

City of Decatur, Texas

Independent Auditor's Reports and Financial Statements

September 30, 2019

City of Decatur, Texas
September 30, 2019

Contents

Independent Auditor’s Report.....	1
Management’s Discussion and Analysis	3
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	12
Statement of Activities.....	13
Fund Financial Statements	
Balance Sheet – Governmental Funds	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position ...	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds ...	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	17
Statement of Net Position – Proprietary Fund	18
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund	19
Statement of Cash Flows – Proprietary Fund	20
Notes to Basic Financial Statements.....	21
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	50
Schedule of Changes in Net Pension Liability and Related Ratios	51
Schedule of Contributions – City	52
Schedule of Changes in the Total OPEB Liability and Related Ratios	53

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Decatur, Texas (City) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 and each major fund of the City, as of September 30, 2019, 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.

Emphasis of Matter

The 2018 financial statements for the governmental activities, the business-type activities and general, special revenue and enterprise funds (major funds), before they were restated for the matters discussed in *Note 14*, were audited by other auditors, and their report thereon, dated February 21, 2019, expressed unmodified opinions on those financial statements. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, pension and other postemployment benefit information as listed in the table of contents be presented to supplement the basic financial statements. Such information, 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.

BKD, LLP

Dallas, Texas
March 9, 2020

City of Decatur, Texas

Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2019

The following discussion and analysis of the City of Decatur, Texas (City) financial performance gives an overview of the City's financial activities for the year ended September 30, 2019. The analysis should be read in conjunction with the financial statements that follow.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$41,971,920 (net position). Of this amount, \$2,010,235 represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$3,969,441 from prior year. The increase was due from operations (\$2,272,313) and a prior year restatement (\$1,697,128).
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$12,112,913. Approximately 17% of this amount (\$2,109,177) is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unrestricted fund balance (the total of the assigned and unassigned components of fund balance) for the general fund was \$3,294,243, or approximately 30% of total general fund expenditures.
- The City's total outstanding long-term bonded debt decreased by \$2,230,000 during the current fiscal year because of scheduled debt service payments.

Overview of the Financial Statements

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

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

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

City of Decatur, Texas

Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2019

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City's that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, streets, economic development, tax and court, and recreation. The business-type activities of the City include the City's water and wastewater system and garbage collection.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the special revenue fund, debt service fund, and capital project fund, which are considered to be major funds.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

City of Decatur, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2019

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

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

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

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

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City's, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$41,971,920, at the close of the most recent fiscal year.

Prior year comparative information has not been restated for the error corrections recorded at the beginning of fiscal year 2019. A condensed version of the government-wide statement of net position follows:

	Governmental Activities		Business-type Activities		Government Totals	
	FY2019	FY2018	FY2019	FY2018	FY2019	FY2018
Current and other assets	\$ 13,121,207	\$ 13,518,728	\$ 3,222,547	\$ 2,309,573	\$ 16,343,754	\$ 15,828,301
Capital assets, net	33,358,990	35,008,832	15,290,204	13,232,319	48,649,194	48,241,151
Total assets	<u>46,480,197</u>	<u>48,527,560</u>	<u>18,512,751</u>	<u>15,541,892</u>	<u>64,992,948</u>	<u>64,069,452</u>
Deferred outflows of resources	<u>1,414,298</u>	<u>670,806</u>	<u>397,356</u>	<u>-</u>	<u>1,811,654</u>	<u>670,806</u>
Current liabilities	2,804,101	2,835,541	988,518	781,919	3,792,619	3,617,460
Noncurrent liabilities	15,736,561	17,313,203	4,502,436	4,220,762	20,238,997	21,533,965
Total liabilities	<u>18,540,662</u>	<u>20,148,744</u>	<u>5,490,954</u>	<u>5,002,681</u>	<u>24,031,616</u>	<u>25,151,425</u>
Deferred inflows of resources	<u>608,173</u>	<u>1,586,354</u>	<u>192,893</u>	<u>-</u>	<u>801,066</u>	<u>1,586,354</u>
Net position:						
Net investment in capital assets	20,431,656	20,329,843	11,537,581	8,776,456	31,969,237	29,106,299
Restricted	7,801,857	8,966,662	190,591	232,224	7,992,448	9,198,886
Unrestricted	512,147	(1,833,237)	1,498,088	1,530,531	2,010,235	(302,706)
Total net position	<u>\$ 28,745,660</u>	<u>\$ 27,463,268</u>	<u>\$ 13,226,260</u>	<u>\$ 10,539,211</u>	<u>\$ 41,971,920</u>	<u>\$ 38,002,479</u>

City of Decatur, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2019

By far, the largest portion of the City's net position (76%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (19%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,010,235 is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

The City's overall net position increased \$3,969,441 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$1,282,392 from the prior fiscal year for an ending balance of \$28,745,660. The majority of the increase (\$2,224,282) relates to a correction of an error to prior year financial statements. The remaining change in net position is a \$961,890 decrease due to increased expenditures from prior year and a capital asset transfer to the business-type activities.

Business-type Activities. For the City's business-type activities, the results for the current fiscal year were positive in that overall net position increased to reach an ending balance of \$13,226,260. The total increase in net position for business-type activities was \$2,687,049 or 25% from the prior fiscal year. The growth, in large part, is attributable to water and sewer infrastructure completed in the fiscal year 2019 that was transferred from the governmental activities. This increase was offset by a decrease of \$547,154 related to a correction of an error to prior year financial statements.

Prior year comparative information has not been restated for the error corrections recorded at the beginning of fiscal year 2019.

City of Decatur, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2019

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

	Governmental Activities		Business-type Activities		Government Totals	
	FY2019	FY2018	FY2019	FY2018	FY2019	FY2018
Revenues:						
<i>Program revenues:</i>						
Charges for services	\$ 2,272,693	\$ 2,227,120	\$ 5,221,064	\$ 5,186,489	\$ 7,493,757	\$ 7,413,609
Operating grants and contributions	194,202	275,114	-	-	194,202	275,114
Capital grants and contributions	64,511	910,135	-	23,975	64,511	934,110
Total program revenues	2,531,406	3,412,369	5,221,064	5,210,464	7,752,470	8,622,833
<i>General revenues:</i>						
Ad valorem taxes	4,782,837	4,558,834	732,984	778,443	5,515,821	5,337,277
Sales taxes	4,479,472	4,493,582	-	-	4,479,472	4,493,582
Franchise, occupancy and other taxes	1,160,263	1,138,696	-	-	1,160,263	1,138,696
Interest on investments	213,417	145,347	43,262	25,026	256,679	170,373
Gain (loss) on sale of assets	31,609	(86,754)	1,539	-	33,148	(86,754)
Miscellaneous	345,862	-	2,202	83,452	348,064	83,452
Total general revenues	11,013,460	10,249,705	779,987	886,921	11,793,447	11,136,626
Total revenues	13,544,866	13,662,074	6,001,051	6,097,385	19,545,917	19,759,459
Expenses:						
General government	1,404,151	933,340	-	-	1,404,151	933,340
Airport	287,748	270,771	-	-	287,748	270,771
Main street	210,748	162,784	-	-	210,748	162,784
Fire protection	1,457,971	1,536,910	-	-	1,457,971	1,536,910
Police	2,871,717	2,306,227	-	-	2,871,717	2,306,227
Animal control	45,826	44,723	-	-	45,826	44,723
Streets	1,377,915	1,354,992	-	-	1,377,915	1,354,992
Library	645,113	555,804	-	-	645,113	555,804
Tax and court	325,156	302,600	-	-	325,156	302,600
Parks	588,605	533,086	-	-	588,605	533,086
Planning services	462,342	388,645	-	-	462,342	388,645
Inspection services	332,854	312,348	-	-	332,854	312,348
Cemetery	237,984	97,404	-	-	237,984	97,404
Conference center	908,750	1,103,988	-	-	908,750	1,103,988
Economic development	662,184	544,760	-	-	662,184	544,760
Technology	391,117	366,348	-	-	391,117	366,348
Interest and fiscal charges	519,675	-	-	-	519,675	-
Water, sewer and garbage	-	-	4,543,747	4,759,163	4,543,747	4,759,163
Total expenses	12,729,857	10,814,730	4,543,747	4,759,163	17,273,604	15,573,893
Increase (decrease) in net position before transfers	815,009	2,847,344	1,457,304	1,338,222	2,272,313	4,185,566
Transfers	(1,776,899)	452,749	1,776,899	(452,749)	-	-
Change in net position	(961,890)	3,300,093	3,234,203	885,473	2,272,313	4,185,566
Net Position, beginning, as previously reported	27,463,268	24,397,080	10,539,211	9,653,738	38,002,479	34,050,818
Adjustment applicable to prior years	2,244,282	(233,905)	(547,154)	-	1,697,128	(233,905)
Net Position, beginning, as restated	29,707,550	24,163,175	9,992,057	9,653,738	39,699,607	33,816,913
Net Position, Ending	\$ 28,745,660	\$ 27,463,268	\$ 13,226,260	\$ 10,539,211	\$ 41,971,920	\$ 38,002,479

City of Decatur, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2019

Financial Analysis of Funds

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

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

At September 30, 2019, the City's governmental funds reported combined fund balances of \$12,112,913, an increase of \$492,179 in comparison with the prior year (before restatement). Approximately 17% of this amount (\$2,109,177) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form (\$256,825), 2) legally required to be maintained intact (\$949,382), 3) restricted for particular purposes (\$6,852,475), 4) committed for particular purposes (\$49,716), or 5) assigned for particular purposes (\$1,895,338).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,109,177, while total fund balance increased to \$4,452,904. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 20% of total general fund expenditures, while total fund balance represents approximately 41% of that same amount.

