<u>\$ 1,030,608</u>

The accompanying notes are an integral part of this statement.

**CITY OF QUEEN CITY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Functions/Programs	Net (Expense) Revenue and Changes in Net Position																				
	Program Revenues					Primary Government															
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Queen City Econ Dev Corporation														
Primary government:																					
Governmental activities:																					
Administrative	\$ 282,168	\$ -	\$ -	\$ 368,625	\$ 86,457	\$ -	\$ 86,457	\$ -	\$ -	\$ 86,457	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Police	679,768	68,026	-	-	(611,742)	-	(611,742)	-	-	(611,742)	-	-	-	-	-	-	-	-	-	-	
Public Works	73,962	-	-	-	(73,962)	-	(73,962)	-	-	(73,962)	-	-	-	-	-	-	-	-	-	-	
Judicial	56,460	-	-	-	(56,460)	-	(56,460)	-	-	(56,460)	-	-	-	-	-	-	-	-	-	-	
Tourism	1,877	-	-	-	(1,877)	-	(1,877)	-	-	(1,877)	-	-	-	-	-	-	-	-	-	-	
Debt Service	4,046	-	-	-	(4,046)	-	(4,046)	-	-	(4,046)	-	-	-	-	-	-	-	-	-	-	
Total governmental activities	1,098,281	68,026	-	368,625	(661,630)	-	(661,630)	-	-	(661,630)	-	-	-	-	-	-	-	-	-	-	
Business-type activities:																					
Water Fund	1,237,714	1,230,007	-	19,900	-	-	12,193	12,193	-	12,193	-	-	-	-	-	-	-	-	-	-	
Total business-type activities	1,237,714	1,230,007	-	19,900	-	-	12,193	12,193	-	12,193	-	-	-	-	-	-	-	-	-	-	
Total primary government	\$ 2,335,995	\$ 1,298,033	\$ -	\$ 388,525	\$ (661,630)	\$ -	\$ 12,193	\$ (649,437)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Component Unit:																					
QC Economic Development Corp	58,862	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(58,862)	
Capital Contribution to the City	368,625	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(368,625)	
Total component unit	\$ 427,487	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (427,487)	
General revenues:																					
Property Tax - M&O					548,092																548,092
Property Tax - I&S					61,338																61,338
Penalty and Interest					13,406																13,406
Investments					8,079																8,079
Sales Tax					325,369																325,369
Franchise Tax					61,120																61,120
Transfers In					(62,499)																(62,499)
Other Revenue					121,054																121,054
Total General Revenues					1,075,959																1,075,959
Change in Net Position					414,329																414,329
Net Position at Beginning of Year					1,133,550																1,133,550
Prior Period Adjustment					(3,389)																(3,389)
Net Position at End of Year					\$ 1,544,490																\$ 1,544,490
Queen City Econ Dev Corporation																					15,000
Total General Revenues					1,140,850																1,140,850
Change in Net Position					491,413																491,413
Net Position at Beginning of Year					1,955,272																1,955,272
Prior Period Adjustment					(3,088,822)																(3,088,822)
Net Position at End of Year					\$ 3,573,714																\$ 3,573,714
Queen City Econ Dev Corporation																					15,000
Total General Revenues					1,140,850																1,140,850
Change in Net Position					491,413																491,413
Net Position at Beginning of Year					1,955,272																1,955,272
Prior Period Adjustment					(6,521)																(6,521)
Net Position at End of Year					\$ 3,573,714																\$ 3,573,714
Queen City Econ Dev Corporation																					15,000
Total General Revenues					1,140,850																1,140,850
Change in Net Position					491,413																491,413
Net Position at Beginning of Year					1,955,272																1,955,272
Prior Period Adjustment					(6,521)																(6,521)
Net Position at End of Year					\$ 3,573,714																\$ 3,573,714
Queen City Econ Dev Corporation																					15,000
Total General Revenues					1,140,850																1,140,850
Change in Net Position					491,413																491,413
Net Position at Beginning of Year					1,955,272																1,955,272
Prior Period Adjustment					(6,521)																(6,521)
Net Position at End of Year					\$ 3,573,714																\$ 3,573,714

CITY OF QUEEN CITY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

	General Fund	Debt Service Fund	Other Non-major Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 652,021	\$ 129,598	\$ -	\$ 781,619
Restricted Cash	760	-	8,835	9,595
Receivables:				
Property Taxes, net of allowance	98,321	12,758	-	111,079
Warrants, net of allowance	37,832	-	-	37,832
Sales Tax	89,251	-	-	89,251
Due from Component Unit	7,154	-	-	7,154
Due from Other Governments	14,699	-	-	14,699
Total Assets	<u>\$ 900,038</u>	<u>\$ 142,356</u>	<u>\$ 8,835</u>	<u>\$ 1,051,229</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable and Other Accrued Expenses	7,873	-	-	7,873
Payroll Tax & Benefits Payable	24,591	-	-	24,591
Due to State	18,916	-	-	18,916
Due to Other Governments	31,009	-	-	31,009
Due to Other Funds	228,777	-	-	228,777
Total Liabilities	<u>311,166</u>	<u>-</u>	<u>-</u>	<u>311,166</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Property Tax Revenues	89,098	11,546	-	100,644
Unavailable Warrant Revenues	18,916	-	-	18,916
Total Deferred Inflows of Resources	<u>108,014</u>	<u>11,546</u>	<u>-</u>	<u>119,560</u>
FUND BALANCES				
Restricted Fund Balance:				
Retirement of Long-Term Debt	-	130,810	-	130,810
Hotel Tax for Tourism	-	-	8,835	8,835
Police Designated Funds	760	-	-	760
Unassigned Fund Balance	480,098	-	-	480,098
Total Fund Balances	<u>480,858</u>	<u>130,810</u>	<u>8,835</u>	<u>620,503</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 900,038</u>	<u>\$ 142,356</u>	<u>\$ 8,835</u>	<u>\$ 1,051,229</u>

The accompanying notes are an integral part of this statement.

CITY OF QUEEN CITY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

Total Fund Balances - Governmental Funds	\$ 620,503
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$2,085,285 and the accumulated depreciation was (\$1,408,163). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. At the beginning of the year, the balances of these liabilities were (\$119,113). The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.	558,009
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including capital asset additions of \$479,097 and debt principal payments of \$69,163 is to increase net position.	548,260
The 2025 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to (decrease) net position.	(83,076)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of debt as an increase in debts payable and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	53,533
Included in the items related to debt is the recognition of the City's proportionate share of the net pension liability required by GASB 68 in the amount of (\$172,114), a deferred resource inflow related to the pension in the amount of (\$8,673), a deferred resource outflow related to the pension in the amount of \$46,593. This amounted to a (decrease) in net positions.	(134,194)
Included in the items related to debt is the recognition of the City's proportionate share of the net OPEB liability required by GASB 75 in the amount of (\$15,580), a deferred resource inflow related to the OPEB in the amount of (\$6,413), a deferred resource outflow related to the OPEB in the amount of \$3,448 This amounted to a (decrease) in net position.	(18,545)
	\$ 1,544,490
Net Position of Governmental Activities	\$ 1,544,490

The accompanying notes are an integral part of this statement.

