

CITY OF DECATUR, TEXAS
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2017

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ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2017

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FINANCIAL SECTION

Siegmund & Associates, LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
of the City of Decatur, Texas

Report on the Financial Statements

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 as of and for the year ended September 30, 2017, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 of Decatur, Texas, as of September 30, 2017, 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.

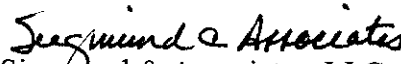
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the respective budgetary comparison for the General Fund and the pension information 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2018, on our consideration of the City of Decatur, Texas internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Decatur, Texas' internal control over financial reporting and compliance.


Siegmund & Associates, LLC
Certified Public Accountants
Decatur, Texas

February 7, 2018

**CITY OF DECATUR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2017**

Introduction

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, 2017. The analysis should be read in conjunction with the financial statements that follow.

Financial Highlights

Government-wide Financial Statements:

- Statement of Net Position - The City's governmental activities net position increased by \$2.1 million from 2016. The business-type activities net position increased by \$782 thousand from 2016. The City's combined net position increased by \$2.9 million from 2016.
- Statement of Activities - During fiscal year 2017, the City had revenues that totaled \$19.2 million of which \$13.1 million was for governmental activities and \$6.1 million was for business-type activities. During fiscal year 2017, the City had expenses/expenditures that totaled \$16.5 million of which \$11.1 million was for governmental activities and \$5.4 million was for business-type activities.

Using this Annual Financial Report

This annual report consists of Management's Discussion and Analysis (MD&A), government-wide financial statements, fund financial statements, notes to financial statements, required supplementary information and a report on the overall compliance and internal control of the City. The first two statements are highly condensed and present a governmental-wide view of the City's finances. Within this view, all City operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as police, fire protection, building inspection, public works, parks, airport, general government, administrative, civic center, and tax and court. Business-type activities include the City's water and wastewater system and garbage collection. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the City.

Management's Discussion and Analysis (Continued)

Basic Financial Statements

A condensed version of the government-wide statement of net position at September 30, 2017 follows:

	Governmental Activities		Business-Type Activities		Government-Wide Totals	
	2017	2016	2017	2016	2017	2016
Cash	\$ 9,200	\$ 9,626	\$ 1,398	\$ 892	\$ 10,598	\$ 10,518
Other assets	241	74	373	414	614	488
Capital assets (net)	31,228	30,173	13,627	13,908	44,855	44,081
Total assets	<u>40,669</u>	<u>39,873</u>	<u>15,398</u>	<u>15,214</u>	<u>56,067</u>	<u>55,087</u>
Deferred outflows	<u>1,358</u>	<u>1,521</u>	<u>0</u>	<u>0</u>	<u>1,358</u>	<u>1,521</u>
Other liabilities	2,086	1,470	820	839	2,906	2,309
Unfunded pension liability	4,600	4,809	0	0	4,600	4,809
Long-term debt	9,179	12,377	5,744	5,503	14,923	17,880
Total liabilities	<u>15,865</u>	<u>18,656</u>	<u>6,564</u>	<u>6,342</u>	<u>22,429</u>	<u>24,998</u>
Deferred inflows	<u>769</u>	<u>434</u>	<u>0</u>	<u>0</u>	<u>769</u>	<u>434</u>
Net position						
Invested in capital assets, net of related debt	20,347	17,726	8,536	8,201	28,883	25,927
Restricted	6,531	7,664	224	230	6,755	7,894
Unrestricted	(2,481)	(3,086)	894	441	(1,587)	(2,645)
Total net position	<u>\$ 24,397</u>	<u>\$ 22,304</u>	<u>\$ 9,654</u>	<u>\$ 8,872</u>	<u>\$ 34,051</u>	<u>\$ 31,176</u>

Governmental Activities:

The net position of the City's governmental activities totaled \$24.4 million and increased by \$2.1 million from 2016. The majority (83%) of the City's net position are reflected in capital assets (e.g., land, buildings, vehicles and equipment) less the outstanding balance of related debt used to acquire those assets. An additional portion of the City's net assets, \$6.5 million, represents resources that are subject to external restrictions on how they may be used. During 2017, the City maintained a tight fiscal policy and did not begin any new construction projects.

Business-type activities:

The net position of the business-type activities totaled \$9.7 million and increased by \$782 thousand from 2016.

Management's Discussion and Analysis (Continued)

A condensed version of the government-wide statement of activities at September 30, 2017 follows:

	Governmental Activities		Business-Type Activities		Government-Wide Totals	
	2017	2016	2017	2016	2017	2016
<u>Revenues:</u>						
<u>Program Revenues:</u>						
Charges for services	\$ 2,066	\$ 1,961	\$ 5,002	\$ 4,516	\$ 7,068	\$ 6,477
Grants and contributions	1,169	615	306	0	1,475	615
<u>Total Program Revenues</u>	3,235	2,576	5,308	4,516	8,543	7,092
<u>General Revenues:</u>						
Taxes	9,415	9,236	789	791	10,204	10,027
Other	(16)	12	0	21	(16)	33
Interest	46	13	28	2	74	15
<u>Total General Revenues</u>	9,445	9,261	817	814	10,262	10,075
<u>Total Revenues</u>	12,680	11,837	6,125	5,330	18,805	17,167
<u>Expenses:</u>						
General government	1,348	1,217	0	0	1,348	1,217
Police	2,454	2,449	0	0	2,454	2,449
Fire protection	1,370	1,483	0	0	1,370	1,483
Streets	1,340	1,351	0	0	1,340	1,351
Conference center	1,067	1,093	0	0	1,067	1,093
Other	3,551	3,802	0	0	3,551	3,802
Water and sewer	0	0	4,968	5,350	4,968	5,350
<u>Total Expenses</u>	11,130	11,395	4,968	5,350	16,098	16,745
<u>Transfers:</u>	375	0	(375)	0	0	0
Change in net positions	1,925	442	782	(20)	2,707	422
Prior period restatements	168	375	0	320	168	695
Beginning net positions	22,304	21,487	8,872	8,572	31,176	30,059
Ending net positions	<u>\$ 24,397</u>	<u>\$ 22,304</u>	<u>\$ 9,654</u>	<u>\$ 8,872</u>	<u>\$ 34,051</u>	<u>\$ 31,176</u>

Management's Discussion and Analysis (Continued)

Statement of Activities (Continued):

Governmental Activities:

The governmental activities revenue for 2017 totaled \$13.1 million (including transfers) which is an increase of \$1.2 million from 2016. The governmental activities expenses for 2017 totaled \$11.1 million which is a decrease of \$265 thousand from 2016. The governmental activities received operating transfers of \$375 thousand from the business-type activities for its portion of administrative costs. The governmental activities net position increased \$2.1 million from 2016.

Business-type Activities:

The business-type activities revenues for 2017 totaled \$6.1 million which is an increase of \$795 thousand from 2016. The business-type activities expenses for 2017 totaled \$5.3 million (including transfers) which is a decrease of \$7 thousand from 2016. The business-type activities transferred \$375 thousand to the governmental activities for its portion of administrative costs. The business-type activities net position increased \$782 thousand from 2016.

Capital Assets and Debt Outstanding

Capital Assets:

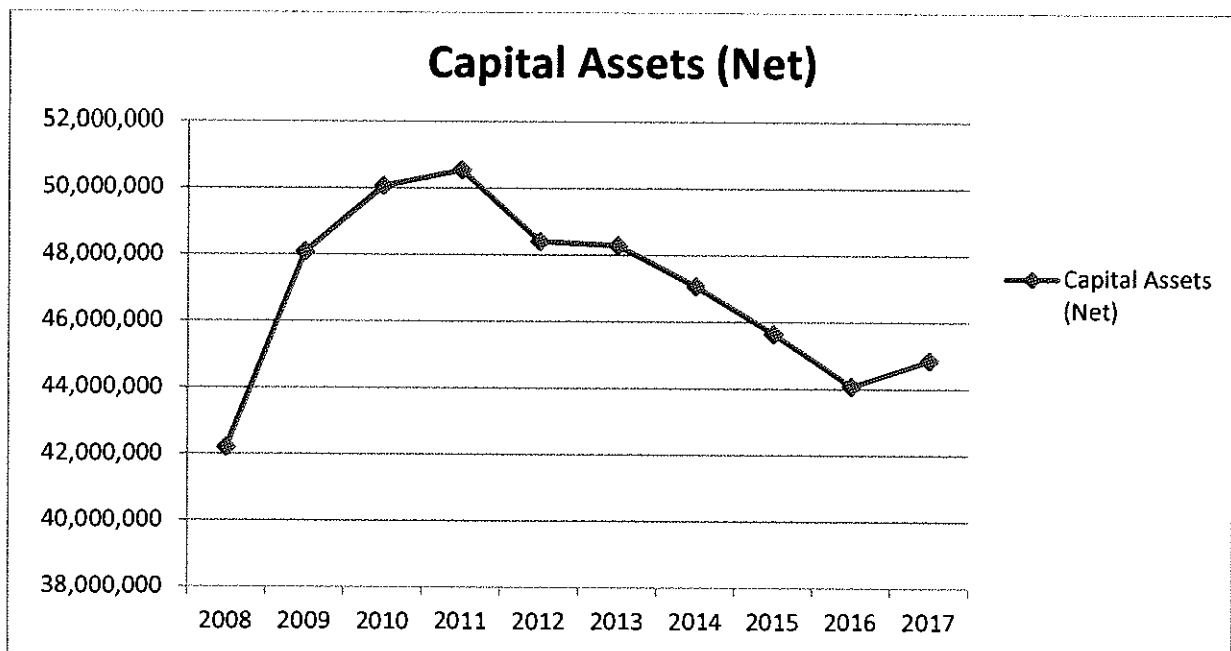
For the year ended September 30, 2017 the City recorded \$2.7 million of capital asset additions. Included in the capital asset additions are capital contributions from real estate developers for conference center infrastructure improvements (\$1.5 million) and street infrastructure (\$1.1 million). At September 30, 2017 the City had \$72 million invested in capital assets. This amount represents a net increase of \$2.3 million (net of retirements) from 2016. Capital assets are comprised of equipment, land, buildings and various components of infrastructure. During the year the City updated water meters, acquired new books and videos for the library, and purchased vehicles and equipment.