The fund balance of the City's general fund increased by \$1,421,457 during the current fiscal year. As discussed earlier in connection with governmental activities, the majority of the increase was due to an adjustment applicable to prior years (\$1,164,946).

The special revenue fund, a major fund, had a \$1,176,966 decrease in fund balance during the current fiscal year. The large decrease in fund balance was caused mainly by the spending of resources obtained through the issuance of long-term debt in the prior period on capital acquisition and construction in the current period. That is, the fund balance that resulted from the previous long-term debt issuance was spent down during the current period as the related capital projects progressed. The decrease was offset slightly by an increase of \$236,486 related to an adjustment applicable to prior years.

The debt service fund, another major governmental fund, had a slight increase in fund balance during the current year of \$35,649 to bring the year end fund balance to \$1,615,913.

The capital project fund, another major governmental fund, had an increase in fund balance during the current year of \$212,039 to bring the year end fund balance to \$2,056,062. This increase relates to an increase in impact fee revenue.

City of Decatur, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2019

Proprietary Fund. The City's proprietary fund provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Enterprise Fund at the end of the year was \$1,498,088. The total change in net position was \$2,678,049. As noted earlier in the discussion of business-type activities, the increase primary results from assets contributed by the governmental activities.

General Fund Budgetary Highlights

During FY2018-19, actual revenues exceeded the final budget by \$790,410, which was primarily related to increased sales tax and other revenues. Actual expenditures were \$677,707 more than the final budget due primarily to increased capital expenditure spending.

Pensions and Retiree Health Care

Pensions and retiree health care continue to receive negative media attention as governments around the nation struggle to properly fund these commitments. The City is committed to providing programs in these areas that are fair to both the employees and taxpayers and that can be sustained over the long term.

Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* created specific reporting requirements for pensions that are different than that used for funding purposes. Both valuations are important as the reporting valuation provides a rigorous standard measure that can be used to compare the City's pension liabilities to other governments around the nation. The funding valuation is important as the actuarial methods used including strategies for repaying any unfunded actuarial accrued liabilities combined with the City's history of making those contributions provides insights regarding the City's commitment to the effectiveness of its funding strategy. Information contained in the financial statements themselves, including the Required Supplementary Information (RSI) On a reporting basis, the City's financial statements reflect a Net Pension Liability as of September 30, 2019, of \$4,712,517 which is 82.06% of the City's measurement year 2018 covered payroll of \$5,850,819.

Retiree supplemental death benefit actuarially accrued liability has been calculated in accordance with GASB Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. The Total OPEB Liability is \$277,831 as of September 30, 2019, which is 4.75% of the City's measurement year 2018 covered payroll of \$5,850,819.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2019, amounts to \$48,649,194 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, and the water treatment plant. The total increase in capital assets for the current fiscal year was approximately 1%.

City of Decatur, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2019

	Governmental Activities		Business-type Activities		Government Totals	
	FY2019	FY2018	FY2019	FY2018	FY2019	FY2018
Land	\$ 3,556,775	\$ 3,675,107	\$ 609,094	\$ 609,094	\$ 4,165,869	\$ 4,284,201
Construction in process	-	2,073,083	-	-	-	2,073,083
Airport	6,609,683	6,609,683	-	-	6,609,683	6,609,683
Conference center	7,435,176	7,435,176	-	-	7,435,176	7,435,176
Fire Department	5,645,370	5,639,312	-	-	5,645,370	5,639,312
General government	876,502	531,502	-	-	876,502	531,502
Library	1,712,836	1,712,836	-	-	1,712,836	1,712,836
Parks	2,720,899	2,633,399	-	-	2,720,899	2,633,399
Police	2,599,244	2,393,968	-	-	2,599,244	2,393,968
Street equipment	1,090,767	1,137,598	-	-	1,090,767	1,137,598
Street infrastructure	18,321,286	17,098,837	-	-	18,321,286	17,098,837
Other	1,403,995	1,401,147	-	-	1,403,995	1,401,147
Water and sewer systems	-	-	26,706,384	24,226,892	26,706,384	24,226,892
Accumulated depreciation	(18,613,543)	(17,332,816)	(12,025,274)	(11,603,667)	(30,638,817)	(28,936,483)
Capital assets, net	\$ 33,358,990	\$ 35,008,832	\$ 15,290,204	\$ 13,232,319	\$ 48,649,194	\$ 48,241,151

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

- The new industrial park and related infrastructure improvements at a cost of approximately \$3.7 million were completed and placed in service during the current year.
- Purchase of police vehicles at a cost of approximately \$200 thousand
- Purchase of a building and related land at a cost of approximately \$460 thousand
- Various projects related to water and sewer system at a cost of approximately \$225 thousand

Additional information on the City's capital assets can be found in *Note 5* on pages 33-34 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$16,385,000.

	Governmental Activities		Business-type Activities		Government Totals	
	FY2019	FY2018	FY2019	FY2018	FY2019	FY2018
Refunding bonds	\$ 5,895,000	\$ 7,335,000	\$ -	\$ -	\$ 5,895,000	\$ 7,335,000
Sales tax bonds	6,845,000	7,045,000	-	-	6,845,000	7,045,000
Unlimited tax refunding bonds	-	-	3,645,000	4,235,000	3,645,000	4,235,000
Total bonded debt outstanding	\$ 12,740,000	\$ 14,380,000	\$ 3,645,000	\$ 4,235,000	\$ 16,385,000	\$ 18,615,000

The City's total debt decreased by \$2,230,000, (12 percent) during the current fiscal year. The reason for the decrease is regularly scheduled debt service payments combined with no new debt issuances during the fiscal year.

City of Decatur, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2019

The City and its component unit, Wise County Water Supply District Water Authority both maintain a "AA" rating from Standard & Poor's Ratings and a "A2" rating from Moody's Investors Service for general obligation debt.

Additional information on the City's long-term debt assets can be found in *Note 9* on pages 43-45 of this report.

Economic Factors and Next Year's Budgets and Rates

The annual budget is developed to provide the most efficient and effective uses of the City's economic resources, as well as a means to accomplish the highest priority objectives. Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities. In considering the City's budget for the year ending September 30, 2019, the City Council and Management considered the following factors:

- Ad valorem tax revenues are budgeted to increase due to slightly higher certified values.
- Sales tax, hotel/motel taxes are anticipated to increase slightly.
- Water and sewer revenues are anticipated to remain steady.
- Expenditures are budgeted to increase due to increased personnel cost and professional services.
- Capital expenditures include the purchase of equipment, vehicles and infrastructure improvements.

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

The City blends the Wise County Water Supply District (District) into the business-type activities of the City. The District's separately issued 2019 financial statements dated December 10, 2019, may be obtained by contacting the District's General Manager, Brett Shannon at 201 E. Walnut, Decatur, Texas 76234.