CITY OF QUEEN CITY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General Fund	Debt Service Fund	Other Non-major Funds	Total Governmental Funds
REVENUES				
Local Intermediate and Out-of-State				
Property Taxes	\$ 551,971	\$ 61,338	\$ -	\$ 613,309
Penalty and Interest	11,930	1,477	-	13,407
Franchise Taxes	61,120	-	-	61,120
Sales Tax	325,369	-	-	325,369
Fines and Court Fees	66,427	-	-	66,427
Interest Income	7,929	144	5	8,078
Other Local Revenues	30,000	-	-	30,000
Other Taxes	80,113	-	-	80,113
Miscellaneous	10,941	-	-	10,941
Total Revenues	<u>1,145,800</u>	<u>62,959</u>	<u>5</u>	<u>1,208,764</u>
EXPENDITURES				
Current:				
Administrative	258,241	-	-	258,241
Public Safety	622,050	-	-	622,050
Public Works	16,326	-	-	16,326
Judicial	56,460	-	-	56,460
Tourism	-	-	1,877	1,877
Total Current	<u>953,077</u>	<u>-</u>	<u>1,877</u>	<u>954,954</u>
Capital Outlay:				
Public Safety	56,816	-	-	56,816
Public Works	53,656	-	-	53,656
Total Capital Outlay	<u>110,472</u>	<u>-</u>	<u>-</u>	<u>110,472</u>
Debt Service:				
Principal	69,163	-	-	69,163
Interest	4,046	-	-	4,046
Total Debt Service	<u>73,209</u>	<u>-</u>	<u>-</u>	<u>73,209</u>
Total Expenditures	<u>1,136,758</u>	<u>-</u>	<u>1,877</u>	<u>1,138,635</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>9,042</u>	<u>62,959</u>	<u>(1,872)</u>	<u>70,129</u>
OTHER FINANCING SOURCES (USES)				
Transfer Out	-	(62,499)	-	(62,499)
Loan Proceeds	57,625	-	-	57,625
Total Other Financing Sources (Uses)	<u>57,625</u>	<u>(62,499)</u>	<u>-</u>	<u>(4,874)</u>
Net Change In Fund Balance	66,667	460	(1,872)	65,255
Fund Balance, Beginning of Year	414,191	130,350	10,707	555,248
Fund Balance, End of Year	<u>\$ 480,858</u>	<u>\$ 130,810</u>	<u>\$ 8,835</u>	<u>\$ 620,503</u>

The accompanying notes are an integral part of this statement.

CITY OF QUEEN CITY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Total Net Change in Fund Balances - Governmental Funds	\$ 65,255
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing capital outlays of \$479,097 and debt principal payments of \$69,163 is to increase net position.	548,260
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to (decrease) net position.	(83,076)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/24 caused the change in the ending net position to increase in the amount of \$26,155. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling (\$25,240). The City's reported TMRS net pension expense had to be recorded. The net pension expense increased the change in net position by (\$51,199). The result of these changes is to (decrease) the change in net position.	(50,285)
The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/24 caused the change in the ending net position to increase in the amount of \$1,006. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling (\$1,123). The City's reported TMRS net OPEB expense had to be recorded. The net OPEB expense increased/(decreased) the change in net position by (\$791). The result of these changes is to (decrease) the change in net position.	(908)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include eliminating interfund transactions, reclassifying the proceeds of new debt, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase/ (decrease) net position.	<u>(64,917)</u>
Change in Net Position of Governmental Activities	<u>\$ 414,329</u>

The accompanying notes are an integral part of this statement

CITY OF QUEEN CITY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2025

	<u>Utility Fund</u>	<u>Total Proprietary Funds</u>
ASSETS		
Cash and Cash Equivalents	\$ 300,643	\$ 300,643
Restricted Cash - Customer Deposits	98,612	98,612
Accounts Receivable - Utility	215,681	215,681
Allowances for Uncollectible Accounts	(76,612)	(76,612)
Due from Other Funds	228,777	228,777
Inventories	3,765	3,765
Property, Plant and Equipment:		
Land and Easements	15,064	15,064
Water and Sewer Systems, Net	1,582,782	1,582,782
Vehicles and Equipment, Net	49,525	49,525
Construction in Progress	19,900	19,900
Total Assets	<u><u>\$ 2,438,137</u></u>	<u><u>\$ 2,438,137</u></u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow related to TMRS Pension	\$ 31,060	\$ 31,060
Deferred outflow related to TMRS OPEB	2,298	2,298
Total Deferred Outflows of Resources	<u><u>\$ 33,358</u></u>	<u><u>\$ 33,358</u></u>
LIABILITIES		
Current liabilities		
Accounts Payable	\$ 9,942	\$ 9,942
Payroll Tax & Benefits Payable	18,487	18,487
Non-current liabilities		
Meter Deposits	98,612	98,612
Net Pension Liability - TMRS	114,737	114,737
Net OPEB Liability - TMRS	10,386	10,386
Compensated Absence Liability Due Within One Year	1,767	1,767
Compensated Absence Liability Due in More than One Year	2,902	2,902
Note and Bonds Payable Due Within One Year	156,451	156,451
Note and Bonds Payable Due in More than One Year	18,928	18,928
Total Liabilities	<u><u>\$ 432,212</u></u>	<u><u>\$ 432,212</u></u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflow related to TMRS Pension	\$ 5,783	\$ 5,783
Deferred Inflow related to TMRS OPEB	4,276	4,276
Total Deferred Inflows of Resources	<u><u>\$ 10,059</u></u>	<u><u>\$ 10,059</u></u>
NET POSITION		
Net Investment in Capital Assets	\$ 1,491,892	\$ 1,491,892
Unrestricted	537,332	537,332
Total Net Position	<u><u>\$ 2,029,224</u></u>	<u><u>\$ 2,029,224</u></u>

The accompanying notes are an integral part of this statement.

CITY OF QUEEN CITY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Utility Funds	Total Proprietary Funds
OPERATING REVENUES		
Charges for Sales and Services	\$ 1,084,617	\$ 1,084,617
Tapping, Meter and Related Fees	14,989	14,989
Penalty Income	14,083	14,083
WWTP Project Fees	111,891	111,891
Miscellaneous Income	4,427	4,427
Total Operating Revenues	1,230,007	1,230,007
OPERATING EXPENSES		
Billing	4,333	4,333
Contracted Services	311,421	311,421
Depreciation	117,086	117,086
Franchise Fees	6,629	6,629
Fuel	8,922	8,922
Insurance	86,403	86,403
Interest	10,661	10,661
Legal, Audit and Ads	9,500	9,500
Miscellaneous	4,726	4,726
Office	4,980	4,980
Rent	30,000	30,000
Retirement	54,503	54,503
Salaries, Benefits and Related Costs	222,347	222,347
State and Lab	20,649	20,649
Supplies, Repair and Maintenance	254,318	254,318
Sales Tax/Trash Service	20,625	20,625
Training	699	699
Uniforms	755	755
Utilities and Telephone	69,157	69,157
Total Operating Expenses	1,237,714	1,237,714
Net operating income (loss)	(7,707)	(7,707)
NONOPERATING REVENUES (EXPENSES)		
Interest Revenue	2,392	2,392
Transfers In	62,499	62,499
Capital Grant Revenue	19,900	19,900
Total nonoperating revenues (expenses)	84,791	84,791
Changes in Net Position	77,084	77,084
Net Position, beginning of year	1,955,272	1,955,272
Prior Period Adjustment	(3,132)	(3,132)
Net Position, end of year	\$ 2,029,224	\$ 2,029,224

The accompanying notes are an integral part of this statement.