Management's Discussion and Analysis (Continued)

Capital Assets (Continued):

Capital Assets at Year-End (in Thousands)

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,875	\$ 1,875	\$ 609	\$ 609	\$ 2,484	\$ 2,484
Airport	6,134	6,136	0	0	6,134	6,136
Conference center	7,428	5,934	0	0	7,428	5,934
Fire equipment	5,378	5,392	0	0	5,378	5,392
General government	532	552	0	0	532	552
Library	1,712	1,741	0	0	1,712	1,741
Parks	2,633	2,634	0	0	2,633	2,634
Police	2,247	2,321	0	0	2,247	2,321
Street equipment	1,016	1,018	0	0	1,016	1,018
Street infrastructure	17,099	16,320	0	0	17,099	16,320
Other	1,360	1,471	0	0	1,360	1,471
Water and sewer systems	0	0	23,997	23,694	23,997	23,694
Subtotal	47,414	45,394	24,606	24,303	72,020	69,697
Accumulated depreciation	(16,186)	(15,221)	(10,980)	(10,395)	(27,166)	(25,616)
Capital assets, net	<u>\$ 31,228</u>	<u>\$ 30,173</u>	<u>\$ 13,626</u>	<u>\$ 13,908</u>	<u>\$ 44,854</u>	<u>\$ 44,081</u>



Management's Discussion and Analysis (Continued)

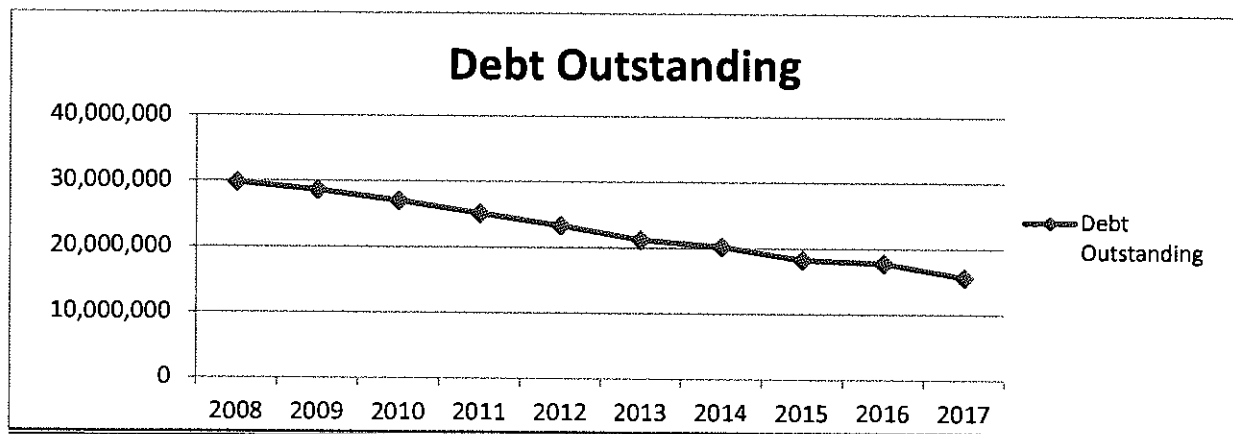
Debt Outstanding:

At year end, the City's debt totaled \$15.7 million and decreased by \$2.1 million from 2016. Moody's Investor Services, the municipal debt rating company, rated the City's credit at A-2. This rating allows the City to issue debt without insurance and at more competitive interest rates.

Other obligations of the City that are not included in the following schedule are (1) an unfunded pension obligation (TMRS), (2) accrued compensated absences, and (3) meter deposits. More detailed information on the City's long-term liabilities and other obligations are presented in the notes to the financial statements.

Debt Outstanding at Year-End (in Thousands)

	Governmental Activities		Business-Type Activities		Government-Wide Totals	
	2017	2016	2017	2016	2017	2016
2008 Certificates of obligation	\$ 3,950	\$ 4,230	\$ 0	\$ 0	\$ 3,950	\$ 4,230
2011 Revenue refunding bonds	2,395	3,145	0	0	2,395	3,145
2013 Revenue refunding bonds	2,515	2,845	0	0	2,515	2,845
2016 Sales tax revenue bonds	1,445	1,500	0	0	1,445	1,500
Capital lease obligations	444	559	62	122	506	681
2007 Unlimited tax and revenue bonds	0	0	3,350	3,610	3,350	3,610
2011 Unlimited tax and revenue bonds	0	0	1,530	1,805	1,530	1,805
Total Debt Outstanding	\$ 10,749	\$ 12,279	\$ 4,942	\$ 5,537	\$ 15,691	\$ 17,816



Management's Discussion and Analysis (Continued)

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, 2017, 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 increase due to a change in the fee structure.
- Expenditures are budgeted to increase due to increased personnel cost, professional services and utilities.
- 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. See the District's separately issued financial statements dated January 8, 2018. If you have any questions about the report or need additional financial information, please contact 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's Finance Director, Mike Erwin, 201 E. Walnut, Decatur, Texas 76234.

FINANCIAL STATEMENTS

CITY OF DECATUR, TEXAS
GOVERNMENT-WIDE STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Current Assets</u>			
Cash and cash equivalents, unrestricted	\$ 2,204,302	\$ 1,140,480	\$ 3,344,782
Cash and cash equivalents, restricted for special revenues	3,704,186	0	3,704,186
Cash and cash equivalents, restricted for debt service	1,561,433	201,583	1,763,016
Cash and cash equivalents, restricted for capital projects	1,729,820	55,979	1,785,799
Ad valorem taxes receivable	78,247	14,567	92,814
Customer receivables	2,875	358,423	361,298
Due from other governments	158,385	0	158,385
Prepaid items	2,079	0	2,079
<u>Capital Assets, net of depreciation</u>			
Land	1,875,107	609,094	2,484,201
Buildings and equipment	17,830,351	0	17,830,351
Street infrastructure	11,522,321	0	11,522,321
Water and sewer distribution systems	0	13,017,446	13,017,446
<u>Total Assets</u>	<u>40,669,106</u>	<u>15,397,572</u>	<u>56,066,678</u>
<u>Deferred Outflow of Resources</u>			
Pension contributions after measurement date	596,296	0	596,296
Difference between projected and actual investment earnings	716,878	0	716,878
Changes in actuarial assumptions used to determine pension liability	44,687	0	44,687
<u>Total Deferred Outflow of Resources</u>	<u>1,357,861</u>	<u>0</u>	<u>1,357,861</u>
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts payable	146,473	117,150	263,623
Other current liabilities	363,180	91,667	454,847
Due to other funds	6,194	(6,194)	0
Current maturities of long-term debt	1,569,921	617,308	2,187,229
<u>Non-Current Liabilities</u>			
Long-term debt	9,179,195	4,325,000	13,504,195
Debt issuance premium, net of amortization	71,444	148,678	220,122
Accrued compensated absences	924,883	299,336	1,224,219
Net pension liability	4,599,974	0	4,599,974
Meter deposits	0	150,889	150,889
<u>Total Liabilities</u>	<u>16,861,264</u>	<u>5,743,834</u>	<u>22,605,098</u>
<u>Deferred Inflow of Resources</u>			
Advance collection of insurance costs	218,654	0	218,654
Differences between expected and actual economic experience	489,585	0	489,585
Gain on 2013 advance refunding bonds	60,384	0	60,384
<u>Total Deferred Inflow of Resources</u>	<u>768,623</u>	<u>0</u>	<u>768,623</u>
<u>Net Position</u>			
Invested in capital assets, net of related debt	20,346,835	8,535,914	28,882,749
Restricted for:			
Special revenue	3,243,517	0	3,243,517
Debt service	1,557,792	168,388	1,726,180
Capital projects	1,729,820	55,979	1,785,799
Unrestricted	(2,480,884)	893,457	(1,587,427)
<u>Total Net Position</u>	<u>\$ 24,397,080</u>	<u>\$ 9,653,738</u>	<u>\$ 34,050,818</u>

See accompanying notes to financial statements.

CITY OF DECATUR, TEXAS
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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	\$ 1,348,354	\$ 45,042	\$ -	\$ 0	\$ (1,303,312)	0	\$ (1,303,312)
Airport	258,521	118,052	14,400	0	(126,069)	0	(126,069)
Main street	153,992	30,479	0	0	(123,513)	0	(123,513)
Fire protection	1,369,565	442	63,720	0	(1,305,403)	0	(1,305,403)
Police	2,454,296	0	80,793	0	(2,373,503)	0	(2,373,503)
Animal control	49,916	2,126	0	0	(47,790)	0	(47,790)
Streets	1,340,455	0	0	920,583	(419,872)	0	(419,872)
Library	544,794	70,754	0	0	(474,040)	0	(474,040)
Tax and court	289,226	833,851	0	39,279	583,904	0	583,904
Parks	576,643	0	26,823	0	(549,820)	0	(549,820)
Planning services	401,185	40,207	0	0	(360,978)	0	(360,978)
Inspection services	330,606	296,385	0	0	(34,221)	0	(34,221)
Cemetery	78,986	31,836	0	23,463	(23,687)	0	(23,687)
Conference center	1,067,454	581,004	0	0	(486,450)	0	(486,450)
Emergency management	12,527	0	0	0	(12,527)	0	(12,527)
Technology	365,002	0	0	0	(365,002)	0	(365,002)
Economic development	488,433	15,465	0	0	(472,968)	0	(472,968)
Total governmental activities	11,129,955	2,065,643	185,736	983,325	(7,895,251)	0	(7,895,251)
Business-type activities:							
Water, sewer and garbage	4,968,526	5,002,577	0	306,146	0	340,197	340,197
Totals	\$16,098,481	\$7,068,220	\$ 185,736	\$1,289,471	(7,895,251)	340,197	(7,555,054)
General revenues and other expenses:							
Ad valorem taxes, penalties and interest					4,327,983	788,557	5,116,540
Sales taxes					3,966,962	0	3,966,962
Franchise, occupancy and other taxes					1,119,951	0	1,119,951
Disposal of assets					(15,808)	0	(15,808)
Interest on investments					46,391	27,766	74,157
Operating transfers					375,000	(375,000)	0
Total general revenues and other expenses					9,820,479	441,323	10,261,802
Change in net position					1,925,228	781,520	2,706,748
<u>Net Position, September 30, 2016</u>					22,304,020	8,872,218	31,176,238
<u>Prior Period Restatements</u>					167,832	0	167,832
<u>Net Position, September 30, 2017</u>					\$ 24,397,080	\$ 9,653,738	\$34,050,818

See accompanying notes to financial statements.

