

# **City of Decatur, Texas**

Independent Auditor's Reports and Financial Statements

September 30, 2020

**City of Decatur, Texas**  
**September 30, 2020**

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## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Decatur, Texas (City) as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

The Honorable Mayor and Members of City Manager  
City of Decatur, Texas  
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***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City, as of September 30, 2020, 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, budgetary comparison, pension and other postemployment benefit information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**BKD, LLP**

Dallas, Texas  
March 8, 2021

# City of Decatur, Texas

## Management's Discussion and Analysis (Unaudited)

### Year Ended September 30, 2020

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, 2020. The analysis should be read in conjunction with the financial statements that follow.

#### ***Financial Highlights***

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$44,707,760 (net position). Of this amount, \$3,248,164 represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$2,735,840 from prior year. \$2,071,368 of this increase was attributed to governmental activities and an increase of \$644,472 was due to business-type activities.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$12,361,030. Approximately 21 percent of this amount (\$2,627,862) is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unrestricted fund balance (the total of the assigned and unassigned components of fund balance) for the general fund was \$3,881,876, or approximately 38 percent of total general fund expenditures.
- The City's total outstanding long-term bonded debt decreased by \$2,420,000 during the current fiscal year because of scheduled debt service payments.

#### ***Overview of the Financial Statements***

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

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

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

**City of Decatur, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2020**

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

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

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

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

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

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

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

**City of Decatur, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2020**

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

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

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

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

**Government-wide Overall Financial Analysis**

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City's, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$44,707,760, at the close of the most recent fiscal year.

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

	Governmental Activities		Business-type Activities		Government Totals	
	FY2020	FY2019	FY2020	FY2019	FY2020	FY2019
Current and other assets	\$ 13,176,367	\$ 13,121,207	\$ 3,761,629	\$ 3,222,547	\$ 16,937,996	\$ 16,343,754
Capital assets, net	33,039,452	33,358,990	14,824,082	15,290,204	47,863,534	48,649,194
Total assets	46,215,819	46,480,197	18,585,711	18,512,751	64,801,530	64,992,948
Deferred outflows of resources	583,984	1,414,298	160,665	397,356	744,649	1,811,654
Current liabilities	1,726,965	2,804,101	1,069,269	988,518	2,796,234	3,792,619
Noncurrent liabilities	13,186,648	15,736,561	3,463,301	4,502,436	16,649,949	20,238,997
Total liabilities	14,913,613	18,540,662	4,532,570	5,490,954	19,446,183	24,031,616
Deferred inflows of resources	1,069,162	608,173	323,074	192,893	1,392,236	801,066
Net position:						
Net investment in capital assets	21,993,746	20,431,656	11,701,641	11,537,581	33,695,387	31,969,237
Restricted	7,558,655	7,801,857	205,554	190,591	7,764,209	7,992,448
Unrestricted	1,264,627	512,147	1,983,537	1,498,088	3,248,164	2,010,235
Total net position	\$ 30,817,028	\$ 28,745,660	\$ 13,890,732	\$ 13,226,260	\$ 44,707,760	\$ 41,971,920

**City of Decatur, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2020**

By far, the largest portion of the City's net position (75 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (17 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,248,164 is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

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

The City's overall net position increased \$2,735,840 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

**Governmental Activities.** During the current fiscal year, net position for governmental activities increased \$2,071,368 from the prior fiscal year for an ending balance of \$30,817,028. The change in net position is a \$2,071,368 increase due primarily to increases in operating grants (grants related to Coronavirus Relief) and capital grants (related to the Airport Runway).

**Business-type Activities.** For the City's business-type activities, the results for the current fiscal year were positive in that overall net position increased to reach an ending balance of \$13,890,732. The total increase in net position for business-type activities was \$664,472 from the prior fiscal year. The growth, in large part, is attributable to increased tax valuations and controlled costs.

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**Management's Discussion and Analysis (Unaudited)**  
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A summary of the government-wide statement of activities follows:

	Governmental Activities		Business-type Activities		Government Totals	
	FY2020	FY2019	FY2020	FY2019	FY2020	FY2019
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,789,227	\$2,272,693	\$ 5,203,943	\$5,221,064	\$ 6,993,170	\$ 7,493,757
Operating grants and contributions	489,033	194,202	-	-	489,033	194,202
Capital grants and contributions	733,816	64,511	-	-	733,816	64,511
Total program revenues	<u>3,012,076</u>	<u>2,531,406</u>	<u>5,203,943</u>	<u>5,221,064</u>	<u>8,216,019</u>	<u>7,752,470</u>
General revenues:						
Ad valorem taxes	5,135,364	4,782,837	741,476	732,984	5,876,840	5,515,821
Sales taxes	4,761,377	4,479,472	-	-	4,761,377	4,479,472
Franchise, occupancy and other taxes	1,013,899	1,160,263	-	-	1,013,899	1,160,263
Interest on investments	100,567	213,417	22,756	43,262	123,323	256,679
Gain on sale of assets	3,122	31,609	-	1,539	3,122	33,148
Miscellaneous	337,017	345,862	-	2,202	337,017	348,064
Total general revenues	<u>11,351,346</u>	<u>11,013,460</u>	<u>764,232</u>	<u>779,987</u>	<u>12,115,578</u>	<u>11,793,447</u>
Total revenues	<u>14,363,422</u>	<u>13,544,866</u>	<u>5,968,175</u>	<u>6,001,051</u>	<u>20,331,597</u>	<u>19,545,917</u>
<b>Expenses</b>						
General government	762,268	1,404,151	-	-	762,268	1,404,151
Airport	347,077	287,748	-	-	347,077	287,748
Main street	199,218	210,748	-	-	199,218	210,748
Fire protection	1,626,165	1,457,971	-	-	1,626,165	1,457,971
Police	2,880,765	2,871,717	-	-	2,880,765	2,871,717
Animal control	51,564	45,826	-	-	51,564	45,826
Streets	1,520,063	1,377,915	-	-	1,520,063	1,377,915
Library	696,025	645,113	-	-	696,025	645,113
Tax and court	305,892	325,156	-	-	305,892	325,156
Parks	575,546	588,605	-	-	575,546	588,605
Planning services	533,828	462,342	-	-	533,828	462,342
Inspection services	298,287	332,854	-	-	298,287	332,854
Cemetery	103,023	237,984	-	-	103,023	237,984
Conference center	807,547	908,750	-	-	807,547	908,750
Economic development	812,024	662,184	-	-	812,024	662,184
Technology	418,679	391,117	-	-	418,679	391,117
Interest and fiscal charges	354,083	519,675	-	-	354,083	519,675
Water, sewer and garbage	-	-	5,303,703	4,543,747	5,303,703	4,543,747
Total expenses	<u>12,292,054</u>	<u>12,729,856</u>	<u>5,303,703</u>	<u>4,543,747</u>	<u>17,595,757</u>	<u>17,273,603</u>
Increase in net position before transfers	2,071,368	815,009	664,472	1,457,304	2,735,840	2,272,314
Transfers	-	(1,776,899)	-	1,776,899	-	-
<b>Change in Net Position</b>	<u>2,071,368</u>	<u>(961,890)</u>	<u>664,472</u>	<u>3,234,203</u>	<u>2,735,840</u>	<u>2,272,314</u>
<b>Net Position, Beginning</b>	<u>28,745,660</u>	<u>29,707,550</u>	<u>13,226,260</u>	<u>9,992,057</u>	<u>41,971,921</u>	<u>39,699,607</u>
<b>Net Position, Ending</b>	<u>\$ 30,817,028</u>	<u>\$ 28,745,660</u>	<u>\$ 13,890,732</u>	<u>\$ 13,226,260</u>	<u>\$ 44,707,761</u>	<u>\$ 41,971,921</u>

**City of Decatur, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2020**

***Financial Analysis of Funds***

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

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

At September 30, 2020, the City's governmental funds reported combined fund balances of \$12,361,030, an increase of \$248,117 in comparison with the prior year. Approximately 21 percent of this amount (\$2,627,862) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is: 1) not in spendable form (\$130,028), 2) legally required to be maintained intact (\$960,564), 3) restricted for particular purposes (\$6,671,804), 4) committed for particular purposes (\$68,631), or 5) assigned for particular purposes (\$1,902,141).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,627,862, while total fund balance increased to \$4,836,187. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 26 percent of total general fund expenditures, while total fund balance represents approximately 48 percent of that same amount.

The fund balance of the City's general fund increased by \$383,283 during the current fiscal year due primarily to the Coronavirus Relief grant funding expended for public safety payroll costs.

The special revenue fund, a major fund, had a \$44,686 decrease in fund balance during the current fiscal year to bring the year end fund balance to \$3,943,348. The decrease in fund balance was mainly attributable to less event revenue as a result of cancelled events due to the pandemic. A significant portion of fund balance is restricted for debt service and economic development.

The debt service fund, another major governmental fund, had a slight increase in fund balance during the current year of \$47,130 to bring the year end fund balance to \$1,663,043. The increase in fund balance was mainly attributable to increased property tax revenues.

The capital project fund, another major governmental fund, had a decrease in fund balance during the current year of \$137,610 to bring the year end fund balance to \$1,918,452. The decrease in fund balance was mainly attributable to increased project costs for water system improvements and deceased impact fee revenue. A significant portion of fund balance is restricted or assigned for future capital projects.

**City of Decatur, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2020**

**Proprietary Fund.** The City's proprietary fund provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Enterprise Fund at the end of the year was \$1,983,537. The total change in net position was \$664,472. As noted earlier in the discussion of business-type activities, the increase primary results from current year increased tax valuations and controlled costs.