**CITY OF QUEEN CITY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	Utility Fund	Total Proprietary Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,230,007	\$ 1,230,007
Cash payments to suppliers for goods and services	(853,821)	(853,821)
Cash payments to employees for services and benefits	(220,810)	(220,810)
Net cash provided by operating activities	<u>155,376</u>	<u>155,376</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Increase (decrease) in transfers in (out)	62,499	62,499
Net change in interfund receivables / payables	10,611	10,611
Net cash provided by noncapital financing activities	<u>73,110</u>	<u>73,110</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition or construction of capital assets	(19,900)	(19,900)
Payments of principal on debt	(152,016)	(152,016)
Net cash (used) by capital and related financing activities	<u>(152,016)</u>	<u>(152,016)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	2,392	2,392
Net cash provided by investing activities	<u>2,392</u>	<u>2,392</u>
Net increase (decrease) in cash and cash equivalents	78,862	78,862
Cash and cash equivalents, beginning of year	<u>320,393</u>	<u>320,393</u>
Cash and cash equivalents, end of year	<u>\$ 399,255</u>	<u>\$ 399,255</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income (loss)	\$ (7,707)	\$ (7,707)
Adjustment to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation and amortization	117,086	117,086
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(5,438)	(5,438)
Increase (decrease) in accounts payable and accrued expenses	8,134	8,134
Increase (decrease) in customer deposits	7,636	7,636
Increase (decrease) in compensated absence liability	1,537	1,537
Increase (decrease) in pension plan assets and outflows	34,128	34,128
Net cash provided by operating activities	<u>\$ 155,376</u>	<u>\$ 155,376</u>

The accompanying notes are an integral part of this statement.

**CITY OF QUEEN CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Note 1 - Summary of Significant Accounting Policies

The City of Queen City, Texas (the City) was incorporated on July 12, 1876, and re-incorporated on March 7, 1949, under the provisions of Vernon's Civil Statutes, as amended. The City operates under the General Law Type A: city government with a mayor-council form of government.

The City prepares its general-purpose financial statements in conformity with generally accepted accounting principles promulgated by Governmental Accounting Standards Board and other authoritative sources identified in *Statements on Auditing Standards No. 69* of the American Institute of Public and the requirements of contracts and grants agencies from which it receives funds.

During the year ended September 30, 2025, the City implemented **GASB Statement No. 101, *Compensated Absences***. The Statement establishes recognition and measurement guidance for employee leave benefits. As a result, the City now recognizes a liability for leave that is attributable to services already rendered and is probable of resulting in payment, either through cash settlement or time off that reduces future service requirement. The implementation of this standard resulted in a restatement of beginning net position to record compensated absences in accordance with the new guidance.

A. Reporting Entity

In defining the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility.

The financial activities of the Queen City Tourism Fund are included in the basic financial statements of the City. This fund is designated to administer and collect the Hotel Occupancy Tax. The members of the Tourism Committee are appointed by the City Council, and the financial records are maintained by the City Secretary at the City Hall.

The financial activities of the Queen City Economic Development Corporation are included in the financial statements as a component unit of the City. This organization was established to collect a sales tax pursuant to the Development Corporation Act of 1979. The funds are maintained by the Committee's treasurer and are not under the direct control of the City Council. This Committee, a seven-member group, is appointed by the City Council and at least one of its members is also a council member.

No other organizations have been identified which meet the criteria established for inclusion in the financial statements.

B. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the City of Queen City with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, charges for services, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. Examples include fees charged for water, sewer, and garbage service. The "grants and contributions" column includes amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the City's functions. Taxes are always general revenues.

CITY OF QUEEN CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as interfund transfers.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and proprietary. The City considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are non-operating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are non-operating.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the 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 the 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.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The City considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the City to refund all or part of the unused amount.

**CITY OF QUEEN CITY, TEXAS
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The Proprietary Fund Types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

D. Fund Accounting

The City reports the following major governmental funds:

1. **General Fund** – The general fund is the City's primary operating fund. It accounts for financial resources except those required to be accounted for in another fund.
2. **Debt Service Funds** – The City accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Additionally, the City reports the following fund type(s):

Governmental Funds:

Other Non-major Special Revenue Funds – The City accounts for resources restricted to, or designated for, specific purposes by the City or a grantor in a special revenue fund.

Additionally, the City reports the following major proprietary fund:

Proprietary Funds:

Utility Fund – The City's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The City's major Utility Fund is the water and sewer fund.

Budget and Budgetary Accounting

Formal budgetary integration is employed as a management control device during the year for the general fund. This budget is adopted on a basis consistent with generally accepted accounting principles. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

The budgets for the general fund and proprietary fund operations are prepared on the cash basis. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year the applicable purchase orders are expected to be issued. The budget and actual financial statements are reported on this basis. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

The City does not record encumbrances as part of its accounting records.

E. Other Accounting Policies

1. For purposes of the statement of cash flows for proprietary funds, the City considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased. All other monetary assets are treated as investments including certificates of deposit, investment pools, money market investments, and other securities defined in the Public Funds Investment Act.

**CITY OF QUEEN CITY, TEXAS
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The City's Cash Management and Investment Policy requires all deposits to be fully collateralized with depository insurance; obligations of the United States of America or its agencies and instrumentalities (excluding those mortgaged backed securities prohibited by the Public Funds Investments Act); public fund investment pools; or in any manner and amount provided by law for deposits of the City. At all times, such securities are to have a fair value of not less than 110 percent of the amount of the deposits collateralized, adjustment by an amount of applicable depository insurance.

2. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.
3. Capital assets, which include land, buildings, machinery and equipment and roads and bridges, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. 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 date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20 - 50
Infrastructure	20 - 50
Other Vehicles	5 - 8
Furniture	5 - 8
Computer Equipment	3 - 5

4. Some cash and investments are restricted for future debt payments.
5. When the City incurs an expense for which it may use either restricted or unrestricted position, it uses the restricted assets first whenever they will have to be returned if they are not used.
6. Investments are recorded at fair market value. Investments in investment pools are recorded at amortized cost.
7. Bond issuance costs are expensed in the year the debt is issued.
8. Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying general purpose financial statements. Sick leave is allowed to be accumulated but does not vest. Therefore, a liability for unused sick leave has not been recorded in the accompanying general purpose financial statements.
9. Deferred Outflows/Inflows of Resources – The City implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities for the year ended September 30, 2014. In addition to assets, the statement of net position 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 period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

**CITY OF QUEEN CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

The City has two types of items that qualifies for reporting in this category on the fund financial statements, property taxes and outstanding warrants. These amounts will be recognized as an inflow of resources in the subsequent years as collected.

10. 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’s 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.

11. Fund Equity – The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories as following:

Nonspendable fund balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted fund balance – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed fund balance – represents amounts that can only be used for specific purposes imposed by a formal action of the City’s highest level of decision-making authority, the Council. Committed resources cannot be used for any other purposes unless the Council removes or changes the specific use by taking the same formal action that imposed the constraint originally.

Assigned fund balance – represents amount the City intends to use for specific purposes as expressed by the Council or an official delegated with the authority.

Unassigned fund balance – represents the residual classification for the general fund or deficit balances in other funds.

In circumstances where expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and then unassigned fund balance.

12. Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.
13. Comparative Data - Governments are required to present comparative data only in connection with Management’s Discussion and Analysis (MD&A).
14. Depreciation Allocation Policy – Depreciation expense is reported in the government-wide Statement of Activities and is allocated to the appropriate governmental functions based on the relative proportion of total expenditures by function as reported in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances. This allocation method is used to reasonably attribute the cost of capital assets to the functions that benefit from their use.

**CITY OF QUEEN CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Note 2 – Deposits and Investments

Policies Governing Deposits and Investments

In compliance with the Public Funds Investment Act, the City has adopted a deposit and investment policy. That policy does address the following risks:

Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's policy regarding types of deposits allowed and collateral requirements is that the funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping in an amount sufficient to protect the City's 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.

Deposits of the City are insured or collateralized with securities held by the pledging financial institution's trust department or agent in the name of the City.

The captions and amounts of cash and cash equivalents on the Statement of Net Position at September 30, 2025, consist of the following:

The City's cash deposits at September 30, 2025 and during the year ended September 30, 2025 were covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name at all banks.

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.

As of September 30, 2025, City of Queen City, Texas had the following investments:

<u>Investment Type</u>	<u>Amortized Cost</u>
Certificate of Deposit	166,044
Investment Pools:	
TexPool	30,037
Total	196,081

The Texas Local Government Investment Pool ("TexPool") is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Texas Comptroller of Public Accounts is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company ("Trust Company"), which is authorized to operate TexPool.