Financial Contact

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

Basic Financial Statements

City of Decatur, Texas

Statement of Net Position

September 30, 2019

	Governmental Activities	Business-type Activities	Total
Assets and Deferred Outflows of Resources			
Current Assets			
Cash and cash equivalents, unrestricted	\$ 4,133,856	\$ 1,825,286	\$ 5,959,142
Receivables, net of allowances for uncollectibles	1,143,494	955,099	2,098,593
Prepaid items	79,325	-	79,325
Internal balances	(242)	242	-
Current maturities of business development loan receivable	42,500	-	42,500
Total Current Assets	<u>5,398,933</u>	<u>2,780,627</u>	<u>8,179,560</u>
Noncurrent Assets			
Cash and cash equivalents, restricted	7,544,774	441,920	7,986,694
Business development loan receivable	177,500	-	177,500
Land	3,556,775	609,094	4,165,869
Buildings and equipment	30,094,472	-	30,094,472
Street infrastructure	18,321,286	-	18,321,286
Water and sewer distribution systems	-	26,706,384	26,706,384
Accumulated depreciation	(18,613,543)	(12,025,274)	(30,638,817)
Total Capital Assets, net of depreciation	<u>33,358,990</u>	<u>15,290,204</u>	<u>48,649,194</u>
Total noncurrent assets	<u>41,081,264</u>	<u>15,732,124</u>	<u>56,813,388</u>
Total assets	<u>46,480,197</u>	<u>18,512,751</u>	<u>64,992,948</u>
Deferred Outflows of Resources			
Deferred amount on refunding	25,786	-	25,786
Pension	1,375,709	393,692	1,769,401
OPEB	12,803	3,664	16,467
Total Deferred Outflows of Resources	<u>1,414,298</u>	<u>397,356</u>	<u>1,811,654</u>
Liabilities, Deferred Inflows of Resources and Net Position			
Current Liabilities			
Accounts payable	188,404	187,864	376,268
Other current liabilities	624,800	84,298	709,098
Accrued interest payable	155,981	29,600	185,581
Current maturities of long-term debt	1,550,000	605,000	2,155,000
Accrued compensated absences	284,916	81,756	366,672
Total current liabilities	<u>2,804,101</u>	<u>988,518</u>	<u>3,792,619</u>
Noncurrent Liabilities			
Long-term debt	11,190,000	3,040,000	14,230,000
Debt issuance premium, net of amortization	244,349	134,651	379,000
Accrued compensated absences	422,216	53,544	475,760
Meter and other deposits	-	163,889	163,889
Net pension liability	3,663,982	1,048,535	4,712,517
Total OPEB liability	216,014	61,817	277,831
Total noncurrent liabilities	<u>15,736,561</u>	<u>4,502,436</u>	<u>20,238,997</u>
Total liabilities	<u>18,540,662</u>	<u>5,490,954</u>	<u>24,031,616</u>
Deferred Inflows of Resources			
Deferred amount on refunding	41,804	30,812	72,616
Pension	547,020	156,543	703,563
OPEB	19,349	5,538	24,887
Total deferred inflows of resources	<u>608,173</u>	<u>192,893</u>	<u>801,066</u>
Net Position			
Net investment in capital assets	20,431,656	11,537,581	31,969,237
Restricted for:			
Airport	489,813	-	489,813
Capital projects	1,112,957	-	1,112,957
Cemetery			
Expendable	125,161	-	125,161
Nonexpendable	463,726	-	463,726
Debt service	2,043,725	190,591	2,234,316
Economic development	2,340,183	-	2,340,183
Employee benefits	412,023	-	412,023
Library			
Expendable	129,691	-	129,691
Nonexpendable	485,656	-	485,656
Municipal court	158,877	-	158,877
School crossing guard program	11,672	-	11,672
Public safety	28,373	-	28,373
Unrestricted	512,147	1,498,088	2,010,235
Total net position	<u>\$ 28,745,660</u>	<u>\$ 13,226,260</u>	<u>\$ 41,971,920</u>

City of Decatur, Texas
Statement of Activities
Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Governmental Activities:							
General government	\$ 1,404,151	\$ 198,104	\$ 3,759	\$ -	\$ (1,202,288)	\$ -	\$ (1,202,288)
Airport	287,748	139,274	-	30,582	(117,892)	-	(117,892)
Main street	210,748	69,113	9,413	-	(132,222)	-	(132,222)
Fire protection	1,457,971	-	53,898	-	(1,404,073)	-	(1,404,073)
Police	2,871,717	-	119,594	-	(2,752,123)	-	(2,752,123)
Animal control	45,826	-	-	-	(45,826)	-	(45,826)
Streets	1,377,915	-	-	-	(1,377,915)	-	(1,377,915)
Library	645,113	64,387	-	15,372	(565,354)	-	(565,354)
Tax and court	325,156	662,673	-	-	337,517	-	337,517
Parks	588,605	13,546	-	-	(575,059)	-	(575,059)
Planning services	462,342	49,820	-	-	(412,522)	-	(412,522)
Inspection services	332,854	351,400	-	-	18,546	-	18,546
Cemetery	237,984	40,826	7,538	18,557	(171,063)	-	(171,063)
Conference center	908,750	683,550	-	-	(225,200)	-	(225,200)
Economic development	662,184	-	-	-	(662,184)	-	(662,184)
Technology	391,117	-	-	-	(391,117)	-	(391,117)
Interest and fiscal charges	519,675	-	-	-	(519,675)	-	(519,675)
Total governmental activities	<u>12,729,857</u>	<u>2,272,693</u>	<u>194,202</u>	<u>64,511</u>	<u>(10,198,451)</u>	<u>-</u>	<u>(10,198,451)</u>
Business-type Activities:							
Water, sewer and garbage	4,543,747	5,221,064	-	-	-	677,317	677,317
Totals	<u>\$ 17,273,604</u>	<u>\$ 7,493,757</u>	<u>\$ 194,202</u>	<u>\$ 64,511</u>	<u>(10,198,451)</u>	<u>677,317</u>	<u>(9,521,134)</u>
General Revenues and Transfers:							
Ad valorem taxes					4,782,837	732,984	5,515,821
Sales taxes					4,479,472	-	4,479,472
Franchise, occupancy and other taxes					1,160,263	-	1,160,263
Interest on investments					213,417	43,262	256,679
Gain on sale of assets					31,609	1,539	33,148
Miscellaneous					345,862	2,202	348,064
Transfers					(1,776,899)	1,776,899	-
Total general revenues and transfers					<u>9,236,561</u>	<u>2,556,886</u>	<u>11,793,447</u>
Change in net position					<u>(961,890)</u>	<u>3,234,203</u>	<u>2,272,313</u>
Net Position, Beginning, as Previously Reported					<u>27,463,268</u>	<u>10,539,211</u>	<u>38,002,479</u>
Adjustment applicable to prior years (see note 14)					<u>2,244,282</u>	<u>(547,154)</u>	<u>1,697,128</u>
Net Position, Beginning, as Restated					<u>29,707,550</u>	<u>9,992,057</u>	<u>39,699,607</u>
Net Position, Ending					<u>\$ 28,745,660</u>	<u>\$ 13,226,260</u>	<u>\$ 41,971,920</u>

City of Decatur, Texas
Balance Sheet – Governmental Funds
September 30, 2019

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Project Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 4,265,046	\$ 2,997,613	\$ 1,613,713	\$ 1,961,197	\$ 10,837,569
Certificates of deposit	-	733,071	-	107,990	841,061
Receivables (net of allowance for uncollectibles)					
Ad valorem taxes receivable	42,549	-	14,600	-	57,149
Sales taxes	509,420	254,672	-	-	764,092
Gross receipts taxes	99,356	-	-	-	99,356
Other receivables	222,897	-	-	-	222,897
Notes receivable	220,000	-	-	-	220,000
Prepaid items	79,325	-	-	-	79,325
Due from other funds	-	7,145	-	-	7,145
	<u>5,438,593</u>	<u>3,992,501</u>	<u>1,628,313</u>	<u>2,069,187</u>	<u>13,128,594</u>
Total assets					
	<u>5,438,593</u>	<u>3,992,501</u>	<u>1,628,313</u>	<u>2,069,187</u>	<u>13,128,594</u>
Liabilities					
Accounts payable	174,597	682	-	13,125	188,404
Other accrued liabilities	621,015	3,785	-	-	624,800
Due to other funds	7,387	-	-	-	7,387
	<u>802,999</u>	<u>4,467</u>	<u>-</u>	<u>13,125</u>	<u>820,591</u>
Total liabilities					
	<u>802,999</u>	<u>4,467</u>	<u>-</u>	<u>13,125</u>	<u>820,591</u>
Deferred Inflows of Resources					
Unavailable revenues	182,690	-	12,400	-	195,090
	<u>182,690</u>	<u>-</u>	<u>12,400</u>	<u>-</u>	<u>195,090</u>
Total deferred inflows of resources					
	<u>182,690</u>	<u>-</u>	<u>12,400</u>	<u>-</u>	<u>195,090</u>
Fund Balances					
Nonspendable:					
Prepaid items	79,325	-	-	-	79,325
Notes receivable	177,500	-	-	-	177,500
Trust principal	-	949,382	-	-	949,382
Restricted for:					
Airport	489,813	-	-	-	489,813
Capital projects	-	-	-	1,112,957	1,112,957
Cemetery	-	-	-	125,161	125,161
Debt service	-	427,812	1,615,913	-	2,043,725
Economic development	-	2,340,183	-	-	2,340,183
Employee benefits	412,023	-	-	-	412,023
Library	-	22,019	-	107,672	129,691
Municipal court	-	158,877	-	-	158,877
School crossing guard program	-	11,672	-	-	11,672
Public safety	-	28,373	-	-	28,373
Committed for:					
Main street	-	47,604	-	-	47,604
Other	-	2,112	-	-	2,112
Assigned to:					
Fire department	451,554	-	-	-	451,554
Capital projects	-	-	-	710,272	710,272
Parks	70,240	-	-	-	70,240
Street improvement	511,835	-	-	-	511,835
Other	151,437	-	-	-	151,437
Unassigned	2,109,177	-	-	-	2,109,177
	<u>4,452,904</u>	<u>3,988,034</u>	<u>1,615,913</u>	<u>2,056,062</u>	<u>12,112,913</u>
Total fund balances					
	<u>4,452,904</u>	<u>3,988,034</u>	<u>1,615,913</u>	<u>2,056,062</u>	<u>12,112,913</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,438,593</u>	<u>\$ 3,992,501</u>	<u>\$ 1,628,313</u>	<u>\$ 2,069,187</u>	<u>\$ 13,128,594</u>

City of Decatur, Texas
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
September 30, 2019