CITY OF DECATUR, TEXAS
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2017

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Governmental Funds
<u>Assets</u>					
Cash and cash equivalents	\$ 2,332,455	\$ 1,652,609	\$ 1,561,433	\$ 1,548,010	\$ 7,094,507
Certificates of deposit	250,972	1,672,452	0	181,810	2,105,234
Ad valorem taxes receivable	55,140	0	23,107	0	78,247
Other receivables	2,875	0	0	0	2,875
Due from other funds	3,052	4,541	0	0	7,593
Prepaid expenditures	2,079	0	0	0	2,079
Due from other governments	158,385	0	0	0	158,385
<u>Total Assets</u>	<u>2,804,958</u>	<u>3,329,602</u>	<u>1,584,540</u>	<u>1,729,820</u>	<u>9,448,920</u>
<u>Liabilities</u>					
Accounts payable	66,768	79,705	0	0	146,473
Other current liabilities	332,619	0	0	0	332,619
Due to other funds	10,734	3,053	0	0	13,787
Deferred revenues	55,626	0	23,107	0	78,733
<u>Total Liabilities</u>	<u>465,747</u>	<u>82,758</u>	<u>23,107</u>	<u>0</u>	<u>571,612</u>
<u>Deferred Inflows of Resources</u>					
Advance collection of insurance costs	218,654	0	0	0	218,654
<u>Fund Balances</u>					
<u>Nonspendable</u>	166,391	0	0	0	166,391
<u>Restricted for:</u>					
Airport	379,125	0	0	0	379,125
Special Revenue	0	3,246,844	0	0	3,246,844
Debt service	0	0	1,561,433	0	1,561,433
Construction of capital assets	0	0	0	1,729,820	1,729,820
<u>Assigned to:</u>					
Fire Department	663,678	0	0	0	663,678
Parks	74,772	0	0	0	74,772
Other	533,577	0	0	0	533,577
<u>Unassigned</u>	<u>303,014</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>303,014</u>
<u>Total Fund Balances</u>	<u>2,120,557</u>	<u>3,246,844</u>	<u>1,561,433</u>	<u>1,729,820</u>	<u>8,658,654</u>
<u>Total Liabilities and Fund Balances</u>	<u>\$ 2,804,958</u>	<u>\$ 3,329,602</u>	<u>\$ 1,584,540</u>	<u>\$ 1,729,820</u>	<u>\$ 9,448,920</u>

See accompanying notes to financial statements.

CITY OF DECATUR, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

Total fund balances - governmental funds	\$ 8,658,654
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in the operation of the governmental funds are not a financial resource and, therefore, they are not reported in the governmental funds. These assets consist of:	
Land	\$ 1,875,107
Buildings and equipment	17,830,351
Street infrastructure	<u>11,522,321</u>
Total capital assets, net of accumulated depreciation	31,227,779
The revenue from uncollected ad valorem taxes is not a financial resource of the governmental funds and, therefore, it is not reported in the governmental funds.	78,247
The deferred outflow from pension contributions after measurement date is not a financial resource of the governmental funds and, therefore it is not reported in the governmental funds	596,296
The deferred outflow from the difference in projected and actual earnings on pensions assets is not a financial resource of the governmental funds and, therefore it is not reported in the governmental funds	716,878
The deferred outflow from the changes in actuarial assumptions used to determine the pension liability is not a financial resource of the governmental funds and, therefore it is not reported in the governmental funds	44,687
The accrued interest payable on long-term debt is not due and payable in the current period and, therefore, it is not reported in the governmental funds.	(30,075)
The certificates of obligation and bonds are not due and payable in the current period and, therefore, they are not reported in the governmental funds.	(10,305,000)
The capital lease obligations are not due and payable in the current period and, therefore, they are not reported in the governmental funds.	(444,116)
The unamortized debt issuance premium is not due and payable in the current period and, therefore, it is not reported in the governmental funds.	(71,444)
The accrued compensated absences are not due and payable in the current period and, therefore, they are not reported in the governmental funds.	(924,883)
The unfunded pension obligation is not due and payable in the current period and, therefore, it is not reported in the governmental funds.	(4,599,974)
The deferred inflow from the difference in the expected and actual pension experience is not due and payable in the current period and, therefore it is not reported in the governmental funds.	(489,585)
The deferred inflow from the gain on the 2013 advance refunding bonds is not due and payable in the current period and, therefore, it is not reported in the governmental funds.	<u>(60,384)</u>
Total net position - governmental activities	<u><u>\$ 24,397,080</u></u>

See accompanying notes to financial statements.

CITY OF DECATUR, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General	Special Revenue	Debt Service	Capital Project	Total Governmental Funds
<u>Revenues</u>					
Ad valorem taxes, penalties and interest	\$ 3,046,584	\$	\$ 1,276,642	\$	\$ 4,323,226
Sales taxes	2,644,641	1,322,321			3,966,962
Franchise, occupancy and other taxes	1,119,951				1,119,951
Interest on investments	14,711	14,286	8,842	8,552	46,391
Federal programs	0	14,400			14,400
Conference center	581,004				581,004
Building permits and inspection service fees	296,385				296,385
Court	833,851				833,851
Other	467,443	169,461		93,509	730,413
<u>Total Revenues</u>	<u>9,004,570</u>	<u>1,520,468</u>	<u>1,285,484</u>	<u>102,061</u>	<u>11,912,583</u>
<u>Expenditures</u>					
General government	1,050,932	27,000		19,450	1,097,382
Airport	100,171	14,400			114,571
Main street	133,827	21,559			155,386
Fire protection	1,017,546				1,017,546
Police	2,144,803	61,396			2,206,199
Animal control	49,865				49,865
Street	788,854			16,000	804,854
Library	484,308				484,308
Tax and court	268,798	9,618			278,416
Parks	465,676				465,676
Planning services	393,003				393,003
Inspection services	309,196				309,196
Cemetery	74,613	1,528			76,141
Conference center	830,230				830,230
Economic development	0	459,943			459,943
Emergency management	12,527				12,527
Technology	360,305				360,305
Capital expenditures	95,268	1,502,744			1,598,012
Debt service	0	242,572	1,703,127		1,945,699
<u>Total Expenditures</u>	<u>8,579,922</u>	<u>2,340,760</u>	<u>1,703,127</u>	<u>35,450</u>	<u>12,659,259</u>
<u>Excess (Deficiency) of Revenues Over Expenditures</u>	<u>424,648</u>	<u>(820,292)</u>	<u>(417,643)</u>	<u>66,611</u>	<u>(746,676)</u>
<u>Other Financing Sources</u>					
Operating transfer in	375,000	0	441,192	23,223	839,415
<u>Other Financing Uses</u>					
Operating transfer out	(33,427)	(430,988)	0	0	(464,415)
<u>Net Change in Fund Balances</u>	<u>766,221</u>	<u>(1,251,280)</u>	<u>23,549</u>	<u>89,834</u>	<u>(371,676)</u>
<u>Fund Balances, September 30, 2016</u>	<u>1,354,336</u>	<u>4,498,124</u>	<u>1,537,884</u>	<u>1,639,986</u>	<u>9,030,330</u>
<u>Fund Balances, September 30, 2017</u>	<u>\$ 2,120,557</u>	<u>\$ 3,246,844</u>	<u>\$ 1,561,433</u>	<u>\$ 1,729,820</u>	<u>\$ 8,658,654</u>

See accompanying notes to financial statements.

CITY OF DECATUR, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Net change in fund balances - governmental funds	\$ (371,676)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$1,306,112) exceeded capital expenditures (\$2,376,662) during the current period.	1,070,550
The statement of activities reports a gain or loss on the disposal of assets based on the proceeds received and the net book value of the assets at the time of disposal. This is the amount by which the cost of the assets disposed of (\$356,332) exceeded the accumulated depreciation of those assets (\$340,524) in the current year.	(15,808)
The debt issuance premiums are recognized in governmental funds in the year the debt is issued but it is amortized over the life of the debt in the statement of activities.	26,741
The gain associated with the advance refunding of the 2004 certificates of obligation is recognized in governmental funds in the year the advance refunding occurs, but is amortized over the life of the debt in the statement of activities.	9,197
The increase in ad valorem taxes receivable does not provide current financial resources and, therefore, is not reported as an increase in revenues in the governmental funds.	4,757
The repayment of debt principal is reported as an expenditure in the governmental funds, but the repayment of debt principal reduces long-term liabilities in the statement of net position.	1,529,707
The decrease in accrued interest payable reported in the statement of activities does not reduce expenditures in the governmental funds.	4,216
The decrease in the net pension liability reported in the statement of activities does not reduce expenditures in the governmental funds.	209,155
The net increase in deferred pension assets and liabilities reported in the statement of activities does not increase expenditures in the governmental funds	(456,546)
The increase in the accrued compensated absences reported in the statement of activities does not increase expenditures in the governmental funds.	(85,065)
Change in the net position of governmental activities	<u>\$ 1,925,228</u>

See accompanying notes to financial statements.