**CITY OF QUEEN CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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Pursuant to the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Lehman Brothers Inc. and Federated Investor's, Inc., under an agreement with the Comptroller, acting on behalf of the Trust Company. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy and approves any fee increases. As required by the Public Funds Investment Act, this Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool.

Additional policies and contractual provisions governing deposits and investments for City of Queen City, Texas, are specified below:

Custodial Credit Risk for Investments: To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the City limits investments in Obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies and instrumentalities; certificates of deposit; fully collateralized repurchase agreements that have defined termination date and secured by obligations of the United States or its agencies and instrumentalities; securities lending program; bankers acceptances; commercial paper; no-load money market mutual funds and no-load mutual funds; guaranteed investment contracts as an investment vehicle for bond proceeds and public fund investment pools. As of September 30, 2025, the City's investments in public funds investment pools in TexPool was rated AAAM by Standards & Poor's.

Interest Rate Risk - Interest-rate risk occurs when potential purchases of debt securities do not agree to pay face value for these securities if interest rates rise. The City does not purchase investment where the face value is not guaranteed.

Note 3 – Interfund Receivables, Payables, and Transfers

Individual interfund receivable and payable balances at September 30, 2025 were:

	Receivables (Due From)	Payables (Due To)
General Fund:		
Utility Fund	-	228,777
Component Unit	7,154	-
	7,154	228,777
Utility Fund:		
General Fund	228,777	-
	228,777	-
Component Unit:		
General Fund	-	7,154
	-	7,154
Total	235,931	235,931

Interfund transfers during the year were:

	In	Out
Debt Service Fund:		
Utility Fund	-	(62,499)
Utility Fund:		
Debt Service Fund	62,499	-
Total	62,499	(62,499)

**CITY OF QUEEN CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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The Debt Service Fund transferred collections of interest and sinking taxes to the Utility Fund for debt payments. Because the debt is recorded in the Utility Fund, the debt payment has to be recorded in that fund.

Note 4 – Disaggregation of Receivables and Payables

Receivables at September 30, 2025, were as follows:

	Property Taxes	Sales Taxes	Warrants	Accounts Receivable	Due From Other Governments	Total Receivables
Governmental Activities:						
General Fund	110,263	89,251	75,664	-	14,699	289,877
Debt Service Fund	14,320	-	-	-	-	14,320
Total Governmental Activities	<u>124,583</u>	<u>89,251</u>	<u>75,664</u>	<u>-</u>	<u>14,699</u>	<u>304,197</u>
Amount not scheduled for collection during the subsequent year	<u>(13,504)</u>	<u>-</u>	<u>(37,832)</u>	<u>-</u>	<u>-</u>	<u>(51,336)</u>
Business-Type Activities:						
Utility Fund	-	-	-	215,681	-	215,681
Amounts not scheduled for collection during the subsequent year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(76,612)</u>	<u>-</u>	<u>(76,612)</u>
Component Unit Activities:						
QCEDC	-	-	-	-	25,500	25,500
Amounts not scheduled for collection during the subsequent year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Payables at September 30, 2025, were as follows:

	Accts Payable & Accrued Expenses	Salaries & Benefits	Court Costs Due to State	Due to Others	Total Payables
Governmental Activities:					
General Fund	7,873	24,591	18,916	31,009	82,389
Total - Governmental Activities	<u>7,873</u>	<u>24,591</u>	<u>18,916</u>	<u>31,009</u>	<u>82,389</u>
Business-Type Activities					
Utility Fund	9,942	18,487	-	-	28,429
Total - Business-Type Activities	<u>9,942</u>	<u>18,487</u>	<u>-</u>	<u>-</u>	<u>28,429</u>
Component Unit Activities:					
QCEDC	9,901	-	-	-	9,901
Total- Component Unit Activities	<u>9,901</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,901</u>

Note 5 – Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

**CITY OF QUEEN CITY, TEXAS
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The Cass County Appraisal District bills and collects property taxes for the City of Queen City. The State of Texas Constitution limits the City's ad valorem tax rate for all purposes to \$1.50 per one hundred dollars of assessed valuation. Ad valorem tax revenue during the year ended September 30, 2025, was levied using a rate of \$0.729990 per one hundred dollars of assessed valuation. Taxes were allocated between the Maintenance and Operations \$0.657061 and Debt Service \$0.072929. Based on 100% of estimated market value, the City has a tax margin of \$0.770010 per \$100 of valuation. The City could raise an additional \$644,500 per year from the present assessed valuation of \$83,700,188 before the limit is reached. The amount assessed for the 2024 tax roll was \$611,003.

Note 6 – Delinquent Taxes Receivable

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Note 7 – Capital Asset Activity

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

	Balance October 1, 2024	Additions	Retirements / Reclassifications	Balance September 30, 2025
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 64,950	-	-	64,950
Construction in Progress		368,625	-	368,625
Total capital assets, not being depreciated	<u>64,950</u>	<u>368,625</u>	<u>-</u>	<u>433,575</u>
Capital assets, being depreciated:				
Buildings	\$ 352,103	\$ -	\$ -	\$ 352,103
Infrastructure	1,149,890	-	-	1,149,890
Vehicles and Equipment	518,342	110,472	(62,627)	566,187
Total capital assets, being depreciated	<u>2,020,335</u>	<u>110,472</u>	<u>(62,627)</u>	<u>2,068,180</u>
Less accumulated depreciation for:				
Buildings	(152,163)	(8,930)	-	(161,093)
Infrastructure	(970,972)	(19,513)	-	(990,485)
Vehicles and Equipment	(285,028)	(54,633)	62,627	(277,034)
Total accumulated depreciation	<u>(1,408,163)</u>	<u>(83,076)</u>	<u>62,627</u>	<u>(1,428,612)</u>
Governmental Activities Capital Assets, net	<u>\$ 677,122</u>	<u>\$ 396,021</u>	<u>\$ -</u>	<u>\$ 1,073,143</u>

In the current year, Governmental Activities purchased 2 Ford Trucks.

The City also received a capital contribution of business park street extensions from the EDC that is recorded as construction in progress. During the current year, the EDC entered into a contract that was completed in the amount of \$324,852 with additional engineering costs of \$33,873. Another contract was entered for \$79,263. During the current year additional costs associated with this contract totaled \$9,900. Total project costs for the year were \$368,625.

The city disposed of old fully depreciated equipment in the amount of \$62,627 that is no longer in use.

CITY OF QUEEN CITY, TEXAS
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Depreciation expense was charged to governmental functions as follows:

	Governmental Activities	Business-Type Activities
Administration and general	23,927	-
Law Enforcement	57,636	-
Public Works	1,513	-
Water, sewer and garbage	-	117,086
	83,076	117,086

	Balance October 1, 2024	Additions	Retirements / Reclassifications	Balance September 30, 2025
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 15,064	\$ -	\$ -	\$ 15,064
Construction in Progress	-	19,900	-	19,900
Total capital assets, not being depreciated	15,064	19,900	-	34,964
Capital assets, being depreciated				
Building Improvements	9,000	-	-	9,000
Water and Sewer System	4,413,022	-	-	4,413,022
Vehicles and Equipment	330,786	-	(47,467)	283,319
Total capital assets, being depreciated	4,752,808	-	(47,467)	4,705,341
Less accumulated depreciation for:				
Building Improvements	(9,000)	-	-	(9,000)
Water and Sewer System	(2,728,673)	(101,567)	-	(2,830,240)
Vehicles and Equipment	(265,742)	(15,519)	47,467	(233,794)
Total accumulated depreciation	(3,003,415)	(117,086)	47,467	(3,073,034)
Business-Type Activities Capital Assets, net	1,764,457	(97,186)	-	1,667,271

During the year the City was awarded a CDBG grant for funds up to \$500,000 with a match of \$10,000. These grant funds are going to be used for pump replacements and tank improvements. During the current year, costs incurred included \$9,400 in engineering and \$10,500 in consulting. These costs are recorded as construction in progress. A contract was signed with Bear Creek Contractors for the pump replacement project for \$180,000 and a contract was signed with Tankez Coatings for tank improvements for \$298,500.