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

Total fund balances - governmental funds	\$	12,112,913
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		33,358,990
Certain revenue earned but unavailable is deferred in the funds		195,090
The accrued interest payable on long-term debt is not due and payable in the current year and, therefore, it is not reported in the governmental funds.		(155,981)
Long-term liabilities and related deferred outflows and inflows of resources (deferred charge on refunding, deferred outflows of resources – pension, deferred outflows of resources – OPEB, deferred inflows of resources – pension, and deferred inflows of resources – OPEB), including bonds payable, compensated absences, net pension liability and total OPEB liability are not due and payable in the current period and, therefore are not reported in the governmental funds financial statements.		<u>(16,765,352)</u>
Total net position - governmental activities	\$	<u>28,745,660</u>

City of Decatur, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds
Year Ended September 30, 2019

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Project Fund	Total Governmental Funds
Revenues					
Ad valorem taxes, penalties and interest	\$ 3,591,856	\$ -	\$ 1,233,663	\$ -	\$ 4,825,519
Sales taxes	2,986,316	1,493,156	-	-	4,479,472
Franchise, occupancy and other taxes	1,160,263	-	-	-	1,160,263
Interest on investments	70,926	70,397	35,143	36,951	213,417
Contributions, grants and donations	132,205	92,579	-	33,929	258,713
Conference center	683,550	-	-	-	683,550
Licenses and permits	351,400	-	-	-	351,400
Fines and fees	661,374	37,231	-	-	698,605
Other revenue	653,715	69,113	-	198,104	920,932
	<u>10,291,605</u>	<u>1,762,476</u>	<u>1,268,806</u>	<u>268,984</u>	<u>13,591,871</u>
Total revenues					
Expenditures					
General government	1,370,674	4,507	-	-	1,375,181
Airport	126,706	-	-	-	126,706
Main street	161,736	47,614	-	-	209,350
Fire protection	1,269,566	-	-	-	1,269,566
Police	2,571,198	124,966	-	-	2,696,164
Animal control	45,050	-	-	-	45,050
Street	870,738	-	-	13,125	883,863
Library	551,344	-	-	33,190	584,534
Tax and court	303,437	16,032	-	-	319,469
Parks	502,303	-	-	-	502,303
Planning services	457,079	-	-	-	457,079
Inspection services	329,613	-	-	-	329,613
Cemetery	80,933	-	-	10,630	91,563
Conference center	906,987	-	-	-	906,987
Economic development	96,515	559,573	-	-	656,088
Technology	390,942	-	-	-	390,942
Debt service					
Principal	-	200,000	1,440,000	-	1,640,000
Interest and fiscal charges	-	341,903	222,825	-	564,728
Capital outlay	718,461	1,666,418	-	-	2,384,879
	<u>10,753,282</u>	<u>2,961,013</u>	<u>1,662,825</u>	<u>56,945</u>	<u>15,434,065</u>
Total expenditures					
Excess (deficiency) of revenues over (under) expenditures	(461,677)	(1,198,537)	(394,019)	212,039	(1,842,194)
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	14,188	250,753	-	-	264,941
Transfers in	704,000	-	429,668	-	1,133,668
Transfers out	-	(465,668)	-	-	(465,668)
	<u>718,188</u>	<u>(214,915)</u>	<u>429,668</u>	<u>-</u>	<u>932,941</u>
Total other financing sources (uses)					
Net change in fund balances	256,511	(1,413,452)	35,649	212,039	(909,253)
Fund Balances, Beginning, as Previously Reported	3,031,447	5,165,000	1,580,264	1,844,023	11,620,734
Adjustment applicable to prior years (see note 14)	1,164,946	236,486	-	-	1,401,432
Fund Balances, Beginning, as Restated	4,196,393	5,401,486	1,580,264	1,844,023	13,022,166
Fund Balances, Ending	<u>\$ 4,452,904</u>	<u>\$ 3,988,034</u>	<u>\$ 1,615,913</u>	<u>\$ 2,056,062</u>	<u>\$ 12,112,913</u>

City of Decatur, Texas
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended September 30, 2019

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

Net change in fund balances - governmental funds	\$ (909,253)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital expenditures exceeded depreciation expense in the current period.	1,028,389
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.	(2,678,231)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(78,614)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,716,061
Current year change in accrued interest payable does not require the use of current financial resources; therefore, it is not reported as an expenditure in the governmental funds.	(31,008)
Current year changes in long-term liabilities for compensated absences required the use of current financial resources; but they are not reported as expenses in governmental activities.	42,157
Current year pension and OPEB expenditures are reported on the fiscal year basis in the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in deferred outflows/inflows of resources balances.	<u>(51,391)</u>
Change in the net position of governmental activities	<u><u>\$ (961,890)</u></u>

City of Decatur, Texas
Statement of Net Position – Proprietary Fund
September 30, 2019

	<u>Business-type Activities Enterprise Fund</u>
Assets and Deferred Outflows of Resources	
Current Assets	
Cash and cash equivalents, unrestricted	\$ 1,825,286
Ad valorem taxes receivable, net	8,752
Customer receivables	946,347
Due from other funds	242
Total current assets	<u>2,780,627</u>
Noncurrent Assets	
Cash and cash equivalents, restricted for customer deposits	163,889
Cash and cash equivalents, restricted for debt service	220,191
Cash and cash equivalents, restricted for capital projects	57,840
Total restricted assets	<u>441,920</u>
Land	609,094
Water and sewer distribution systems, net	14,681,110
Total capital assets, net of depreciation	<u>15,290,204</u>
Total noncurrent assets	<u>15,732,124</u>
Total assets	<u>18,512,751</u>
Deferred Outflows of Resources	
Pension	393,692
OPEB	3,664
Total deferred outflows of resources	<u>397,356</u>
Liabilities, Deferred Inflows of Resources, and Net Position	
Current Liabilities	
Accounts payable	187,864
Other current liabilities	84,298
Accrued interest payable	29,600
Current maturities of long-term debt	605,000
Accrued compensated absences	81,756
Total current liabilities	<u>988,518</u>
Noncurrent Liabilities	
Long-term debt	3,040,000
Debt issuance premium, net of amortization	134,651
Accrued compensated absences	53,544
Meter deposits	163,889
Net pension liability	1,048,535
Total OPEB liability	61,817
Total noncurrent liabilities	<u>4,502,436</u>
Total liabilities	<u>5,490,954</u>
Deferred Inflows of Resources	
Deferred amount on refunding	30,812
Pension	156,543
OPEB	5,538
Total deferred inflows of resources	<u>192,893</u>
Net Position	
Net investment in capital assets	11,537,581
Restricted for:	
Debt service	190,591
Unrestricted	1,498,088
Total net position	<u>\$ 13,226,260</u>

City of Decatur, Texas
Statement of Revenues, Expenses, and Changes in Fund Net Position –
Proprietary Fund
Year Ended September 30, 2019

	Business-type Activities Enterprise Fund
Operating Revenues	
Water charges	\$ 2,759,705
Sewer charges	1,819,429
Garbage and other charges	475,539
Other charges for services and miscellaneous	166,391
Total operating revenues	5,221,064
Operating Expenses	
Public works	296,970
Sewer, plant and operation	676,869
Utility billing	219,245
Raw water purchases	480,502
Water utilities	981,023
Utility maintenance	797,630
Garbage fees	389,322
Depreciation	612,411
Total operating expenses	4,453,972
Operating income	767,092
Nonoperating Revenues (Expenses)	
Ad valorem taxes, interest and penalties	732,984
Interest income	43,262
Miscellaneous	2,202
Gain on sale of assets	1,539
Interest expense	(89,775)
Total nonoperating revenues (expenses)	690,212
Income before capital contributions and transfers	1,457,304
Capital contributions	2,444,899
Transfers out	(668,000)
Change in net position	3,234,203
Net Position, Beginning, as Previously Reported	10,539,211
Adjustment applicable to prior years (see note 14)	(547,154)
Net Position, Beginning, as Restated	9,992,057
Net Position, Ending	\$ 13,226,260

City of Decatur, Texas
Statement of Cash Flows – Proprietary Fund
Year Ended September 30, 2019

Cash Flows from Operating Activities	
Cash received from customers	\$ 5,137,794
Cash payments to suppliers for goods and services	(2,135,598)
Cash payments to employees and other directly related employment costs	(1,723,761)
Other operating receipts (payments)	<u>2,202</u>
Net cash provided by operating activities	<u>1,280,637</u>
Cash flows from Noncapital Financing Activities:	
Transfer to other funds	<u>(668,000)</u>
Net cash used by noncapital financing activities	<u>(668,000)</u>
Cash Flows from Capital and Related Financing Activities:	
Property taxes (capital), net	740,836
Acquisition and construction of capital assets	(225,397)
Principal paid on long-term debt	(590,000)
Interest paid on long-term debt	(149,063)
Proceeds from sale of capital assets	<u>1,539</u>
Net cash used by capital and related financing activities	<u>(222,085)</u>
Cash Flows from Investing Activities	
Interest on investments	<u>43,262</u>
Net cash provided by investing activities	<u>43,262</u>
Net increase in cash and cash equivalents	433,814
Cash and Cash Equivalents, Beginning of Year	<u>1,833,392</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,267,206</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 767,092
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	612,411
Miscellaneous income	2,202
(Increases) decreases in assets and deferred outflows of resources:	
Customer accounts receivable, net	(83,470)
Deferred outflows of resources	(247,603)
Increases (decreases) in liabilities and deferred inflows of resources:	
Accounts payable and accrued expenses	(348)
Customer deposits	200
Compensated absences	(32,157)
Net pension liability	371,124
Total OPEB liability	(649)
Deferred inflows of resources	<u>(108,165)</u>
Total adjustments	513,545
Net cash provided by operating activities	<u>\$ 1,280,637</u>
Schedule of noncash Capital and Related Financing Activities:	
Contribution of capital assets from governmental activities	\$ 2,444,899

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2019

Note 1: Summary of Significant Accounting Policies

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

Description of the Reporting Entity

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

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

Blended Component Units

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

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

Related Organizations

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

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

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2019

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

Basis of Presentation

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The Corporation for Economic Development of the City of Decatur, Texas is a blended component unit of the City that has been included in this fund for financial statement presentation.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

The Capital Project Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2019

The City reports the following major enterprise fund:

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

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities' column. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities' column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2019

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary fund is reported using the economic resources measurement focus and the accrual basis of accounting.