CITY OF DECATUR, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2017

<u>Assets</u>	Business-type activities <u>Enterprise Fund</u>
<u>Current Assets</u>	
Cash and cash equivalents, unrestricted	\$ 1,140,480
Cash and cash equivalents, restricted for debt service	201,583
Cash and cash equivalents, restricted for capital projects	55,979
Ad valorem taxes receivable	14,567
Customer receivables	358,423
	\$ 1,771,032
<u>Capital Assets, net of depreciation</u>	
Land	609,094
Water and sewer distribution systems	13,017,446
	13,626,540
<u>Total Assets</u>	15,397,572
<u>Liabilities</u>	
<u>Current Liabilities</u>	
Accounts payable	117,150
Other current liabilities	91,667
Internal balances	(6,194)
Current maturities of long-term debt	617,308
	819,931
<u>Non-Current Liabilities</u>	
Long-term debt	4,325,000
Debt issuance premium, net of amortization	148,678
Accrued compensated absences	299,336
Meter deposits	150,889
	4,923,903
<u>Total Liabilities</u>	5,743,834
<u>Net Position</u>	
Invested in capital assets, net of related debt	8,535,914
Restricted for:	
Debt service	168,388
Capital projects	55,979
Unrestricted	893,457
	9,653,738
<u>Total Net Position</u>	\$ 9,653,738

See accompanying notes to financial statements.

CITY OF DECATUR, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Business-type activities</u>	<u>Enterprise Fund</u>
<u>Operating Revenues</u>		
Sale of water	\$ 2,618,645	
Sewer charges	1,749,702	
Garbage charges and other	634,230	
<u>Total Operating Revenues</u>		\$ 5,002,577
<u>Operating Expenses</u>		
Public works	359,623	
Sewer, plant and operation	813,198	
Utility billing	227,323	
Water purchases	586,200	
Water utilities	1,054,591	
Utility maintenance	723,762	
Garbage fees	342,154	
Depreciation	619,528	
<u>Total Operating Expenses</u>		<u>4,726,379</u>
<u>Operating Loss</u>		276,198
<u>Nonoperating Revenues (Expenses)</u>		
Ad valorem taxes, interest and penalties	788,557	
Interest income	6,074	
Aid in construction	306,146	
Amortization of bond premium	21,692	
Other	(3,112)	
Debt service and tax collecting fees	(11,365)	
Interest expense	(227,670)	
<u>Total Nonoperating Revenues (Expenses)</u>		<u>880,322</u>
<u>Net Income Before Operating Transfers</u>		1,156,520
<u>Operating Transfer Out</u>		<u>(375,000)</u>
<u>Change in Net Position</u>		781,520
<u>Net Position, September 30, 2016</u>		<u>8,872,218</u>
<u>Net Position, September 30, 2017</u>		<u>\$ 9,653,738</u>

See accompanying notes to financial statements.

CITY OF DECATUR, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Cash flows from operating activities:

Cash received from customers	\$5,061,666	
Cash payments to suppliers for goods and services	(2,874,271)	
Cash payments to employees and other directly related employment costs	(1,224,120)	
<u>Net cash provided by operating activities</u>		\$ 963,275

Cash flows from noncapital financing activities:

Property taxes received	783,427	
Interest and penalty on property taxes received	3,954	
Tax assessing and collecting fees	(9,865)	
Transfer to general fund for overhead costs	(375,000)	
Net increase in due from other funds	(1,000)	
<u>Net cash provided by noncapital financing activities:</u>		401,516

Cash flows from capital and related financing activities:

Aid in construction	23,975	
Acquisition and construction of capital assets	(55,568)	
Miscellaneous	(2,766)	
Debt service fees	(1,500)	
Interest paid on long-term debt	(233,850)	
Principal paid on long-term debt	(595,088)	
<u>Net cash used by capital and related financing activities</u>		(864,797)

Cash flows from investing activities:

Interest on investments	6,074	
-------------------------	-------	--

Net decrease in cash and cash equivalents 506,068

Cash and cash equivalents at the beginning of the year 891,974

Cash and cash equivalents at the end of the year \$1,398,042

Reconciliation of operating loss to net cash provided by operating activities:

Operating income \$ 276,198

Adjustments to reconcile operating income to net cash provided by operating activities:

Depreciation	619,528
Decrease in customer receivables	42,151
Decrease in accounts payable	(38,684)
Increase in other deposits	5,002
Increase in meter deposits	11,936
Increase in accrued compensated absences	47,144

Net cash provided by operating activities \$ 963,275

Non-cash capital and related financing activities:

Water and sewer infrastructure contributed by a real estate developer \$ 282,172

See accompanying notes to financial statements.

CITY OF DECATUR, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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). For its enterprise fund and business-type activities, the City has applied all statements of the Financial Accounting Standards Board (FASB) issued before November 30, 1989, except for those that conflict with GASB pronouncements, and has opted not to apply FASB statements issued after November 30, 1989. The following is a summary of the significant policies.

A. 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 City's combined financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organizations are legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is a fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of Decatur has included the Corporation for Economic Development of the City of Decatur, Texas (Corporation) and the Wise County Water Supply District (District) in the financial statements of the City since both entities meet the basic requirements of a component unit.

The financial data of the Corporation has been blended into the governmental-type activities of the City. The Corporation collects a one-half percent sales tax that is available for specific use economic development projects.

CITY OF DECATUR, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(CONTINUED)

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

A. Description of the Reporting Entity (Continued)

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 Corporation.

The financial data of the District has been blended into the business-type activities of the City. 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 City's financial statements include all City operations but excludes the following entities:

Decatur Independent School District
Housing Authority of the City of Decatur, Texas
Decatur Hospital Authority

These potential component units have separate elected and/or appointed boards and provide services to residents, generally within the geographic boundaries of the government. 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.

B. Basis of Accounting/Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that are comprised of its assets, liabilities, fund equity, revenues, and expenditures. Governmental

CITY OF DECATUR, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(CONTINUED)

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

B. Basis of Accounting/Measurement Focus (Continued)

resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities (including Changes in Net Position). These statements present summaries of Governmental Activities for the City.

These statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets and infrastructure as well as long-term debt, are included in the Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Taxes and other items not properly included among program revenues are reported as general revenues.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated.

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balance for the governmental funds. A schedule is presented to reconcile and explain the

CITY OF DECATUR, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(CONTINUED)

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)**

B. Basis of Accounting/Measurement Focus (Continued)

differences in net position as presented in this statement to the net position presented in the Government-Wide Financial Statements.

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except those revenues subject to accrual (generally 60-days after year-end) are recognized when due. The primary sources susceptible to accrual are property tax, franchise fees, and investment income.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on general long-term debt which is recognized when due.

The City reports the following major governmental funds:

The General Fund is the government’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 component unit of the City that has been included in this fund for financial statement presentation.

CITY OF DECATUR, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(CONTINUED)

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)**

B. Basis of Accounting/Measurement Focus (Continued)

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

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

The City reports the following Proprietary Fund:

The Proprietary Fund Financial Statement is prepared on the same basis (economic resources measurement focus and accrual basis of accounting) as the Government-Wide Financial Statements. Therefore, most lines on the Proprietary Fund Financial Statement will directly reconcile to the business-type activities column on the Government-Wide Financial Statement. The Wise County Water Supply District has been included in this fund for financial statement presentation.

The Proprietary Fund accounts for the activities of providing water, wastewater treatment and garbage collection services to the residents and businesses of the City.

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

CITY OF DECATUR, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(CONTINUED)

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. 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. An annual budget is adopted by the General Fund and the Proprietary 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.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers all checking accounts, money market accounts, savings accounts, and certificates of deposit to be cash equivalents.

E. 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 FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(CONTINUED)

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

F. 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 estimated market 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.

Depreciation is recorded in the Government-Wide Financial Statements on a straight-line basis over the useful life of the assets as follows:

<u>Assets</u>	<u>Years</u>
Computers	3
Equipment	5-10
Vehicles	5
Furniture	7-10
Street system	40
Water and sewer system	33
Buildings	40

G. Property Taxes

Property tax revenue is recognized in accordance with GASB; that is, 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.

H. 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.

CITY OF DECATUR, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(CONTINUED)

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

I. Claims and Judgments Payable

The City records a liability for litigation, judgments, and claims when it is probable that an asset has been impaired or a liability has been incurred prior to year-end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated. The liability, if any, is reported in the Government-Wide Statement of Net Position. The portion of the liability, which will be liquidated with expendable, available financial resources, if any, is reflected as a liability of applicable governmental funds.

J. 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.

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.

The City prorates each employee's annual compensation into thirteen months. The additional thirteenth month is paid to each employee in December.

K. Pensions

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

CITY OF DECATUR, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(CONTINUED)

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/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 period(s) and so will not be recognized as an outflow of resources (expense/expenditure/reduction of net pension liability) until then. The City has the following items that qualify for reporting in this category.

- Contributions subsequent to measurement date – pensions. These contributions are deferred and reported as a reduction in net pension liability or increase in net pension asset in the year subsequent to their deferral.
- Difference between projected and actual investment earnings. This difference is deferred and amortized to pension expense over a closed five-year period.
- Changes in actuarial assumptions – pensions. This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.

In addition to liabilities, the statement of financial position and/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 period(s) and so will not be recognized as an inflow of resources (revenue or reduction in pension expense) until that time. In the fund financial statements, resources unavailable for revenue recognition are deferred and recognized as revenue when available.

- Difference between expected and actual economic experience – pension. This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.
- Advance collection of insurance costs – This is the excess of the amount transferred to the employee benefit fund and the amount expended for health insurance costs.
- Gain on 2013 advance refunding bonds – This is 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.

CITY OF DECATUR, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(CONTINUED)

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

M. Classification of Fund Equity

Fund balances are classified as nonspendable, restricted, committed, assigned or unassigned in governmental funds. Nonspendable fund balance cannot be spent, either because it is not in spendable form or because of legal or contractual requirements. Restricted fund balances have constraints for specific purposes which are externally imposed by providers, such as creditors, grantors or other governments or by enabling legislation of the City Council.