The Business Type Activities disposed of old fully depreciated equipment in the amount of \$47,467 that is no longer in use.

**CITY OF QUEEN CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Discretely Presented Component Unit

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

	Balance October 1, 2024	Additions	Retirements / Reclassifications	Balance September 30, 2025
Component Unit Activities:				
Capital assets, not being depreciated:				
Land	\$ 165,000	\$ -	\$ -	\$ 165,000
Total capital assets, not being depreciated	165,000	-	-	165,000
Capital assets, being depreciated				
Land Improvements	144,064	-	-	144,064
Streets	196,523	-	-	196,523
Total capital assets, being depreciated	340,587	-	-	340,587
Less accumulated depreciation for:				
Land Improvements	(21,609)	(7,203)	-	(28,812)
Streets	(22,109)	(9,826)	-	(31,935)
Total accumulated depreciation	(43,718)	(17,029)	-	(60,747)
Total Capital Assets, being depreciated, net	296,869	(17,029)	-	279,840
EDC Capital Assets, net	\$ 461,869	\$ (17,029)	\$ -	\$ 444,840

Note 8 – Accumulated Leave Benefits Payable and Prior Period Adjustment

Effective for the fiscal year ended September 30, 2025, the City implemented **GASB Statement No. 101, *Compensated Absences***. This statement establishes new guidance for recognizing and measuring liabilities for compensated absences.

The City has the following leave policies:

Vacation - The City provides vacation leave for their employees based on length of service with the City. Vacation leave may be accumulated for the Chief of Police and City Secretary, up to a maximum of 480 hours, to use in future years and is payable upon separation or retirement, in accordance with City policy.

Sick - The City provides 9.75 days of sick leave per employee to use during the year. This leave may accumulate, up to a maximum of 60 days, to use in future years, in accordance with City policy.

**CITY OF QUEEN CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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A summary of changes in the accumulated leave liability follows:

<i>Governmental Activity</i>			
	<u>Vacation</u>	<u>Sick</u>	<u>Total</u>
Balance October 1, 2024	11,043	3,389	14,432
Additions	3,443	1,570	5,013
Deductions	-	-	-
Balance September 30, 2025	<u>14,486</u>	<u>4,959</u>	<u>19,445</u>
 <i>Business-Type Activity</i>			
	<u>Vacation</u>	<u>Sick</u>	<u>Total</u>
Balance October 1, 2024	-	3,132	3,132
Additions	-	1,537	1,537
Deductions	-	-	-
Balance September 30, 2025	<u>-</u>	<u>4,669</u>	<u>4,669</u>

Under the provisions of **GASB Statement No. 101, *Compensated Absences***, the City recognizes a liability for leave that is attributable to services already rendered, accumulates period to period, and is probable of resulting in payment, either through cash settlement or time off that reduces future service requirements.

The liability for compensated absences includes amounts expected to be paid upon termination or retirements as well as benefits expected to be used for time off in lieu of additional pay. The liability is measured using the pay rates and benefit costs in effect at the reporting date.

The total compensated absences liability for at September 30, 2025, consisted of the following components:

<i>Governmental Activity</i>	
<u>Description</u>	<u>Amount</u>
Current portion - expected to be paid within one year	2,784
Long-term portion - expected to be paid after one year	16,661
Total compensated absences liability	<u>19,445</u>
 <i>Business-Type Activity</i>	
<u>Description</u>	<u>Amount</u>
Current portion - expected to be paid within one year	1,767
Long-term portion - expected to be paid after one year	2,902
Total compensated absences liability	<u>4,669</u>

**CITY OF QUEEN CITY, TEXAS
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The adoption of this standard resulted in the City’s accounting for compensated absences, requiring the accrual of additional amounts for certain types of leave that were not previously recognized as liabilities. As a result, the beginning net position of the governmental activities as of October 1, 2024, was decreased by (\$3,389) and the beginning net position of the business-type activities was decreased by (\$3,132) to recognize the additional liability for compensated absences in accordance with the new standard. The comparative financial statements for the prior year have been restated to reflect this change in accounting.

Governmental Activity

<u>Description</u>	<u>Amount</u>
Net position, as previously stated	1,133,550
Cumulative effect of GASB 101	<u>(3,389)</u>
Net position, as restated	<u><u>1,130,161</u></u>

Business-Type Activity

<u>Description</u>	<u>Amount</u>
Net position, as previously stated	1,955,272
Cumulative effect of GASB 101	<u>(3,132)</u>
Net position, as restated	<u><u>1,952,140</u></u>

Note 9 – Long-Term Debt

Governmental Activities

The City borrowed funds to purchase the city hall building and police vehicles. The new vehicle loan in the current year is reflected as Other Financing Sources in the amount of \$57,625 in the General Fund.

The details of the loans are as follows:

	<u>Rate of Interest</u>	<u>Original Issue</u>	<u>Outstanding 09/30/25</u>
Note Payable:			
Installment note payable, due monthly for 12 years through 2026 Issued for purchase of the city hall building	5.75%	300,000	-
Installment note payable, due monthly for 4 years through 2026 Issued for purchase of police vehicle	5.25%	35,265	-
Installment note payable, due monthly for 5 years through 2029 Issued for purchase of police vehicle	6.50%	58,910	44,055
Installment note payable, due monthly for 5 years through 2030 Issued for purchase of police vehicle	6.00%	<u>57,625</u>	<u>52,477</u>
Total Note Outstanding		<u><u>\$ 451,800</u></u>	<u><u>\$ 96,532</u></u>

**CITY OF QUEEN CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

The annual requirements to retire long-term debt as of September 30, 2025 are as follows:

Requirements Year Ended	Notes from Direct Borrowings		
	General	Interest	Total
<u>9/30</u>			
2026	21,919	5,399	27,318
2027	23,271	3,991	27,262
2028	24,770	2,492	27,262
2029	20,272	964	21,236
2030	6,300	106	6,406
	<u>96,532</u>	<u>12,952</u>	<u>109,484</u>

Business-Type Activities

Bonded indebtedness of the proprietary fund for the City consists of the Combination Tax and Revenue Certificates of Obligation. The Certificates of Obligation carried a stated interest rate of 3.142% and will mature during the 2026 fiscal year.

Certificates of obligation and notes payable outstanding for proprietary activities at September 30, 2025 are as follows:

	Rate of Interest	Original Issue	Outstanding 09/30/25
Certificate of Obligation:			
Combination Tax & Revenue, due semiannually through 2026	3.142%	700,000	150,000
Note Payable:			
Installment note payable, due monthly 5 years through 2029			
Issued for purchase of a new water truck	6.50%	33,901	25,379
Total Business-Type Long-Term Debt		<u>733,901</u>	<u>175,379</u>

Requirements Year Ended	Certificates of Obligation		
	General	Interest	Total
<u>9/30</u>			
2026	150,000	4,713	154,713
	<u>150,000</u>	<u>4,713</u>	<u>154,713</u>

**CITY OF QUEEN CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Requirements Year Ended	Notes from Direct Borrowings			
	9/30	General	Interest	Total
2026	6,451	1,527	7,978	
2027	6,884	1,094	7,978	
2028	7,345	633	7,978	
2029	4,699	153	4,852	
	<u>25,379</u>	<u>3,407</u>	<u>28,786</u>	

Changes in long-term liabilities

The following is a summary of changes in long-term liabilities for the year ended September 30, 2025:

	Balance at 10/01/24	Issued	Retired	Balance at 09/30/25	Due Within One Year
Governmental Activities:					
Notes Payable	108,070	57,625	(69,163)	96,532	21,919
Compensated Absences	14,432	5,013	-	19,445	2,784
Total Governmental Activities	<u>119,113</u>	<u>62,638</u>	<u>(69,163)</u>	<u>115,977</u>	<u>24,703</u>
Business-Type Activities:					
Certificates of Obligation	295,000	-	(145,000)	150,000	150,000
Notes Payable	32,395	-	(7,016)	25,379	6,451
Compensated Absences	3,132	1,537	-	4,669	1,767
Total Business-Type Activities	<u>330,527</u>	<u>1,537</u>	<u>(152,016)</u>	<u>180,048</u>	<u>158,218</u>

Note 10 – Retirement Plan

GASB Statement 68, *Accounting and Financial Reporting for Pensions*, issued June 2012 was adopted for the year ending September 30, 2015. The City participates in the Texas Municipal Retirement System (TMRS). This Statement establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) in which:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

GASB Statement 68 requires the employer to report the net pension asset or liability, pension expense, and related deferred inflows and outflows of resources associated with providing retirement benefits to their employees and former employees in their basic financial statements. This statement required governmental entities to record the net pension asset or liability and the related outflows and inflows retroactively.

**CITY OF QUEEN CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Plan Description

The City of Queen City participates as one of 938 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 8, Texas Government Code (the 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 TMRS 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 Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.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 Member'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 of the City of Queen City are eligible for retirement at age 60 with 5 years of service or at any age with 25 years of service. Employees contribute to the fund at the rate of 5%. The City matches two dollars for every one dollar. City match vests after 5 years of service. The City adopted the updated service credit provision of the plan in 2000 at 100%.

Employees covered by benefit terms:

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	19
Active employee	11
Total	39

Contributions

Member 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 of Queen City were required to contribute 5% of their annual compensation during the fiscal year. The contribution rates for the City of Queen City were 8.54% and 9.88% in calendar years 2024 and 2025, respectively. The city's contributions to TMRS for the year ended September 30, 2025 were \$57,429 and were equal to the required contributions.

Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

**CITY OF QUEEN CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Actuarial assumptions:

The Total Pension Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
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% of 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 3% 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 through December 31, 2012. 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 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 the expected return for each major asset class in fiscal year 2025 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	35.0%	7.10%
Core Fixed Income	6.0%	5.00%
Non-Core Fixed Income	6.0%	6.80%
Hedge Funds	5.0%	6.40%
Private Equity	13.0%	8.50%
Private Debt	13.0%	8.20%
Real Estate	12.0%	6.70%
Infrastructure	6.0%	6.00%
Other Private Markets	4.0%	7.30%
Total	<u>100.0%</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 Member 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 Members. 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.

CITY OF QUEEN CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Changes in the Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2023	\$ 1,502,348	\$ 1,229,763	\$ 272,584
Changes for the year:			
Service cost	74,103	-	74,103
Interest	102,293	-	102,293
Change of benefit terms	-	-	-
Difference between expected and actual experience	52,697	-	52,697
Changes of assumptions	-	-	-
Contributions - employer	-	55,904	(55,904)
Contributions - employee	-	32,731	(32,731)
Net investment income	-	127,030	(127,030)
Benefit payments, including refunds to employees	(47,883)	(47,883)	-
Administrative expense	-	(819)	819
Other changes	-	(19)	20
Net changes	181,210	166,944	14,267
Balance at 12/31/2024	\$ 1,683,558	\$ 1,396,707	\$ 286,851

Sensitivity of the Net Pension Liability to changes in the discount rate:

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension (asset) liability	\$ 486,451	\$ 286,851	\$ 119,584

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at tmrs.com.

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

For the year ended September 30, 2025, the City recognized pension expense of \$141,233. At September 30, 2025, 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
Differences between expected and actual economic experience (net of current year amortization)	\$ 34,061	\$ -
Changes in actuarial assumptions	-	845
Difference between projected and actual investment earnings (net of current year amortization)	-	13,611
Contributions subsequent of the measurement date	43,592	-
	\$ 77,653	\$ 14,456

**CITY OF QUEEN CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

\$43,592 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:

Fiscal Year Ending September 30,	Net deferred outflows (inflows) of resources
2026	\$ 32,027
2027	15,342
2028	(18,959)
2029	(8,805)
2030	-
Thereafter	-
Total	\$ 19,605

Note 11 – OPEB – Supplemental Death Benefits Plan

GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued June 2015 was adopted for the year ending September 30, 2018. The City participates in the TMRS Supplemental Death Benefits (SDB) plan. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures.

Plan Description

The City participates in a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF) administered by TMRS. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage (Supplemental Death Benefits) for their active members, including or not including retirees. Employers may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Benefits Provided

Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. 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 an other employment benefit and is a fixed amount of \$7,500. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the Pension Trust Fund.

Your city offers supplemental death to:	Plan Year 2023	Plan Year 2024	Plan Year 2025
Active employees (yes or no)	Yes	Yes	Yes
Retirees (yes or no)	Yes	Yes	Yes

At the December 31, 2024 actuarial valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	2
Active employee	11
Total	16

**CITY OF QUEEN CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Contributions

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. The rate is equal to the cost of providing one-year term life insurance. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund. The TMRS Act requires the Pension Trust Fund to allocate investment income to the SDBF on an annual basis. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

Employees of the City of Pittsburg were required to contribute 0.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 0.38% and 0.38% in calendar years 2024 and 2025, respectively. The City's contributions to the TMRS SDBF for the year ended September 30, 2025 were \$2,292, which equaled the required contributions for the year.

Total OPEB Liability

Actuarial assumptions. The actuarial assumptions used in the calculation of the funding valuation for the Supplemental Death Benefit Fund (SDBF) are based on the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. For purposes of developing the SDBF contribution rates, no other demographic assumptions are applicable.

I. Assumptions

- A. Mortality Rates — Same as for the Pension Trust Fund.
- B. Actuarial Cost Method — The actuarial cost method used is known as the Entry Age Normal Actuarial Cost Method. The Entry Age Normal Actuarial Cost Method develops the annual cost of the Plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that due to service earned prior to the current year, known as the amortization of the unfunded actuarial accrued liability. The normal cost and the actuarial accrued liability are calculated individually for each member. The normal cost rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the City, would be sufficient to meet all benefits payable on their behalf. The normal cost is calculated using an entry age based on benefit service with other TMRS cities or other public agencies, they retain this for determination of benefit eligibility and decrement rates. The salary-weighted average of these rates is the normal cost rate. The unfunded actuarial accrued liability reflects the difference between the portion of projected benefits attributable to service credited prior to the valuation date and assets already accumulated.
- C. Valuation of Assets — For purposes of calculating the Total OPEB Liability, the plan is considered to be unfunded and therefore no assets are accumulated for OPEB.
- D. Supplemental Death Benefit — The contribution rate for the Supplemental Death Benefit (SDB) is equal to the expected benefit payments during the upcoming year divided by the annualized pay of current active members, and it is calculated separately for actives and retirees. The 2026 SDB rate for retiree coverage is equal to 110% of the expected term cost. The SDB rate for active coverage is equal to 150% of the expected term cost.

**CITY OF QUEEN CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

E. Changes in Actuarial Assumptions and Methods — Mortality assumptions were modified as of December 31, 2019 valuation. In addition, premiums for retirees are based on full \$7,500 benefit versus the \$2,500 previously used. A credit is granted against premiums for active employees equal to 2% of the SDB Fund balance as of the valuation date expressed as a percentage of payroll.

II. Benefit Provisions

A. Participation in SDBF — Participation in the SDBF is optional and may be rescinded. Each municipality that chooses to participate can elect to cover just active members, or both active and retired members.