Budgetary Policy and Control

Budgetary Basis of Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and are used as a management control device. For management purposes, the City adopts budgets for all funds. An annual budget is legally adopted by the General Fund. The City maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) for the operating budget is within a fund. Budgeted amounts presented are the original adopted budget and the budget as further amended by the City Council (if amended).

Continuing Appropriations

The unexpended and unencumbered appropriations, which are available and recommended for continuation to the following fiscal year, are approved by the City Council for carryover. These commitments are reported as a designation of fund balance. Encumbered appropriations lapse at year-end but are recommended to the City Council for carryover. There were no unexpended and unencumbered appropriations at year-end.

Cash and Cash Equivalents

The City considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2019, cash equivalents consisted primarily of certificates of deposit.

Prepaid Items

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

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2019

Capital Assets

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

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Lives (in Years)</u>
Machinery and equipment	3-15
Vehicles	5
Furniture	7-10
Infrastructure	10-40
Water distribution system	10-40
Buildings	40

Property Taxes

Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available. Available means due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities in the current period.

Use of Restricted Resources

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

Compensated Absences

Compensated absences consist of accrued vacation time, earned compensation time and the prorated share of one thirteenth of each employee’s annual salary and the related employee fringe benefits and payroll taxes.

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2019

Under terms of administrative policy, regular, full-time and permanent employees are granted vacation leave in varying amounts. Vacation time accrues at rates of 10 to 20 days per year depending on the number of years of service. Up to 20 days of vacation time may be accumulated for a year. It is the City's policy that vacation time does not accumulate past one year and therefore unused vacation time is not accumulated from year to year. Vacation time is payable at pay rates in effect at the date it is earned by the employee.

Pensions

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

Defined Benefit Other Postemployment Benefit Plan

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

Deferred Outflows/Inflows of Resources

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

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

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2019

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

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

- Deferred gain on refunding – A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Difference in expected and actual experience – pension – This difference is deferred and amortized over the average remaining service life of all participants in the pension plan and recorded as a component of pension expense beginning with the period in which they are incurred.
- Difference in assumption changes – OPEB – This difference is deferred and amortized over the average remaining service life of all participants in the OPEB plan and recorded as a component of OPEB expense beginning with the period in which they are incurred.
- Difference in expected and actual experience – OPEB – This difference is deferred and amortized over the average remaining service life of all participants in the pension plan and recorded as a component of pension expense beginning with the period in which they are incurred.
- Unavailable revenue – This arises only under a modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from the following sources: property taxes and court revenues. In the General Fund, deferred inflows of resources consist of property taxes of \$36,591 and court revenues of 146,099. In the Debt Service Fund, unavailable revenues consist of property taxes in the amount of \$12,400. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2019

Fund Balance Policies and Classifications

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

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

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

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

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

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2019

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

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

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

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Project Fund	Governmental Funds
Nonspendable:					
Prepaid items	\$ 79,325	\$ -	\$ -	\$ -	\$ 79,325
Notes receivable	177,500	-	-	-	177,500
Trust principal	-	949,382	-	-	949,382
Restricted for:					
Airport	489,813	-	-	-	489,813
Capital projects	-	-	-	1,112,957	1,112,957
Cemetery	-	-	-	125,161	125,161
Debt service	-	427,812	1,615,913	-	2,043,725
Economic development	-	2,340,183	-	-	2,340,183
Employee benefits	412,023	-	-	-	412,023
Library	-	22,019	-	107,672	129,691
Municipal court	-	158,877	-	-	158,877
School crossing guard program	-	11,672	-	-	11,672
Public safety	-	28,373	-	-	28,373
Committed for:					
Main street	-	47,604	-	-	47,604
Other	-	2,112	-	-	2,112
Assigned to:					
Fire Department	451,554	-	-	-	451,554
Capital projects	-	-	-	710,272	710,272
Parks	70,240	-	-	-	70,240
Street Improvement	511,835	-	-	-	511,835
Other	151,437	-	-	-	151,437
Unassigned	2,109,177	-	-	-	2,109,177
Total fund balances	<u>\$ 4,452,904</u>	<u>\$ 3,988,034</u>	<u>\$ 1,615,913</u>	<u>\$ 2,056,062</u>	<u>\$ 12,112,913</u>

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2019

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

Net Position

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

- Net Investment in Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted Net Position – This category represents net position that have external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – The category represents net position of the City, not restricted for any project.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts reported as restricted – net position and unrestricted net-position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Use of Estimates

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

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2019

Note 2: Deposits and Investments

Deposits

At September 30, 2019, the carrying amount of the City's cash and cash equivalents, including component units, was \$13,945,836 and the respective bank balances totaled \$14,122,304.

Investments

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

For fiscal year 2019, the City invested in non-negotiable certificates of deposits measured at amortized cost. The City records all interest revenue related to investment activities in the respective funds. As of September 30, 2019, the carrying amount of the City's certificates of deposits reported as investments totaled \$247,415.

Custodial credit risk

There is a risk that, in the event of a bank failure, the City's deposits may not be returned. Both the City's investment policy and the Texas Public Funds Investment Act requires that all deposits of the City that exceed the Federal Depository Insurance Corporation (FDIC) coverage levels are collateralized with securities held by a third-party custodian in the City's name. As of September 30, 2019, the value of the City's deposits and investments not insured through the FDIC has been fully collateralized and meets the requirements of the City's policy and state statutes.

Note 3: Ad Valorem Taxes

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

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2019

Taxes are due on October 1 immediately following the levy date and are delinquent after the following January 31st. Current tax collections for the year ended September 30, 2019, were 98.81% of the adjusted tax levy. Allocations of property tax levy by purpose for 2019 are as follows (amounts per \$100 assessed value):

General Fund	\$ 0.4966
Debt Service Fund	0.1704
Total City	0.6670
Wise County Water Supply District - Debt Service	0.1025
Total Wise County Water Supply District	\$ 0.1025

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

Note 4: Receivables

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

	General Fund	Special Revenue Fund	Debt Service Fund	Enterprise Fund	Total
Receivables					
Ad valorem taxes receivable	\$ 101,582	\$ -	\$ 34,856	\$ 23,100	\$ 159,538
Accounts receivable	-	-	-	946,347	946,347
Sales taxes	509,420	254,672	-	-	764,092
Gross receipts taxes	99,356	-	-	-	99,356
Other receivables	929,994	-	-	-	929,994
Notes receivable	220,000	-	-	-	220,000
Less allowance for uncollectibles	(766,130)	-	(20,256)	(14,348)	(800,734)
Net receivables	\$ 1,094,222	\$ 254,672	\$ 14,600	\$ 955,099	\$ 2,318,593

See *Note 13* for additional information on the terms of the note receivable agreement.

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2019

Note 5: Capital Assets

Capital asset activity for the year ended September 30, 2019, was as follows:

Governmental Activities	Beginning of Year	Additions	Sales / Disposals	Transfers	End of Year
Capital assets not being depreciated					
Land	\$ 3,675,107	\$ 115,000	\$ (233,332)	\$ -	\$ 3,556,775
Construction in progress	2,073,083	1,594,265	-	(3,667,348)	-
Total capital assets not being depreciated	<u>5,748,190</u>	<u>1,709,265</u>	<u>(233,332)</u>	<u>(3,667,348)</u>	<u>3,556,775</u>
Capital assets being depreciated					
Airport	6,609,683	-	-	-	6,609,683
Conference center	7,435,176	-	-	-	7,435,176
Fire equipment	5,639,312	6,058	-	-	5,645,370
General government	531,502	345,000	-	-	876,502
Library	1,712,836	-	-	-	1,712,836
Parks	2,633,399	87,500	-	-	2,720,899
Police	2,393,968	205,276	-	-	2,599,244
Street equipment	1,137,598	-	(46,831)	-	1,090,767
Street infrastructure	17,098,837	-	-	1,222,449	18,321,286
Other assets	1,401,147	31,780	(28,932)	-	1,403,995
Total capital assets being depreciated	<u>46,593,458</u>	<u>675,614</u>	<u>(75,763)</u>	<u>1,222,449</u>	<u>48,415,758</u>
Less: accumulated depreciation	<u>(17,332,816)</u>	<u>(1,356,490)</u>	<u>75,763</u>	<u>-</u>	<u>(18,613,543)</u>
Total capital assets being depreciated, net	<u>29,260,642</u>	<u>(680,876)</u>	<u>-</u>	<u>1,222,449</u>	<u>29,802,215</u>
Governmental activities capital assets, net	<u>\$ 35,008,832</u>	<u>\$ 1,028,389</u>	<u>\$ (233,332)</u>	<u>\$ (2,444,899)</u>	<u>\$ 33,358,990</u>
Business-type Activities	Beginning of Year	Additions	Sales / Disposals	Transfers	End of Year
Capital assets not being depreciated					
Land	\$ 609,094	\$ -	\$ -	\$ -	\$ 609,094
Total capital assets not being depreciated	<u>609,094</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>609,094</u>
Capital assets being depreciated					
Sewer system	5,684,159	-	-	1,222,450	6,906,609
Trucks	291,577	-	(98,225)	-	193,352
Equipment	672,490	108,149	-	-	780,639
Office	10,795	-	-	-	10,795
Water and sewer lines	3,513,394	-	-	1,222,449	4,735,843
Water meters	676,592	111,248	(92,579)	-	695,261
Treated water distribution system	1,049,610	6,000	-	-	1,055,610
Elevated storage tower	829,569	-	-	-	829,569
Electrical generators	856,792	-	-	-	856,792
Raw water lines and pumps	4,228,427	-	-	-	4,228,427
Water treatment plant	6,413,487	-	-	-	6,413,487
Total capital assets being depreciated	<u>24,226,892</u>	<u>225,397</u>	<u>(190,804)</u>	<u>2,444,899</u>	<u>26,706,384</u>
Less: accumulated depreciation	<u>(11,603,667)</u>	<u>(612,411)</u>	<u>190,804</u>	<u>-</u>	<u>(12,025,274)</u>
Total capital assets being depreciated, net	<u>12,623,225</u>	<u>(387,014)</u>	<u>-</u>	<u>2,444,899</u>	<u>14,681,110</u>
Business-type activities capital assets, net	<u>\$ 13,232,319</u>	<u>\$ (387,014)</u>	<u>\$ -</u>	<u>\$ 2,444,899</u>	<u>\$ 15,290,204</u>

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2019

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

Governmental activities

General government	\$	27,723
Airport		161,005
Main street		1,259
Fire protection		187,075
Police		172,663
Animal control		776
Streets		493,332
Library		60,080
Tax and court		5,475
Parks		85,896
Inspection services		4,857
Cemetery		2,844
Conference center		146,209
Planning		1,200
Economic development		6,096

Total depreciation expense – governmental activities	\$	<u>1,356,490</u>
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Business-type activities

Water and Wastewater	\$	612,411
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Total depreciation expense – business-type activities	\$	<u>612,411</u>
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Note 6: Defined Benefit Pension Plan

Plan Description

The City of Decatur, Texas participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title B, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2019

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 benefit is calculated as if the sum of the employee’s contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s deposits and interest.

Employees covered by benefit terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	44
Inactive employees entitled to but not yet receiving benefits	93
Active employees	114
	251
	251

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, 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 actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 14.65% and 15.02% in calendar years 2019 and 2018, respectively. The City’s contributions to TMRS for the year ended September 30, 2019, were \$923,462, and were equal to the required contributions.

Net Pension Liability

The City’s Net Pension Liability (NPL) was measured as of December 31, 2018, 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 Decatur, Texas
Notes to Basic Financial Statements
September 30, 2019

Actuarial Assumptions

The Total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Health Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City, rates are multiplied by an additional factor of 112.3%, which adds an additional layer of conservatism. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB 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, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2019

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.30%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.39%
Real Return	10.00%	3.78%
Real Estate	10.00%	4.44%
Absolute Return	10.00%	3.56%
Private Equity	5.00%	7.75%
	<u>100.00%</u>	

Discount Rate

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

Changes in the Net Pension Liability

	<i>Increase (Decrease)</i>		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at October 1, 2018	\$ 24,546,027	\$ 21,501,482	\$ 3,044,545
Changes for the year:			
Service cost	1,039,690	-	1,039,690
Interest (on the total pension liability)	1,672,578	-	1,672,578
Difference between expected and actual experience	(413,969)	-	(413,969)
Benefit payments, including refunds of employee contributions	(573,875)	(573,875)	-
Administrative expense	-	(12,448)	12,448
Contributions - member	-	409,557	(409,557)
Contributions - employer	-	878,793	(878,793)
Net investment income	-	(644,925)	644,925
Other	-	(650)	650
Net changes	<u>1,724,424</u>	<u>56,452</u>	<u>1,667,972</u>
Balance at September 30, 2019	<u>\$ 26,270,451</u>	<u>\$ 21,557,934</u>	<u>\$ 4,712,517</u>

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2019

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%)	Current Single Rate Assumption (6.75%)	1% Increase in Discount Rate (7.75%)
\$ 8,619,020	\$ 4,712,517	\$ 1,524,805

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

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

For the year ended September 30, 2019, the City recognized pension expense of \$963,903.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	\$ 1,487	\$ 703,563
Difference between projected and actual investment earnings on pension plan investments	1,105,989	-
Changes of assumptions	14,795	-
Employer contributions subsequent to the measurement date	647,130	-
Total	\$ 1,769,401	\$ 703,563

\$647,130 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2020	\$ 46,244
2021	(71,215)
2022	24,424
2023	419,255
	\$ 418,708

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2019

Allocation of Pension Items

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

Note 7: Postemployment Benefits Other Than Pensions

Plan Description

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

Benefits Provided

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

Employees covered by benefit terms

At the December 31, 2018, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	32
Inactive employees entitled to but not yet receiving benefits	23
Active employees	114
	169

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2019

Contributions

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

The retiree portion of the total SBDF contribution rates for the City were 0.04% in both calendar years 2019 and 2018.

Total OPEB Liability

The City's Total OPEB Liability (TOL) was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total OEB Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary increases	3.50% to 10.50% including inflation
Discount rate	3.71% as of December 31, 2018 (3.31% as of December 31, 2017)
Retirees' share of benefit-related costs	\$ 0

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rates (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 3.71%. Because the Supplemental Death Benefits Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of the measurement date of December 31, 2018.

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2019

Changes in the Total OPEB Liability

	<i>Increase (Decrease)</i>
	Total OPEB Liability
Balance at October 1, 2018	\$ 280,746
Changes for the year:	
Service cost	19,893
Interest (on the total OPEB liability)	9,583
Difference between expected and actual experience	(9,381)
Changes of assumptions	(20,670)
Benefit payments	(2,340)
Net Changes	(2,915)
Balance at September 30, 2019	\$ 277,831

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.71%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.71%) or 1-percentage-point higher (4.71%) than the current rate:

1% Decrease in Discount Rate (2.71%)	Current Discount Rate Assumption (3.71%)	1% Increase in Discount Rate (4.71%)
\$ 333,824	\$ 277,831	\$ 234,032

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$28,160.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	\$ -	\$ 7,769
Changes of assumptions	14,700	17,118
Employer contributions subsequent to the measurement date	1,767	-
Total	\$ 16,467	\$ 24,887

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2019

\$1,767 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2020	\$	(1,316)
2021		(1,316)
2022		(1,316)
2023		(2,008)
2024		(4,231)
Thereafter		-
	<u>\$</u>	<u>(10,187)</u>

Allocation of OPEB Items

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

Note 8: Deferred Compensation Plan

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

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

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2019

Note 9: Long-term Debt

The following is a summary of the long-term debt activity for the year ended September 30, 2019:

	Beginning Balance as restated - Note 14	Borrowings/ Additions	Repayments/ Reductions	Ending Balances	Amounts Due Within One Year
Governmental Activities					
Refunding bonds	\$ 7,335,000		\$ (1,440,000)	\$ 5,895,000	\$ 1,490,000
Sales tax bonds	7,045,000		(200,000)	6,845,000	60,000
Unamortized bond premium	314,343	-	(69,994)	244,349	-
Bonds payable, net	14,694,343	-	(1,709,994)	12,984,349	1,550,000
Compensated absences	749,289	384,732	(426,889)	707,132	284,916
Total governmental activities	15,443,632	384,732	(2,136,883)	13,691,481	1,834,916
Business-type Activities					
Unlimited tax refunding bonds	4,235,000	-	(590,000)	3,645,000	605,000
Unamortized bond premium	220,863	-	(86,212)	134,651	-
Bonds payable, net	4,455,863	-	(676,212)	3,779,651	605,000
Compensated absences	167,457	92,769	(124,926)	135,300	81,756
Total business-type activities	\$ 4,623,320	\$ 92,769	\$ (801,138)	\$ 3,914,951	\$ 686,756

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

Refunding Bonds

The City issues tax and waterworks sewer system surplus revenue refunding bonds and general obligation refunding bonds to provide funds for the acquisition and construction of major capital facilities and to achieve debt service savings. The Bonds constitute direct obligations of the City, payable from an annual, continuing ad valorem tax levied, within the limit prescribed by law, on all taxable property located within the City. Refunding bonds outstanding at September 30, 2019, are as follows:

Issuance	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding End of Year
Tax and Waterworks and Sewer System Surplus Revenue Refunding Bonds	2011	\$ 6,340,000	3.5%	2020	\$ 825,000
Tax and Waterworks and Sewer System Surplus Revenue Refunding Bonds	2013	\$ 3,475,000	3.0%	2024	1,845,000
General Obligation Refunding Bonds	2018	\$ 3,530,000	2.0%-4.0%	2028	3,225,000
					<u>\$ 5,895,000</u>

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2019

The annual aggregate maturities for the governmental activities refunding bonds for years subsequent to September 30, 2019, are as follows:

Year Ending September 30,	Principal	Interest	Total
2020	\$ 1,490,000	\$ 177,587	\$ 1,667,587
2021	680,000	144,550	824,550
2022	695,000	123,925	818,925
2023	720,000	101,000	821,000
2024	745,000	75,550	820,550
2025-2028	<u>1,565,000</u>	<u>128,500</u>	<u>1,693,500</u>
Totals	<u>\$ 5,895,000</u>	<u>\$ 751,112</u>	<u>\$ 6,646,112</u>

Sales Tax Revenue Bonds

The Corporation for Economic Development of the City of Decatur, Texas (EDC) issues sales tax revenue bonds to provide funds for the acquisition and construction of major capital improvements. The Bonds do not constitute direct obligations of the City. The bonds are payable from a one-half of a one percent sales and use tax collected within the boundaries of the City. Sales tax bonds outstanding at September 30, 2019, are as follows:

Issuance	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding End of Year
Sales Tax Revenue Bonds	2016	\$ 1,500,000	3.25%	2037	\$ 1,390,000
Sales Tax Revenue Bonds, Taxable Series	2018	\$ 5,665,000	2.71%-4.02%	2031	<u>5,455,000</u>
					<u>\$ 6,845,000</u>

The annual aggregate maturities for the governmental activities EDC sales tax revenue bonds for years subsequent to September 30, 2019, are as follows:

Year Ending September 30,	Principal	Interest	Total
2020	\$ 60,000	\$ 258,076	\$ 318,076
2021	265,000	250,738	515,738
2022	270,000	242,913	512,913
2023	275,000	234,522	509,522
2024	290,000	225,536	515,536
2025-2029	1,605,000	970,598	2,575,598
2030-2034	1,930,000	641,526	2,571,526
2035-2039	<u>2,150,000</u>	<u>219,877</u>	<u>2,369,877</u>
Totals	<u>\$ 6,845,000</u>	<u>\$ 3,043,786</u>	<u>\$ 9,888,786</u>

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2019

The following is a summary of pledged revenues of the EDC for the year ended September 30, 2019:

Revenue Pledged	Total Pledged Revenue	Current Year Debt Service Payments	Percentage Portion of Pledged Revenue Stream	Remaining Principal and Interest	Period Revenue will not be Available for Other Purposes
.5% sales and use tax	\$ 1,493,156	\$ 541,903	36.3%	\$ 9,888,786	Until 2039

Unlimited Tax Refunding Bonds

The Wise County Water Supply District (District) issues unlimited tax refunding bonds to provide funds for the acquisition and construction of major capital facilities and achieve debt service savings. The bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the District without legal limit as to rate or amount. Unlimited tax refunding bonds outstanding at September 30, 2019, are as follows

Issuance	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding End of Year
Unlimited Tax Refunding	2018	\$ 3,040,000	2.0%-4.0%	2027	\$ 2,695,000
Unlimited Tax Refunding	2011	\$ 3,130,000	3.5%-4.0%	2022	950,000
					<u>\$ 3,645,000</u>

The annual aggregate maturities for the business-type activities sales tax revenue bonds for years subsequent to September 30, 2019, are as follows:

Year Ending September 30,	Principal	Interest	Total
2020	\$ 605,000	\$ 132,837	\$ 737,837
2021	620,000	115,400	735,400
2022	645,000	93,650	738,650
2023	325,000	71,000	396,000
2024	340,000	58,000	398,000
2025-2027	<u>1,110,000</u>	<u>90,000</u>	<u>1,200,000</u>
Totals	<u>\$ 3,645,000</u>	<u>\$ 560,887</u>	<u>\$ 4,205,887</u>

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2019

Note 10: Due to/From Other Funds

The following is a summary of due to/from other funds at September 30, 2019:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise Fund	General Fund	\$ 242
Special Revenue Fund	General Fund	\$ 7,145

The General Fund owes the Special Revenue Funds due to timing differences in the payment of invoices and the reimbursement to repay the debt. In addition, the General Fund owes the Proprietary Fund due to timing differences in the payment of invoices.

Note 11: Interfund Transfers

All interfund transfers between the various funds are approved supplements to the operations of those funds. Transfers between funds for the year ended September 30, 2019, were as follows:

	<u>Transfers in</u>		
	<u>General</u>	<u>Debt Service</u>	<u>Total Transfers Out</u>
Transfers out			
Special Revenue	\$ 36,000	\$ 429,668	\$ 465,668
Enterprise	<u>668,000</u>	<u>-</u>	<u>668,000</u>
Total transfers in	<u>\$ 704,000</u>	<u>\$ 429,668</u>	<u>\$ 1,133,668</u>

The Enterprise Fund transferred funds to the General Fund to pay administrative costs.

The Special Revenue Funds (Corporation for Economic Development of the City of Decatur, Texas) transferred funds to the Debt Service Fund to pay for 51% of the debt service related to the Series 2011 Refunding Bonds. The transfer is the result of an obligation made by the Corporation for Economic Development when the bonds were originally issued. The transfer to the General Fund was for administrative costs.

The Governmental Activities transferred \$2,444,899 of completed capital asset infrastructure to the Business-type activities during 2019. Consequently, the enterprise fund reports the receipt of the capital assets as a capital contribution from governmental activities.

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2019

Note 12: Risk Management

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

Note 13: Tax Abatement Agreements

The City enters into tax abatement agreements with local business under Chapter 380 of the Texas Local Government Code. The City has the authority under both Article III, Section 52-a of the Texas Constitution and Chapter 380 to make public funds available for the purposes of promoting local economic development and stimulating business and commercial activity within the City. The City offers individual incentive packages to attract new business to the City. Abatements may be granted by City Council resolution to companies or developers agreeing to relocate to the City or to establish a new business in the City. As part of the agreements, the City agrees to refund a portion of Local Sales and Use Tax, and/or Hotel Occupancy Taxes after confirmation of payment. The agreements entered into by the City include clawback provisions should the recipient of the tax abatement fail to fully meet its commitments, such as annual sales levels or appraised values of real and personal property located on the project site. As a part of these agreements, the City may also provide Developers financial assistance for Developer's expenditures made towards the Project. As a part of these agreements, the City provided a loan to the developer for the related project. The developer will repay the loan over the next five years forgoing \$230,000 of the hotel occupancy tax rebate.

For the fiscal year ended September 30, 2019, the City had the following open tax abatement agreements and abated the following amounts under these agreements:

<u>Open Agreements - Type of Tax Abatement</u>	<u>Amount of Taxes Abated during the Fiscal Year</u>
Hotel Occupancy Taxes	\$ 91,499
Sales Taxes	2,616
Total	<u>\$ 94,115</u>

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2019

Note 14: Restatement of Prior Year Financial Statements

Several error corrections were made to various funds, governmental-activities and business-type activities as identified below. The corrections related primarily to additional accruals that were not recorded and adjustments required to employee benefit line items. The following financial statement line items for the year ended September 30, 2018, were affected by the error corrections:

Government-wide

	Governmental Activities	Business-type Activities	Total
Net position, beginning of year, as previously reported	\$ 27,463,268	\$ 10,539,211	\$ 38,002,479
Adjustment applicable to prior years:			
Receivables, net	1,074,691	403,300	1,477,991
Deferred outflows of resources - Deferred amount on refunding	29,009	-	29,009
Deferred outflows of resources - Pension	(134,603)	145,269	10,666
Deferred outflows of resources - OPEB	(12,908)	4,484	(8,424)
Accounts payable	(16,879)	(76,813)	(93,692)
Accrued liabilities	(65,714)	(37,024)	(102,738)
Compensated absences	106,340	23,753	130,093
Bond premiums	(66,448)	-	(66,448)
Net pension liability	677,411	(677,411)	-
Total OPEB liability	62,466	(62,466)	-
Deferred inflows of resources - Advance collection of insurance costs	341,365	-	341,365
Deferred inflows of resources - Pension	249,552	(270,246)	(20,694)
Subtotal	<u>2,244,282</u>	<u>(547,154)</u>	<u>1,697,128</u>
Net position, beginning of year, as restated	<u>\$ 29,707,550</u>	<u>\$ 9,992,057</u>	<u>\$ 39,699,607</u>

The correction of errors above had the following impact on change in net position for the prior year as follows: reduce change in net position by approximately \$197,000 for governmental activities and approximately \$91,000 for business-type activities.

These corrections had the same impact on the proprietary fund financial statements as the business-type activities at the government-wide level.