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 fund balances include residual positive fund balances within the General Fund that had not been classified within the other mentioned categories. Unassigned fund balances may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those specific purposes.

The City designates restricted amounts to be spent first if both restricted and unassigned fund balances are available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, followed by assigned, and lastly unassigned amounts when expenditures are incurred for purpose for which amounts in any of those fund balance classifications could be used.

The propriety funds and government-wide financial statements have three classifications of equity: (1) net investment in capital assets; (2) restricted net position and (3) unrestricted net position. In the first category, capital assets are netted with related bonded and capital lease debt. Restricted net position includes debt service, grantor and other government restrictions for proprietary funds and the same categories as restricted fund balance for governmental activities.

CITY OF DECATUR, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(CONTINUED)

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

N. Use of Estimates

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

NOTE 2 **LEGAL COMPLIANCE**

Stewardship, compliance, and accountability are key concepts in defining the responsibilities of the City of Decatur, Texas. The use of budgets and monitoring of equity status facilitate the City's compliance with legal requirements.

Budgetary Process

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

Prior to the end of the fiscal year, the City Manager submits to the City Council proposed operating budgets for the fiscal year commencing October 1. The budgets are prepared by fund, function and activity, and include proposed expenditures and the means of financing them.

A public hearing is conducted to obtain taxpayer comments.

Prior to October 1, the budget is legally enacted through passage of an ordinance.

The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter total expenditures of any fund (i.e., the legal level of budgetary control) must be approved by the City Council.

CITY OF DECATUR, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(CONTINUED)

NOTE 2 **LEGAL COMPLIANCE (Continued)**

The key dates affecting the annual budget for the fiscal year ended September 30, 2017 were as follows:

City manager and director of finance presents the proposed the fiscal 2017 budget to the City Council	August 8, 2016
City Council proposes the fiscal 2017 ad valorem tax rate	August 8, 2016
First public hearing regarding the fiscal 2017 proposed budget and ad valorem tax rate	August 22, 2016
Second public hearing regarding the fiscal 2017 proposed budget and ad valorem tax rate	August 29, 2016
City Council adopts the fiscal 2017 valorem tax rate	September 12, 2016
City Council adopts the budget for fiscal 2017 proposed budget	September 12, 2016
Final assessment roll certified	July 21, 2016
Beginning of fiscal year for which ad valorem taxes are levied	October 1, 2016
Property tax bills rendered	October 1, 2016
Property tax collection dates	October 1, 2016-January 31, 2017
Property tax bills become delinquent	February 1, 2017

The budgets of the General Fund and Proprietary Funds are adopted on a basis consistent with generally accepted accounting principles as applied to that particular fund type.

NOTE 3 **DEPOSITS AND INVESTMENTS**

Deposits and investments at September 30, 2017, totaling \$10,596,018 are as follows:

Deposits – At September 30, 2017, the carrying amount of the City’s bank deposits totaled \$10,596,018. The bank deposits consist of demand deposits totaling \$8,490,784 and certificates of deposits totaling \$2,105,234. The bank deposits are covered by federal depository insurance and by collateral owned by the depository bank that is pledged in the City’s name. The combined federal depository insurance and collateral pledged by the custodial bank was in excess of \$10,596,018 at September 30, 2017. The City is focused on the preservation and safety of principal and thus holds and invests the City funds in interest bearing demand deposit accounts and certificates of deposits as allowed by the investment policy.

CITY OF DECATUR, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(CONTINUED)

NOTE 4 **AD VALOREM TAXES**

City of Decatur

Ad valorem taxes are levied each October 1st on property valued as of the previous January 1st. The tax rate to finance general governmental services for the fiscal year ended September 30, 2017 was \$.7030 per \$100 of assessed taxable property value. The tax rate was allocated \$.4954 to maintenance and operations and \$.2076 to debt service per \$100 of assessed taxable property value. The taxable property value totaled \$611,751,288 on July 21, 2016. Ad valorem tax revenues are recognized when they become available. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

Wise County Water Supply District (Component Unit)

Ad valorem taxes are levied each October 1 on property valued as of the previous January 1. The tax rate to finance debt service for the fiscal period ended September 30, 2017 was \$.1275 per \$100 of assessed taxable property value. The tax rate is allocated 100% to debt service. The taxable property value totaled \$611,751,288 on July 21, 2016. Ad valorem tax revenues are recognized when they become available. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

Ad Valorem Taxes Receivable at September 30, 2017

City of Decatur, Texas	\$ 78,247
Wise County Water Supply District	<u>14,567</u>
Total Ad Valorem Taxes Receivable	<u>\$ 92,814</u>

CITY OF DECATUR, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(CONTINUED)

NOTE 5 **CAPITAL ASSETS**

Governmental capital asset activity for the year ended September 30, 2017:

<u>Description</u>	<u>Beginning of Year</u>	<u>Additions</u>	<u>Retirements</u>	<u>End of Year</u>
<u>Capital assets not being depreciated:</u>				
Land	\$ 1,875,107	\$ 0	\$ 0	\$ 1,875,107
<u>Other capital assets:</u>				
Airport	6,136,306	0	(2,542)	6,133,764
Conference center	5,934,187	1,501,750	(7,868)	7,428,069
Fire equipment	5,391,738	0	(13,995)	5,377,743
General government	551,601	0	(20,099)	531,502
Library	1,741,131	33,999	(62,831)	1,712,299
Parks	2,633,399	0	0	2,633,399
Police	2,321,184	62,262	(136,639)	2,246,807
Street equipment	1,017,789	0	(1,715)	1,016,074
Street infrastructure	16,320,186	778,651	0	17,098,837
Other assets	1,470,995	0	(110,643)	1,360,352
Totals	45,393,623	2,376,662	(356,332)	47,413,953
Accumulated Depreciation	(15,220,586)	(1,306,112)	340,524	(16,186,174)
Totals	<u>\$ 30,173,037</u>	<u>\$ 1,070,550</u>	<u>\$ (15,808)</u>	<u>\$ 31,227,779</u>

Included in the capital asset additions of \$2,376,662 are \$1,500,000 for contributed conference center infrastructure improvements and \$778,651 for contributed street infrastructure additions received from real estate developers. These are non-cash transactions.

CITY OF DECATUR, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(CONTINUED)

NOTE 5 **CAPITAL ASSETS (Continued)**

Depreciation expense was charged to functions/programs of the governmental activities as follows for the year ended September 30, 2017:

General government	\$	12,473
Airport		145,238
Main street		1,314
Fire protection		184,566
Police		150,729
Animal control		776
Streets		497,858
Library		60,079
Tax and court		6,465
Parks		86,122
Inspection services		6,857
Cemetery		2,845
Conference center		132,976
Planning		11,693
Economic Development		<u>6,121</u>
Total	\$	<u>1,306,112</u>

CITY OF DECATUR, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(CONTINUED)

NOTE 5 **CAPITAL ASSETS (Continued)**

Business-type capital asset activity for the year ended September 30, 2017:

<u>Description</u>	<u>Beginning of Year</u>	<u>Additions</u>	<u>Retirements</u>	<u>End of Year</u>
<u>Capital assets not being depreciated:</u>				
Land	\$ 609,094	\$ 0	\$ 0	\$ 609,094
<u>Other capital assets:</u>				
Sewer system	5,564,460	119,699	0	5,684,159
Trucks	267,365	0	0	267,365
Equipment	606,128	0	0	606,128
Office	22,407	0	(11,612)	10,795
New water and sewer lines	3,332,646	180,748	0	3,513,394
Water meters	513,388	23,975	0	537,363
Treated water distribution system	1,072,662	0	(23,052)	1,049,610
Elevated storage tower	829,569	0	0	829,569
Electrical generators	856,792	0	0	856,792
Raw water lines and pumps	4,228,427	0	0	4,228,427
Water treatment plant	6,400,169	13,318	0	6,413,487
Totals	24,303,107	337,740	(34,664)	24,606,183
Accumulated depreciation	(10,394,779)	(619,528)	34,664	(10,979,643)
Totals	<u>\$ 13,908,328</u>	<u>\$ (281,788)</u>	<u>\$ 0</u>	<u>\$ 13,626,540</u>

Included in the capital asset additions of \$337,740 is \$282,172 for water and sewer infrastructure received from a real estate developer. This is a non-cash transaction.

Depreciation expense charged to functions/programs of the business-type activities for the year ended September 30, 2017 was \$619,528.

CITY OF DECATUR, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(CONTINUED)

NOTE 6 **DEFINED BENEFIT PENSION PLAN**

A. Plan Description

The City of Decatur participates as one of 872 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's 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.

B. 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.

CITY OF DECATUR, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(CONTINUED)

NOTE 6 **DEFINED BENEFIT PENSION PLAN (Continued)**

Employees covered by benefit terms

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Membership	2016
Inactive employees or beneficiaries currently receiving benefits	36
Inactive employees entitled to but not yet receiving benefits	75
Active employees	109
Total	220

C. 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 of Decatur (City) were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 15.21% and 15.33% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017, were \$852,666, and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, 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 FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(CONTINUED)

NOTE 6 **DEFINED BENEFIT PENSION PLAN (Continued)**

Actuarial assumptions:

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%	per year
Overall payroll growth	3.00%	per year
Investments 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%. 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, 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.

Actuarial assumptions used in the December 31, 2016 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. 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.

CITY OF DECATUR, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(CONTINUED)

NOTE 6 **DEFINED BENEFIT PENSION PLAN (Continued)**

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). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	4.15%
Real Return	10.00%	4.15%
Real Estate	10.00%	4.75%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	7.75%
Total	<u>100.00%</u>	

CITY OF DECATUR, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(CONTINUED)

NOTE 6 **DEFINED BENEFIT PENSION PLAN (Continued)**

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 the 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.