B. Benefit Eligibility — Benefits are payable if the death occurs during the period in which a municipality has elected to participate in the SDBF. For retirees who had service with multiple TMRS employers, benefits are payable only if the municipality from which the member retired participates in the SDBF when the death occurs.

C. Benefit Amount — 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 a fixed amount of \$7,500.

Discount rate. The discount rate used to measure the Total OPEB Liability was 4.08%. 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.

Changes in the Total OPEB Liability	<u>Total OPEB Liability</u>
Balance at 12/31/23	\$ 24,175
Changes for the year:	
Service cost	2,095
Interest	947
Change in benefit terms	-
Difference between expected and actual experience	478
Change of assumptions	(1,533)
Contributions - employer	-
Contributions - employee	-
Net investment income	-
Benefit payments, including refunds to employees	(196)
Administrative expense	-
Other Changes	-
Net changes	<u>1,791</u>
Balance at 12/31/24	<u>\$ 25,966</u>

Sensitivity of the total OPEB liability to changes in the discount rate. The following shows the total OPEB liability calculated using the discount rate of 4.08%, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.08%) or 1 percentage point higher (5.08%) than the current rate.

	<u>1% Decrease in Discount Rate (3.08%)</u>	<u>Discount Rate (4.08%)</u>	<u>1% Increase in Discount Rate (5.08%)</u>
City's total OPEB liability	\$ 31,375	\$ 25,966	\$ 21,694

**CITY OF QUEEN CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

OPEB plan total liability. Detailed information about the OPEB plan's Total OPEB Liability is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

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

For the year ended September 30, 2025, the City recognized OPEB expense in the amount of \$1,512.

At September 30, 2025, 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
Differences between expected and actual economic experience	\$ 1,773	\$ 1,747
Changes in actuarial assumptions	2,296	8,942
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	1,677	-
	\$ 5,746	\$ 10,689

\$1,677 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 net OPEB liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending September 30,	Net deferred outflows (inflows) of resources
2026	\$ (1,554)
2027	(1,922)
2028	(2,212)
2029	(887)
2030	(45)
Thereafter	-
Total	\$ (6,620)

Note 12 – Restricted Assets

Certain assets are restricted for debt service on bonded debt, Hotel Occupancy Tax for Tourism, and police funds.

Note 13 – Contingencies

Litigation

There are no lawsuits pending against the City.

Federal Award Programs (Grants)

The City has received Federal and State Awards for specific purposes that are subject to review and audit by the grantor agencies. Such audits could result in a request for reimbursement for expenditures disallowed under the terms and conditions of the appropriate agency.

**CITY OF QUEEN CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Note 14 – Risk Management

The City is exposed to various risks of loss to torts of theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2025, the City purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Note 15 – Health Care Coverage

During the year ended September 30, 2025, employees of the City of Queen City were covered by a health insurance plan with Texas Municipal League.

Note 16 – Subsequent Events

City Administration has evaluated subsequent events through March 18, 2026, the date which the financial statements were available to be issued.

***CITY OF QUEEN CITY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION***

CITY OF QUEEN CITY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive or Negative
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 548,000	\$ 548,000	\$ 551,971	\$ 3,971
Penalty and Interest	8,000	8,000	11,930	3,930
Franchise taxes	66,000	66,000	61,120	(4,880)
Sales tax	305,000	305,000	325,369	20,369
Fines and court fees	63,750	63,750	66,427	2,677
Interest income	4,000	4,000	7,929	3,929
Other local revenues	30,000	30,000	30,000	-
Other Taxes	70,000	70,000	80,113	10,113
Miscellaneous	2,750	2,750	10,941	8,191
Total Revenues	1,097,500	1,097,500	1,145,800	48,300
EXPENDITURES				
Current				
Administrative	273,486	273,486	258,241	15,245
Public Safety	628,125	628,125	622,050	6,075
Public Works	28,900	28,900	16,326	12,574
Judicial	47,650	47,650	56,460	(8,810)
Total Current	978,161	978,161	953,077	25,084
Capital Outlay				
Public Safety	-	-	56,816 *	(56,816)
Public Works	54,000	54,000	53,656	344
Total Capital Outlay	54,000	54,000	110,472	(56,472)
Debt service:				
Principal	67,969	67,969	69,163	(1,194)
Interest	5,370	5,370	4,046	1,324
Total Expenditures	1,105,500	1,105,500	1,136,758	(31,258)
Excess (deficiency) of revenues over expenditures	(8,000)	(8,000)	9,042	17,042
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	8,000	8,000	57,625 *	49,625
Total Other Financing Sources (Uses)	8,000	8,000	57,625	49,625
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	-	66,667	66,667
Fund balance, beginning of year	414,191	414,191	414,191	-
Fund balance, end of year	\$ 414,191	\$ 414,191	\$ 480,858	\$ 66,667

* The City did not budget the expenditures related to capital outlay of a new police vehicle financed by a loan at the bank.

CITY OF QUEEN CITY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 Last 10 Years (will ultimately be displayed)

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
	Plan year 2015	Plan year 2016	Plan year 2017	Plan year 2018	Plan year 2019	Plan year 2020	Plan year 2021	Plan year 2022	Plan year 2023	Plan year 2024
Total Pension (Asset) Liability										
Service cost	\$ 36,160	\$ 38,655	\$ 38,278	\$ 35,439	\$ 41,809	\$ 39,683	\$ 43,868	\$ 63,874	\$ 71,128	\$ 74,103
Interest (on the Total Pension Liability)	35,291	39,689	43,156	45,230	51,235	52,579	57,457	74,994	91,613	102,293
Change of benefit terms	-	(8,443)	(34,035)	6,195	(54,141)	4,520	2,730	146,673	41,955	52,697
Difference between expected and actual experience	19,933	-	-	(2,294)	-	-	-	-	(5,293)	-
Change of assumptions	(7,560)	(7,787)	(28,925)	(1,591)	(581)	(30,674)	(22,551)	(48,476)	(37,442)	(47,883)
Benefit payments, including refunds to employees	82,708	62,114	18,474	85,273	36,028	66,108	81,504	418,328	161,961	181,210
Net Change in Total Pension Liability	489,850	572,558	634,672	653,146	738,419	774,447	840,555	922,059	922,059	1,502,348
Total Pension Liability - Beginning	572,558	634,672	653,146	738,419	774,447	840,555	922,059	1,340,387	1,084,020	1,683,558
Total Pension Liability - Ending (a)										
Plan Fiduciary Net Position	8,222	7,444	9,794	9,396	9,702	9,170	9,240	16,749	41,166	55,904
Contributions - employer	24,767	25,667	24,985	22,805	27,434	26,741	28,860	33,348	33,145	32,731
Contributions - employee	856	40,979	92,998	(22,898)	118,963	70,183	130,360	(83,578)	123,043	127,030
Net investment income	(7,560)	(7,787)	(28,925)	(1,591)	(581)	(30,674)	(22,551)	(48,476)	(37,442)	(47,883)
Benefit payments, including refunds to employees	(522)	(463)	(483)	(446)	(679)	(458)	(608)	(728)	(788)	(819)
Administrative expense	(25)	(25)	(24)	(23)	(20)	(17)	4	869	(6)	(19)
Other changes	25,738	65,815	98,345	7,243	154,819	74,945	145,305	(81,816)	159,118	166,944
Net Change in Plan Fiduciary Net Position	580,253	605,991	671,806	770,152	777,394	932,212	1,007,157	1,152,462	1,152,462	1,229,763
Plan Fiduciary Net Position - Beginning	\$ 605,991	\$ 671,806	\$ 770,151	\$ 777,395	\$ 932,213	\$ 1,007,157	\$ 1,152,462	\$ 1,070,646	\$ 1,311,580	\$ 1,596,707
Plan Fiduciary Net Position - Ending (b)	\$ (33,433)	\$ (37,134)	\$ (117,005)	\$ (38,976)	\$ (157,766)	\$ (166,602)	\$ (230,403)	\$ 269,741	\$ (227,560)	\$ 286,851
Net Pension (Asset) Liability - Ending (a) - (b)										
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	105.84%	105.85%	117.91%	105.28%	120.37%	119.82%	124.99%	79.88%	120.99%	82.96%
Covered Employee Payroll	\$ 495,336	\$ 513,348	\$ 499,709	\$ 456,105	\$ 548,675	\$ 534,817	\$ 577,207	\$ 604,868	\$ 662,892	\$ 654,618
Net Pension (Asset) Liability as a Percentage of Covered Employee Payroll	-6.75%	-7.23%	-23.41%	-8.55%	-28.75%	-31.15%	-39.92%	44.60%	-34.33%	43.82%

Note: Ten years of data is presented in accordance with GASB #68, paragraph 138.