City of Decatur, Texas
Notes to Basic Financial Statements
September 30, 2019

Governmental Funds

	General Fund	Special Revenue Fund	Total
Fund balances, beginning of year, as previously reported	\$ 3,031,447	\$ 5,165,000	\$ 8,196,447
Adjustment applicable to prior years:			
Fines and forfeitures receivable, net	265,792	-	265,792
Sales tax receivable, net	480,463	240,196	720,659
Mixed beverage receivable, net	6,833	-	6,833
HOT tax receivable, net	81,407	-	81,407
Receivables, net	<u>834,495</u>	<u>240,196</u>	<u>1,074,691</u>
Notes receivable	250,000	-	250,000
Accounts payable	(16,879)	-	(16,879)
Accrued liabilities	(62,004)	(3,710)	(65,714)
Deferred inflows of resources - Unavailable court revenue	(182,031)	-	(182,031)
Deferred inflows of resources - Advance collection of insurance costs	341,365	-	341,365
Subtotal	<u>1,164,946</u>	<u>236,486</u>	<u>1,401,432</u>
Fund balances, beginning of year, as restated	<u>\$ 4,196,393</u>	<u>\$ 5,401,486</u>	<u>\$ 9,597,879</u>

The correction of errors above had the following impact on net change in fund balances for the prior year as follows: reduce change in fund balance by approximately \$250,000 for the general fund and no change for the special revenue fund.

Required Supplementary Information

City of Decatur, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual – General Fund
Year Ended September 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Ad valorem taxes, penalties and interest	\$ 3,553,460	\$ 3,553,460	\$ 3,591,856	\$ 38,396
Sales taxes	2,700,000	2,700,000	2,986,316	286,316
Franchise, occupancy and other taxes	1,016,000	1,016,000	1,160,263	144,263
Interest on investments	30,000	30,000	70,926	40,926
Contributions and donations	25,410	25,410	132,205	106,795
Conference center	655,000	655,000	683,550	28,550
Building permits and inspection service fees	287,000	287,000	351,400	64,400
Court	804,000	804,000	661,374	(142,626)
Other	430,325	430,325	653,715	223,390
	<u>9,501,195</u>	<u>9,501,195</u>	<u>10,291,605</u>	<u>790,410</u>
Expenditures				
General government	1,191,029	1,191,029	1,370,674	(179,645)
Airport	160,037	160,037	126,706	33,331
Main street	145,766	145,766	161,736	(15,970)
Fire	1,284,547	1,284,547	1,269,566	14,981
Police	2,526,734	2,526,734	2,571,198	(44,464)
Animal control	55,400	55,400	45,050	10,350
Street	917,761	917,761	870,738	47,023
Library	558,887	558,887	551,344	7,543
Tax and court	303,259	303,259	303,437	(178)
Parks	479,118	479,118	502,303	(23,185)
Planning services	435,536	435,536	457,079	(21,543)
Inspection services	344,626	344,626	329,613	15,013
Cemetery	75,000	75,000	80,933	(5,933)
Conference center	933,594	933,594	906,987	26,607
Economic development	-	-	96,515	(96,515)
Technology	436,453	436,453	390,942	45,511
Capital expenditures	227,828	227,828	718,461	(490,633)
	<u>10,075,575</u>	<u>10,075,575</u>	<u>10,753,282</u>	<u>(677,707)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(574,380)</u>	<u>(574,380)</u>	<u>(461,677)</u>	<u>112,703</u>
Other Financing Sources				
Proceeds from sale of capital assets	-	-	14,188	14,188
Operating transfer in	535,000	535,000	704,000	169,000
	<u>535,000</u>	<u>535,000</u>	<u>704,000</u>	<u>169,000</u>
Total other financing sources	<u>535,000</u>	<u>535,000</u>	<u>704,000</u>	<u>169,000</u>
Net change in fund balance	(39,380)	(39,380)	242,323	281,703
Fund Balances, Beginning, as Previously Reported	3,031,447	3,031,447	3,031,447	3,031,447
Adjustment applicable to prior years (see note 14)	<u>1,164,946</u>	<u>1,164,946</u>	<u>1,164,946</u>	<u>1,164,946</u>
Fund Balances, Beginning, as Restated	<u>4,196,393</u>	<u>4,196,393</u>	<u>4,196,393</u>	<u>4,196,393</u>
Fund Balances, Ending	<u>\$ 4,157,013</u>	<u>\$ 4,157,013</u>	<u>\$ 4,438,716</u>	<u>\$ 4,478,096</u>

City of Decatur, Texas
Schedule of Changes in Net Pension Liability and Related Ratios
Texas Municipal Retirement System
Year Ended September 30, 2019

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017	Measurement Year 2018
Total Pension Liability:					
Service cost	\$ 899,192	\$ 996,805	\$ 1,003,930	\$ 1,015,285	\$ 1,039,690
Interest (on the total pension liability)	1,270,814	1,401,676	1,456,889	1,562,688	1,672,578
Difference between expected and actual experience	97,522	(455,380)	(326,739)	(342,431)	(413,969)
Change in assumptions	-	74,579	-	-	-
Benefit payments, including refunds of employee contributions	(449,620)	(444,145)	(479,130)	(665,611)	(573,875)
Net Change in Total Pension Liability	1,817,908	1,573,535	1,654,950	1,569,931	1,724,424
Total Pension Liability – Beginning	17,929,703	19,747,611	21,321,146	22,976,096	24,546,027
Total Pension Liability – Ending (a)	\$ 19,747,611	\$ 21,321,146	\$ 22,976,096	\$ 24,546,027	\$ 26,270,451
Plan Fiduciary Net Position:					
Contributions – employer	\$ 783,353	\$ 835,221	\$ 845,704	\$ 858,170	\$ 878,793
Contributions – employee	397,567	398,267	394,140	397,039	409,557
Net investment income	811,445	23,193	1,116,673	2,549,630	(644,925)
Benefit payments, including refunds of employee contributions	(449,620)	(444,145)	(479,130)	(665,611)	(573,875)
Administrative expense	(8,470)	(14,123)	(12,603)	(13,199)	(12,448)
Other	(696)	(698)	(679)	(669)	(650)
City’s Net Change in Plan Fiduciary Net Position	1,533,579	797,715	1,864,105	3,125,360	56,452
Plan Fiduciary Net Position – Beginning	14,180,723	15,714,302	16,512,017	18,376,122	21,501,482
Plan Fiduciary Net Position – Ending (b)	\$ 15,714,302	\$ 16,512,017	\$ 18,376,122	\$ 21,501,482	\$ 21,557,934
City’s Net Pension Liability – Ending (a) – (b)	\$ 4,033,309	\$ 4,809,129	\$ 4,599,974	\$ 3,044,545	\$ 4,712,517
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	79.58%	77.44%	79.98%	87.60%	82.06%
Covered Payroll	\$ 5,680,974	\$ 5,689,535	\$ 5,630,567	\$ 5,671,981	\$ 5,850,819
City’s Net Pension Liability as a Percentage of Covered Payroll	71.00%	84.53%	81.70%	53.68%	80.54%

Other Information:

For the 2015 valuation, inflation used was 2.5%, investment rate of return and discount rate used was 6.75% and actuarial studies were updated through December 31, 2014.

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

City of Decatur, Texas
Schedule of Contributions
Texas Municipal Retirement System
Year Ended September 30, 2019

	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019
Actuarially determined contribution	\$ 827,997	\$ 861,843	\$ 852,666	\$ 885,707	\$ 923,462
Contribution in relation of the actuarially determined contribution	<u>827,997</u>	<u>861,843</u>	<u>852,666</u>	<u>885,707</u>	<u>923,462</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,675,104	\$ 5,705,700	\$ 5,575,266	\$ 5,793,311	\$ 6,257,027
Contributions as a percentage of covered payroll	14.59%	15.10%	15.29%	15.29%	14.76%

Notes to Schedule of Contributions

Valuation Date:

Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	27 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.5%, including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes

The discount changed from 7.00% to 6.75% for the 2015 valuation; there were no other changes in assumptions. There were no benefit changes during the most recent fiscal year.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available. Information has been determined as of the City's most recent fiscal year-end (September 30).

City of Decatur, Texas
Schedule of Changes in the Total OPEB Liability and Related Ratios
Retiree Supplemental Death
Year Ended September 30, 2019

	Measurement Year 2017	Measurement Year 2018
Total OPEB Liability:		
Service cost	\$ 17,016	\$ 19,893
Interest (on the Total OPEB Liability)	9,131	9,583
Difference between expected and actual experience	-	(9,381)
Change in assumptions	22,396	(20,670)
Benefit payments	(1,702)	(2,340)
Net Change in Total OPEB Liability	46,841	(2,915)
Total OPEB Liability – Beginning	233,905	280,746
Total OPEB Liability – Ending	\$ 280,746	\$ 277,831
Covered Employee Payroll	\$ 5,671,981	\$ 5,850,819
City’s Total OPEB Liability as a Percentage of Covered Employee Payroll	4.95%	4.75%
Notes to schedule:		
Changes of benefit terms:	None	
Changes of assumptions:		
Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:		
	2016	3.78%
	2017	3.31%
	2018	3.71%

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

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