<u>Changes in Net Pension Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at 12/31/2015	\$ 21,321,146	\$ 16,512,017	\$ 4,809,129
Changes for the year:			
Service cost	1,003,930	0	1,003,930
Interest	1,456,889	0	1,456,889
Change of benefit terms	0	0	0
Difference between expected and actual experience	(326,739)	0	(326,739)
Changes of assumptions	0	0	0
Contributions - employer	0	845,704	(845,704)
Contributions - employee	0	394,140	(394,140)
Net investment income	0	1,116,673	(1,116,673)
Benefit payments, including refunds of employee contributions	(479,130)	(479,130)	0
Administrative expenses	0	(12,603)	12,603
Other changes	0	(679)	679
Net changes	<u>1,654,950</u>	<u>1,864,105</u>	<u>(209,155)</u>
Balance at 12/31/2016	<u>\$ 22,976,096</u>	<u>\$ 18,376,122</u>	<u>\$ 4,599,974</u>

CITY OF DECATUR, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(CONTINUED)

NOTE 6 **DEFINED BENEFIT PENSION PLAN (Continued)**

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:

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$ 8,095,845	\$ 4,599,974	\$ 1,753,198

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.tmr.com.

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

For the year ended September 30, 2017, the City recognized pension expense of \$1,108,359.

CITY OF DECATUR, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(CONTINUED)

NOTE 6 **DEFINED BENEFIT PENSION PLAN (Continued)**

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Schedule of Outflows and Inflows - Current and Future Expenses</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 0	\$ 489,585
Changes in actuarial assumptions	44,687	0
Difference between projected and actual investment earnings	716,878	0
Contributions subsequent to the measurement date December 31, 2015	596,296	0
 Total deferred outflow/inflow of resources	 <u>\$ 1,357,861</u>	 <u>\$ 489,585</u>

\$596,296 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2017	\$ 123,959
2018	123,960
2019	70,760
2020	(46,699)
2021	0
Thereafter	0
Total	<u>271,980</u>

CITY OF DECATUR, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(CONTINUED)

NOTE 7 **POST RETIREMENT BENEFITS OTHER THAN PENSIONS**

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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); retired employees are insured for \$7,500; this coverage is an “other postemployment benefit,” or OPEB.

The City offers supplemental death to:	Plan Year 2016	Plan Year 2017
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

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

The City’s contributions to the TMRS SDBF for the years ended 2017, 2016 and 2015 were \$10,982, \$10,841 and \$10,608, respectively, which equaled the required contributions each year.

CITY OF DECATUR, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(CONTINUED)

NOTE 8 **LONG-TERM DEBT**

The following is a summary of the long-term debt activity for the year ended September 30, 2017:

	Beginning Balance	Additions	Reductions	Ending Balances	Amounts Due Within One Year
Governmental activities;					
Certificates of obligation, bonds and leases payable;					
Certificates of obligation	\$ 4,230,000	\$ 0	\$ (280,000)	\$ 3,950,000	\$ 290,000
Refunding bonds payable	5,990,000	0	(1,080,000)	4,910,000	1,105,000
Sales tax bonds payable	1,500,000	0	(55,000)	1,445,000	55,000
Capital lease obligation	558,823	0	(114,707)	444,116	119,921
	<u>12,278,823</u>	<u>0</u>	<u>(1,529,707)</u>	<u>10,749,116</u>	<u>1,569,921</u>
Deferred gain	69,673	0	(9,290)	60,383	0
Unamortized bond premium	98,185	0	(26,741)	71,444	0
	<u>167,858</u>	<u>0</u>	<u>(36,031)</u>	<u>131,827</u>	<u>0</u>
Total certificates of obligations, bonds and lease	<u>12,446,681</u>	<u>0</u>	<u>(1,565,738)</u>	<u>10,880,943</u>	<u>1,569,921</u>
Other liabilities;					
Accrued compensated absences	839,818	85,064	0	924,882	0
Net pension liability	4,809,129	0	(209,155)	4,599,974	0
Total other liabilities	<u>5,648,947</u>	<u>85,064</u>	<u>(209,155)</u>	<u>5,524,856</u>	<u>0</u>
Governmental activities long-term liabilities	<u>18,095,628</u>	<u>85,064</u>	<u>(1,774,893)</u>	<u>16,405,799</u>	<u>1,569,921</u>
Business-type activities;					
Bonds and leases payable;					
Bonds payable	5,415,000	0	(535,000)	4,880,000	555,000
Lease payable	122,396	0	(60,088)	62,308	62,308
	<u>5,537,396</u>	<u>0</u>	<u>(595,088)</u>	<u>4,942,308</u>	<u>617,308</u>
Unamortized bond premium	170,370	0	(21,692)	148,678	0
Total bonds and lease payable	<u>5,707,766</u>	<u>0</u>	<u>(616,780)</u>	<u>5,090,986</u>	<u>617,308</u>
Accrued compensated absences	252,192	47,144	0	299,336	0
Meter Deposits	138,953	11,936	0	150,889	0
Total other liabilities	<u>391,145</u>	<u>59,080</u>	<u>0</u>	<u>450,225</u>	<u>0</u>
Business-type activities; Long-term liabilities	<u>\$ 6,098,911</u>	<u>\$ 59,080</u>	<u>\$ (616,780)</u>	<u>\$ 5,541,211</u>	<u>\$ 617,308</u>

CITY OF DECATUR, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(CONTINUED)

NOTE 8 **LONG-TERM DEBT (Continued)**

Tax and Waterworks and Sewer System Revenue
Certificates of Obligation, Series 2008

The proceeds from the issuance of the Certificates of Obligation, Series 2008 (the Certificates) were used to 1.) construct and equip a new fire station, 2.) water treatment facility improvements, 3.) street infrastructure and improvements, and 4.) the payment of debt issuance costs. The principal and interest is payable from the proceeds of continuing direct annual ad valorem tax levied within the limits prescribed by law, against all taxable property within the City and are further secured by and payable from a limited pledge of the surplus net revenues derived from the operation of the City's waterworks and sewer system. The Certificates maturing on or after March 1, 2019, are subject to optional redemption, in whole or in part, on March 1, 2018, or on any date thereafter at redemption price equal to the principal amount thereof plus accrued interest. The interest rates on the Series 2008 Certificates vary from 4.00% to 4.50%.

Fiscal Year Ending September 30,	<u>March 1,</u>		<u>September 1,</u>		Annual Requirements
	Principal	Interest	Interest		
2018	\$ 290,000	\$ 84,201	\$ 78,401	\$ 452,602	
2019	300,000	78,401	72,401	450,802	
2020	315,000	72,401	66,023	453,424	
2021	325,000	66,023	59,279	450,302	
2022	340,000	59,279	52,139	451,418	
2023-2027	1,940,000	180,997	138,758	2,259,755	
2028	440,000	9,900	0	449,900	
Totals	<u>\$ 3,950,000</u>	<u>\$ 551,202</u>	<u>\$ 467,001</u>	<u>\$ 4,968,203</u>	

CITY OF DECATUR, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(CONTINUED)

NOTE 8 **LONG-TERM DEBT (Continued)**

Tax and Waterworks and Sewer System Surplus Revenue Refunding Bonds, Series 2011

On April 19, 2011 the City issued \$6,340,000 of Tax and Waterworks and Sewer System Surplus Revenue Refunding Bonds, Series 2011 dated March 15, 2011 with an interest rate that varies from 2.00% to 3.50% to refund the remaining principal balance of \$6,070,000 from the Tax and Waterworks and Sewer System Surplus Revenue Refunding Bonds, Series 2006. The net present value savings of refunding the bonds amounted to \$346,032. The City received \$17,427 of accrued interest and a premium of \$233,133 on the issuance of the Tax and Waterworks and Sewer System Surplus Revenue Refunding, Series 2011. The cost of the issuance of the Tax and Waterworks and Sewer System Surplus Revenue Refunding, Series 2011 was \$97,605.

The premium received is being amortized over the life of the bonds. The accrued interest was applied against the initial interest payment. The bonds are not subject to redemption prior to their stated maturity. The principal thereof, and the interest thereon are payable from the proceeds of continuing direct annual ad valorem tax levied upon all taxable property within the City without legal limit as to rate or amount and are further secured by and payable from a limited pledge of the surplus net revenues derived from the operation of the City's Waterworks and Sewer System.

Fiscal Year Ending September 30,	<u>March 1,</u>		<u>September 1,</u>		Annual Requirements
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>		
2018	\$ 770,000	\$ 41,912	\$ 28,438	\$	840,350
2019	800,000	28,438	14,437		842,875
2020	<u>825,000</u>	<u>14,437</u>	<u>0</u>		<u>839,437</u>
Totals	<u>\$ 2,395,000</u>	<u>\$ 84,787</u>	<u>\$ 42,875</u>	<u>\$</u>	<u>2,522,662</u>

CITY OF DECATUR, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(CONTINUED)

NOTE 8 **LONG-TERM DEBT (Continued)**

Tax and Waterworks and Sewer System Surplus Revenue
Refunding Bonds, Series 2013

On January 28, 2013 the City issued \$3,475,000 of Tax and Waterworks and Sewer System Surplus Revenue Refunding Bonds, Series 2013 dated February 15, 2013 with an interest rate that varies from 2.00% to 3.00% to advance refund the remaining principal balance of \$3,530,000 from the Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2004. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. The refunding decreases total debt service payments over the remaining eleven years by \$514,762. The net present value of the savings for the refunding the bonds amounted to \$472,832. The City received \$2,687 of accrued interest on the issuance of the Tax and Waterworks and Sewer System Surplus Revenue Refunding, Series 2013. The total cost of the issuance of the Tax and Waterworks and Sewer System Surplus Revenue Refunding, Series 2013 was \$77,246.

The accrued interest was applied against the initial interest payment. The bonds are not subject to redemption prior to their stated maturity. The principal thereof, and the interest thereon are payable from the proceeds of continuing direct annual ad valorem tax levied upon all taxable property within the City without legal limit as to rate or amount and are further secured by and payable from a limited pledge of the surplus net revenues derived from the operation of the City's Waterworks and Sewer System.