CITY OF QUEEN CITY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
SCHEDULE OF CONTRIBUTIONS
 Last 10 Fiscal Years (will ultimately be displayed)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Actuarially Determined Contribution	\$ 24,767	\$ 33,111	\$ 34,779	\$ 9,668	\$ 9,498	\$ 8,729	\$ 10,068	\$ 33,771	\$ 52,410	\$ 57,429
Contributions in relation to the actuarially determined contribution	(24,767)	(33,111)	(34,779)	(9,668)	(9,498)	(8,729)	(10,068)	(33,771)	(52,410)	(57,429)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered employee payroll	513,348	499,709	456,105	526,525	550,424	536,822	599,507	668,774	659,148	603,237
Contributions as a percentage of covered employee payroll	4.82%	6.63%	7.63%	1.84%	1.73%	1.63%	1.68%	5.05%	7.95%	9.52%

Note: GASB #68, paragraph 81.2.b requires that the data in this schedule be presented as of the City's fiscal year as of the time period covered by the measurement date.

Note: Ten years of data is presented in accordance with GASB #68, paragraph 138.

Notes to Schedule of Contributions

Valuation Date: 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: 20 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 of 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 fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
 There were no benefit changes during the year.

Other information:

**CITY OF QUEEN CITY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - OPEB
Last 10 Years (will ultimately be displayed)**

	FY 2018 Plan year 2017	FY 2019 Plan year 2018	FY 2020 Plan year 2019	FY 2021 Plan year 2020	FY 2022 Plan year 2021	FY 2023 Plan year 2022	FY 2024 Plan year 2023	FY 2025 Plan year 2024
Total Pension (Asset) Liability								
Service cost	\$ 1,549	\$ 1,596	\$ 1,811	\$ 2,246	\$ 3,348	\$ 2,964	\$ 1,724	\$ 2,095
Interest (on the Total OPEB Liability)	507	563	665	572	565	590	933	947
Change of benefit terms	-	-	-	-	-	-	-	-
Difference between expected and actual experience	-	181	(4,905)	(339)	(1,101)	2,635	(1,727)	478
Change of assumptions	1,541	(1,594)	5,120	4,442	1,212	(14,621)	1,073	(1,533)
Benefit payments, including refunds to employees	-	-	-	-	-	-	-	(196)
Net Change in Total OPEB Liability	3,597	746	2,689	6,921	4,024	(8,432)	2,003	1,791
Total OPEB Liability - Beginning	12,627	16,224	16,970	19,659	26,580	30,604	30,604	24,175
Total Pension Liability - Ending (a)	16,224	16,970	19,659	26,580	30,604	22,172	32,607	25,966
Covered Employee Payroll	\$ 495,709	\$ 456,105	\$ 548,675	\$ 534,817	\$ 577,207	\$ 604,868	\$ 662,892	\$ 654,618
Net Pension (Asset) Liability as a Percentage of Covered Employee Payroll	3.25%	3.72%	3.58%	4.97%	5.30%	3.67%	4.92%	3.97%

Note: Only eight years of data is presented in accordance with GASB #75. The information for all periods for the 10 year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many periods as are available."

The TMRS Supplementary Death Benefit Fund is considered to be an unfunded OPEB plan, therefore, no plan fiduciary net position and related ratios are reported in the above schedule.

Notes to Schedule of Contributions:

Plan information:
Single-employer unfunded OPEB plan
There are no assets accumulated in a trust that meets the criteria in GASB Statement No. 75 paragraph 4 to pay related benefits.

Actuarial Valuation & Measurement Date:
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 for OPEB:

Inflation	2.5%
Salary Increases	3.6% to 11.85% including inflation
Discount Rate *	4.08%
Retiree's share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	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 - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables 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 most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

*The discount rate was based on the Bond Buyer "20-Bond GO Index" rate closest to, but no later than December 31, 2024.

Note: The actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

***CITY OF QUEEN CITY, TEXAS
COMBINING FINANCIAL STATEMENTS***

**CITY OF QUEEN CITY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025**

	Tourism Fund	Housing Fund	Total Nonmajor Special Revenue Funds
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ -
Restricted Cash	8,736	99	8,835
Total Assets	\$ 8,736	\$ 99	\$ 8,835
LIABILITIES			
Total Liabilities	-	-	-
FUND BALANCES			
Restricted Fund Balance:			
Federal or State Programs	8,736	99	8,835
Total fund balances	8,736	99	8,835
Total liabilities and fund balances	\$ 8,736	\$ 99	\$ 8,835

CITY OF QUEEN CITY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Tourism Fund	Housing Fund	Total Nonmajor Special Revenue Funds
REVENUES			
Local, Intermediate, and Out-of-State			
Interest Income	\$ 5	\$ -	\$ 5
Motel Occupancy Taxes	-	-	-
Total Revenues	<u>5</u>	<u>-</u>	<u>5</u>
EXPENDITURES			
Tourism	1,877	-	1,877
Capital Outlay	-	-	-
Total Expenditures	<u>1,877</u>	<u>-</u>	<u>1,877</u>
Excess (deficiency) of revenues over expenditures	<u>(1,872)</u>	<u>-</u>	<u>(1,872)</u>
Net change in fund balance	(1,872)	-	(1,872)
Fund balance, beginning of year	10,608	99	10,707
Fund balance, end of year	<u>\$ 8,736</u>	<u>\$ 99</u>	<u>\$ 8,835</u>

***CITY OF QUEEN CITY, TEXAS
REPORT ON COMPLIANCE AND INTERNAL CONTROLS***



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditor's Report

Honorable Mayor and
Members of the City Council
Queen City, Texas

Members of the Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Queen City, 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, and have issued our report thereon dated March 18, 2026.

Report on Internal Control over Financial Reporting

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

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

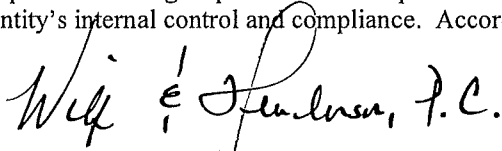
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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

A handwritten signature in black ink that reads "Wilf & Henderson, P.C." The signature is written in a cursive style with a large, stylized "W" and "H".

WILF & HENDERSON, P.C.
Certified Public Accountants
Texarkana, Texas

March 18, 2026

**CITY OF QUEEN CITY, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

I. Summary of the Auditor's Results:

- a. The auditor's report expresses an unmodified opinion on whether the financial statements of the City of Queen City, Texas were prepared in accordance with GAAP.
- b. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters required by the GAO's *Government Auditing Standards*.
- c. No instances of noncompliance material to the financial statements of the City of Queen City, Texas were disclosed during the audit.

II. Findings – Financial Statement Audit.

No findings reported.

**CITY OF QUEEN CITY, TEXAS
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

There were no prior year audit findings.

**CITY OF QUEEN CITY, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

There are no current year audit findings.