Fiscal Year Ending September 30,	<u>March 1,</u>		<u>September 1,</u>		Annual Requirements
	Principal	Interest	Interest		
2018	\$ 335,000	\$ 34,375	\$ 31,025	\$	400,400
2019	335,000	31,025	27,675		393,700
2020	350,000	27,675	22,425		400,100
2021	360,000	22,425	17,025		399,450
2022	365,000	17,025	11,550		393,575
2023-2024	<u>770,000</u>	<u>17,400</u>	<u>5,850</u>		<u>793,250</u>
Totals	<u>\$ 2,515,000</u>	<u>\$ 149,925</u>	<u>\$ 115,550</u>	<u>\$</u>	<u>2,780,475</u>

CITY OF DECATUR, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(CONTINUED)

NOTE 8 **LONG-TERM DEBT (Continued)**

The Corporation for Economic Development of the City of Decatur, Texas
Sales Tax Revenue Bonds, Series 2016

The Corporation for Economic Development of the City of Decatur, Texas (Corporation) issued \$1,500,000 of Sales Tax Revenue Bonds, Series 2016 dated September 1, 2016 with an interest rate of 3.25% for the purpose of financing the costs of the design and construction of infrastructure necessary to promote or develop new or expanded business enterprises, to-wit: streets and roads, water and sewer utilities, electric utilities, site improvements, and related improvements and to pay costs of issuance. The principal thereof, and the interest thereon are payable from the receipts of Texas sales tax collected by the Corporation. The Bonds maturing on or after October 1, 2026 may be redeemed prior to their stated maturities at the option of the Corporation in whole or in part on any date thereafter at the redemption price equal to the principal amount thereof plus accrued interest.

Fiscal Year Ending September 30,	<u>March 1,</u>		<u>October 1,</u>		Annual Requirements
	Interest	Principal	Interest		
2018	\$ 23,481	\$ 55,000	\$ 23,481	\$	\$ 101,962
2019	22,588	60,000	22,588	\$	105,176
2020	21,612	60,000	21,612	\$	103,224
2021	20,638	60,000	20,638	\$	101,276
2022	19,662	60,000	19,662	\$	99,324
2023-2027	82,550	350,000	82,550	\$	515,100
2028-2032	51,919	415,000	51,919	\$	518,838
2033-2036	15,925	385,000	15,925	\$	416,850
Totals	<u>\$ 258,375</u>	<u>\$ 1,445,000</u>	<u>\$ 258,375</u>	<u>\$</u>	<u>\$ 1,961,750</u>

CITY OF DECATUR, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(CONTINUED)

NOTE 8 **LONG-TERM DEBT (Continued)**

Capital Lease Obligation – Industrial Park

The Corporation for Economic Development of the City of Decatur, Texas (EDC) has a capital lease agreement in the original amount of \$1,500,000 to fund water and sewer line infrastructure improvements. The lease is payable in semiannual installments of \$69,276 beginning July 31, 2006. The City has the option to purchase the infrastructure improvements for the amount of the remaining principal balance plus 1% of the remaining principal balance. The lease is collateralized by a pledge of sales tax revenue. The City retains all risk of loss with respect to the infrastructure improvements. At the conclusion of the lease the City will own the infrastructure improvements. The stated interest rate on the lease is 4.495%. Subsequent to year-end the EDC paid the capital lease obligation in full.

Fiscal Year Ending September 30,	<u>January 31,</u>		<u>July 31,</u>		Annual Requirements
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2018	\$ 59,294	\$ 9,982	\$ 60,627	\$ 8,649	\$ 138,552
2019	61,989	7,286	63,382	5,893	138,550
2020	64,807	4,469	66,264	3,012	138,552
2021	<u>67,753</u>	<u>1,523</u>	<u>0</u>	<u>0</u>	<u>69,276</u>
Totals	<u>\$ 253,843</u>	<u>\$ 23,260</u>	<u>\$ 190,273</u>	<u>\$ 17,554</u>	<u>\$ 484,930</u>

Interest expense and other financing benefits and costs charged to functions/programs of the governmental activities in the statement of activities as follows:

Conference center	\$ 120,628
Fire protection	172,229
Streets	46,983
Police	11,999
Parks	11,999
Planning	6,000
Inspection services	<u>6,000</u>
Total	<u>\$ 375,838</u>

CITY OF DECATUR, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(CONTINUED)

NOTE 8 **LONG-TERM DEBT (Continued)**

The following is a summary of the long-term debt for the governmental-type activities:

	Total Debt	Current
Certificates of obligation, Series 2008	\$ 3,950,000	\$ 290,000
Refunding bonds, Series 2011	2,395,000	770,000
Refunding bonds, Series 2013	2,515,000	335,000
Sales tax bonds, Series 2016	1,445,000	55,000
Capital lease obligation	444,116	119,921
Total long-term debt	\$ 10,749,116	\$ 1,569,921

CITY OF DECATUR, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(CONTINUED)

NOTE 8 **LONG-TERM DEBT (Continued)**

Business-Type Activities

Wise County Water Supply District Unlimited Tax Bonds, Series 2007

The proceeds from the issuance of the Series 2007 Bonds were used to construct improvements to the District's water supply and distribution facilities, which include improvements to storage facilities, replacement of water lines, improvements to water supply and intake facilities and the acquisition of land and to pay the costs of issuance of the Bonds. The Bonds constitute an unlimited tax obligation of the District. The principal thereof, and interest thereon 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.

The District reserves the right at its option, to redeem the Unlimited Tax Bonds, Series 2007 maturing July 10, 2018 through July 10, 2024, or at any date after July 10, 2017 at par value thereof plus accrued interest to the date fixed for redemption. Interest rates for the Series 2007 Bonds vary from 4.50% to 5.00%.

Fiscal Year Ending September 30,	January 10,		July 10,		Annual Requirements
	Interest	Principal	Interest		
2018	\$ 77,531	\$ 270,000	\$ 77,531	\$	425,062
2019	71,119	285,000	71,119		427,238
2020	64,350	295,000	64,350		423,700
2021	57,712	310,000	57,712		425,424
2022	50,738	325,000	50,738		426,476
2022-2027	<u>135,725</u>	<u>1,865,000</u>	<u>135,725</u>		<u>2,136,450</u>
Totals	<u>\$ 457,175</u>	<u>\$ 3,350,000</u>	<u>\$ 457,175</u>	<u>\$</u>	<u>4,264,350</u>

CITY OF DECATUR, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(CONTINUED)

NOTE 8 **LONG-TERM DEBT (Continued)**

Wise County Water Supply District, Unlimited Tax Refunding Bonds,
Series 2011

On April 20, 2011 the District issued \$3,130,000 of Unlimited Tax Refunding Bonds, Series 2011 dated March 15, 2011 with an interest rate that varies from 2.00% to 4.00% to refund the remaining principal balance of \$305,000 from the Unlimited Tax Bonds, Series 1996 and the remaining principal balance of \$2,860,000 from the Unlimited Tax Bonds, Series 2002. The net present value savings of refunding the bonds amounts to \$116,385. The District received \$9,497 of accrued interest and a premium of \$141,333 on the issuance of the Unlimited Tax Refunding Bonds, Series 2011.

The premium received is being amortized over the life of the bonds. The accrued interest was applied against the initial interest payment. The bonds are not subject to redemption prior to their stated maturity. The principal thereof, and the interest thereon 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.

Fiscal Year Ending September 30,	January 10, Interest	July 10,		Annual Requirements
	Principal	Interest		
2018	\$ 28,769	\$ 285,000	\$ 28,769	\$ 342,538
2019	23,781	295,000	23,781	342,562
2020	18,619	305,000	18,619	342,238
2021	12,900	315,000	12,900	340,800
2022	6,600	330,000	6,600	343,200
2023	0	0	0	0
Totals	<u>\$ 90,669</u>	<u>\$ 1,530,000</u>	<u>\$ 90,669</u>	<u>\$ 1,711,338</u>

CITY OF DECATUR, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(CONTINUED)

NOTE 8 **LONG-TERM DEBT (Continued)**

Capital Lease Obligation – Wastewater Equipment

The City of Decatur, Texas has a capital lease agreement in the original amount of \$296,740 to purchase wastewater equipment. The lease is payable in annual installments of \$64,023 beginning January 15, 2014. The City has the option to purchase the equipment for one dollar (\$1) at the end of the lease. The lease is collateralized by the value of the equipment. The net book value of the equipment was \$137,772 at September 30, 2017. The stated interest rate on the lease is 3.125%.

Fiscal Year Ending September 30,	January 15,		Annual Requirements
	Principal	Interest	
2018	\$ <u>62,308</u>	\$ <u>1,715</u>	\$ <u>64,023</u>

The following is a summary of the long-term debt for the business-type activities:

	Total Debt	Current
Unlimited tax bonds, Series 2007	\$ 3,350,000	\$ 270,000
Unlimited tax refunding bonds, Series 2011	1,530,000	285,000
Capital lease obligation	62,308	62,308
Total long-term debt	\$ 4,942,308	\$ 617,308

Interest expenses and other financing benefits and costs charged to the business-type activities in the statement of activities amounted to \$227,670.

CITY OF DECATUR, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(CONTINUED)

NOTE 8 **LONG-TERM DEBT (Continued)**

Current Maturities of Long-Term Debt

The annual requirements to amortize all long-term debt outstanding as of September 30, 2017 including interest payments are as follows:

Fiscal Year Ending September 30,	Governmental-Type Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 1,569,921	\$ 363,945	\$ 617,308	\$ 214,315	\$ 2,187,229	\$ 578,260
2019	1,620,371	310,732	580,000	189,800	2,200,371	500,532
2020	1,681,071	253,666	600,000	165,938	2,281,071	419,604
2021	812,753	207,551	625,000	141,224	1,437,753	348,775
2022	765,000	179,317	655,000	114,676	1,420,000	293,993
2022-2026	3,060,000	508,105	1,865,000	271,450	4,925,000	779,555
2027-2031	855,000	113,738	0	0	855,000	113,738
2032-2036	385,000	31,850	0	0	385,000	31,850
Totals	<u>\$ 10,749,116</u>	<u>\$ 1,968,904</u>	<u>\$ 4,942,308</u>	<u>\$ 1,097,403</u>	<u>\$ 15,691,424</u>	<u>\$ 3,066,307</u>

NOTE 9 **RESTRICTED NET POSITIONS**

Restrictions are used to indicate that a portion of the net position are not available for appropriation or expenditure, or are legally segregated for a specific future use. At September 30, 2017 the City of Decatur has restricted net positions as follows:

Restricted for Special Revenue – Represents amount of resources legally segregated for specific programs.

Restricted for Debt Service – Represents the amount available for payment of long-term debt.

Restricted for Capital Projects – Represents the amount available for capital outlay from the proceeds of the issuance of long-term debt.

CITY OF DECATUR, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(CONTINUED)

NOTE 10 **COMMITMENTS AND CONTINGENCIES**

It is the opinion of the City's management that there are no material pending or threatened lawsuits or claims against the City at this time.

The City has several small construction contract obligations for various projects. The Capital Project Fund has the necessary capital available to complete these projects.

NOTE 11 **DUE TO/FROM OTHER FUNDS**

The following is a summary of due to/from others funds at September 30, 2017:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
<u>General Fund</u>		
Special Revenue Funds	\$ 0	\$ 1,488
Proprietary Fund	<u> 0</u>	<u> 6,194</u>
General Fund Totals	0	7,682
 <u>Proprietary Fund</u>		
General Fund	<u> 6,194</u>	<u> 0</u>
 <u>Special Revenue Funds</u>		
General Fund	<u> 1,488</u>	<u> 0</u>
Totals	<u><u> \$ 7,682</u></u>	<u><u> \$ 7,682</u></u>

At September 30, 2017 the General Fund owes the Special Revenue Funds \$1,488. This amount represents timing differences in the payment of invoices and the reimbursement to repay the debt.

At September 30, 2017 the General Fund owes the Proprietary Fund \$6,194. This amount represents timing differences in the payment of invoices and the reimbursement to repay the debt.

CITY OF DECATUR, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(CONTINUED)

NOTE 12 **OPERATING TRANSFERS**

The following is a summary of operating transfers for the year ended September 30, 2017:

Governmental Fund	<u>Transfer To</u>	<u>Transfer From</u>
Capital Project Fund	\$ 23,223	\$ 0
General Fund	375,000	0
Debt Service Fund	441,192	33,427
Special Revenue Funds	<u>0</u>	<u>430,988</u>
Total Governmental Transfers	839,415	464,415
Proprietary Fund	<u>0</u>	<u>375,000</u>
Total Operating Transfers	<u>\$ 839,415</u>	<u>\$ 839,415</u>

The General Fund transferred \$23,223 to the Capital Project Fund in fulfillment of a prior commitment.

The General Fund transferred \$10,204 to the Debt Service Fund in fulfillment of a prior commitment.

The Proprietary Fund transferred \$375,000 to the General Fund to pay its portion of administrative costs.

The Special Revenue Funds (Corporation for Economic Development of the City of Decatur, Texas) transferred \$430,988 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.

NOTE 13 **RISK MANAGEMENT**

During the past three fiscal years none of the City's insurance policies had settlements or judgments that exceeded the insurance coverage. There have been no significant reductions in the insurance liability coverage from the coverage in the prior year.

CITY OF DECATUR, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(CONTINUED)

NOTE 14 **OPERATING LEASE OBLIGATIONS**

The City has operating agreements with various companies to lease copy machines, computer equipment, cellular telephones and a postage meter.

NOTE 15 **ADVANCE COLLECTION OF INSURANCE COSTS**

The City records a health insurance expenditure of \$833 per employee per month (\$10,000 annually per employee) in each department. The funds are transferred into a separate bank account within the general fund. The health insurance payment is made from this bank account. The amount of \$218,654 reported as advance collection of insurance costs is the excess of the transfers to this bank account and the amount paid for health insurance. Using this accounting treatment for insurance costs allows the City to manage the health insurance expenditures by department and accumulate a cash reserve to mitigate the impact of increasing health insurance costs.

NOTE 16 **PRIOR PERIOD ADJUSTEMENTS**

The City recorded a net position restatement in the amount of \$167,832 to adjust the prior year reporting of deferred inflows and deferred outflows of resources related to the City's TMRS pension obligation implemented in accordance with GASB Statement No. 68, "Accounting and Financial Reporting for Pensions".

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DECATUR, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Ad valorem taxes, penalties and interest	\$ 3,001,985	\$ 3,001,985	\$ 3,046,584	\$ 44,599
Sales taxes	2,500,000	2,500,000	2,644,641	144,641
Franchise, occupancy and other taxes	973,000	973,000	1,119,951	146,951
Interest on investments	3,000	3,000	14,711	11,711
Conference center	625,000	625,000	581,004	(43,996)
Building permits and inspection service fees	217,000	217,000	296,385	79,385
Court	770,000	770,000	833,851	63,851
Other	292,225	292,225	467,443	175,218
Total Revenues	8,382,210	8,382,210	9,004,570	622,360
Expenditures				
General government	1,126,690	1,126,690	1,050,932	75,758
Airport	133,547	133,547	100,171	33,376
Main street	138,391	138,391	133,827	4,564
Fire	1,092,458	1,092,458	1,017,546	74,912
Police	2,252,410	2,252,410	2,144,803	107,607
Animal control	72,468	72,468	49,865	22,603
Street	849,753	849,753	788,854	60,899
Library	538,907	538,907	484,308	54,599
Tax and court	276,428	276,428	268,798	7,630
Parks	446,237	446,237	465,676	(19,439)
Planning services	379,468	379,468	393,003	(13,535)
Inspection services	305,520	305,520	309,196	(3,676)
Cemetery	71,500	71,500	74,613	(3,113)
Conference center	889,074	889,074	830,230	58,844
Emergency management	20,874	20,874	12,527	8,347
Technology	366,332	366,332	360,305	6,027
Capital expenditures	0	0	95,268	(95,268)
Total Expenditures	8,960,057	8,960,057	8,579,922	380,135
Excess (Deficiency) of Revenues				
Over Expenditures	(577,847)	(577,847)	424,648	1,002,495
Other Financing Sources (Uses)				
Operating transfer in	500,000	500,000	375,000	(125,000)
Operating transfer out	0	0	(33,427)	(33,427)
Total Other Sources	500,000	500,000	341,573	(158,427)
Changes in Fund Balance	(77,847)	(77,847)	766,221	844,068
Fund Balance, September 30, 2016	1,354,336	1,354,336	1,354,336	1,354,336
Fund Balance, September 30, 2017	\$ 1,276,489	\$ 1,276,489	\$ 2,120,557	\$ 2,198,404

CITY OF DECATUR, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
AND RELATED RATIOS - EMPLOYEE PENSION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Texas Municipal Retirement System (TMRS)

(unaudited)

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016
A. Total pension liability			
1. Service cost	\$ 899,192	\$ 996,805	\$ 1,003,930
2. Interest (on the Total Pension Liability)	1,270,814	1,401,676	1,456,889
3. Change in benefit terms including substantively automatic status	0	0	0
4. Difference between expected and actual experience	97,522	(455,380)	(326,739)
5. Change in assumptions	0	74,579	0
6. Benefit payments, including refunds of employee contributions	(449,620)	(444,145)	(479,130)
7. Net change in total pension liability	1,817,908	1,573,535	1,654,950
8. Total pension liability - beginning	17,929,703	19,747,611	21,321,146
9. Total pension liability - ending	19,747,611	21,321,146	22,976,096
B. Plan fiduciary net position			
1. Contributions - employer	783,353	835,221	845,704
2. Contributions - employee	397,567	398,267	394,140
3. Net investment income	811,445	23,193	1,116,673
4. Benefit payments, including refunds of employee contributions	(449,620)	(444,145)	(479,130)
5. Administrative expense	(8,470)	(14,123)	(12,603)
6. Other	(696)	(698)	(679)
7. Net change in plan fiduciary net position	1,533,579	797,715	1,864,105
8. Plan fiduciary net position - beginning	14,180,723	15,714,302	16,512,017
9. Plan fiduciary net position - ending	15,714,302	16,512,017	18,376,122
C. Net pension liability (A.9 -B.9)	\$ 4,033,309	\$ 4,809,129	\$ 4,599,974
D. Plan fiduciary net position as a percentage of the total pension liability (B.9 / A.9)	79.58%	77.44%	79.98%
E. Covered-employee payroll	\$ 5,680,974	\$ 5,689,535	\$ 5,630,567
F. Net pension liability as a percentage of covered employee payroll (C/E)	71.00%	84.53%	81.70%

CITY OF DECATUR, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - CITY
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Texas Municipal Retirement System (TMRS)

(unaudited)

	<u>Fiscal Year 2015</u>	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2017</u>
Actuarially Determined Contribution	\$ 827,997	\$ 861,843	\$ 852,666
Contributions in relation to the actuarially determined contribution	<u>827,997</u>	<u>861,843</u>	<u>852,666</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered employee payroll	<u>\$ 5,675,104</u>	<u>\$ 5,705,700</u>	<u>\$ 5,575,266</u>
Contributions as a percentage of covered employee payroll	<u>14.59%</u>	<u>15.10%</u>	<u>15.29%</u>

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	29 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
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 There were no benefit changes during the year.

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

Siegmund & Associates, LLC
Certified Public Accountants

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

To the Mayor and City Council
City of Decatur, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and the major funds of the City of Decatur, Texas, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Decatur, Texas basic financial statements and have issued our report thereon dated February 7, 2018.

Internal Control Over Financial Reporting

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

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

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

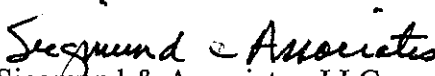
City of Decatur, Texas
Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
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Compliance and Other Matters

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

Purpose of this Report

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


Siegmund & Associates, LLC
Certified Public Accountants
Decatur, Texas

February 7, 2018