***General Fund Budgetary Highlights***

During FY2019-20, actual revenues exceeded the final budget by \$629,292, which was primarily related to increased sales tax and other revenues. Actual expenditures were \$50,615 more than the final budget due primarily to increased capital expenditure spending.

***Pensions and Retiree Health Care***

Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* created specific reporting requirements for pensions that are different than that used for funding purposes. Both valuations are important as the reporting valuation provides a rigorous standard measure that can be used to compare the City's pension liabilities to other governments around the nation. The funding valuation is important as the actuarial methods used, including strategies for repaying any unfunded actuarial accrued liabilities combined with the City's history of making those contributions provides insights regarding the City's commitment to the effectiveness of its funding strategy. Information contained in the financial statements themselves, including the Required Supplementary Information (RSI) On a reporting basis, the City's financial statements reflect a Net Pension Liability as of September 30, 2020, of \$2,717,622 which is 44.26 percent of the City's measurement year 2019 covered payroll of \$6,140,177.

Retiree supplemental death benefit actuarially accrued liability has been calculated in accordance with GASB Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. The Total OPEB Liability is \$358,211 as of September 30, 2020, which is 5.83 percent of the City's measurement year 2019 covered payroll of \$6,140,177.

***Capital Assets and Debt Administration***

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of September 30, 2020, amounts to \$47,863,534 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, and the water treatment plant. The total decrease in capital assets for the current fiscal year was approximately 2 percent.

**City of Decatur, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
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	Governmental Activities		Business-type Activities		Government Totals	
	FY2020	FY2019	FY2020	FY2019	FY2020	FY2019
Land	\$ 3,803,690	\$ 3,803,690	\$ 744,388	\$ 609,094	\$ 4,548,078	\$ 4,412,784
Construction in process	-	-	-	-	-	-
Airport	7,099,368	6,362,768	-	-	7,099,368	6,362,768
Conference center	7,435,176	7,435,176	-	-	7,435,176	7,435,176
Fire Department	5,823,758	5,645,370	-	-	5,823,758	5,645,370
General government	876,502	876,502	-	-	876,502	876,502
Library	1,711,224	1,712,836	-	-	1,711,224	1,712,836
Parks	2,715,927	2,720,899	-	-	2,715,927	2,720,899
Police	2,675,152	2,599,244	-	-	2,675,152	2,599,244
Street equipment	1,087,380	1,090,767	-	-	1,087,380	1,090,767
Street infrastructure	18,321,286	18,321,286	-	-	18,321,286	18,321,286
Other	1,398,803	1,403,995	-	-	1,398,803	1,403,995
Water and sewer systems	-	-	26,739,183	26,706,384	26,739,183	26,706,384
Accumulated depreciation	(19,908,814)	(18,613,543)	(12,659,489)	(12,025,274)	(32,568,303)	(30,638,817)
Capital assets, net	\$ 33,039,452	\$ 33,358,990	\$ 14,824,082	\$ 15,290,204	\$ 47,863,534	\$ 48,649,194

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

- Purchase of fire department vehicles at a cost of approximately \$180,000
- Addition of airport runway ramp at a cost of approximately \$740,000
- Various projects related to water and sewer system at a cost of approximately \$185,000

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

**Long-term Debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$13,965,000.

	Governmental Activities		Business-type Activities		Government Totals	
	FY2020	FY2019	FY2020	FY2019	FY2020	FY2019
Refunding bonds	\$ 4,405,000	\$ 5,895,000	\$ -	\$ -	\$ 4,405,000	\$ 5,895,000
Sales tax bonds	6,520,000	6,845,000	-	-	6,520,000	6,845,000
Unlimited tax refunding bonds	-	-	3,040,000	3,645,000	3,040,000	3,645,000
Total bonded debt outstanding	\$ 10,925,000	\$ 12,740,000	\$ 3,040,000	\$ 3,645,000	\$ 13,965,000	\$ 16,385,000

The City's total debt decreased by \$2,420,000, (15 percent) during the current fiscal year. The reason for the decrease is regularly scheduled debt service payments combined with no new debt issuances during the fiscal year.

**City of Decatur, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2020**

The City and its component unit, Wise County Water Supply District Water Authority both maintain a "AA" rating from Standard & Poor's Ratings and a "A1" rating from Moody's Investors Service for general obligation debt.

Additional information on the City's long-term debt assets can be found in *Note 9* on pages 44-47 of this report.

***Economic Factors and Next Year's Budgets and Rates***

The annual budget is developed to provide the most efficient and effective uses of the City's economic resources, as well as a means to accomplish the highest priority objectives. Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities. In considering the City's budget for the year ending September 30, 2021, the City Council and Management considered the following factors:

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

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

The City blends the Wise County Water Supply District (District) into the business-type activities of the City. The District's separately issued 2020 financial statements dated December 14, 2020, may be obtained by contacting the District's General Manager, Brett Shannon at 201 E. Walnut, Decatur, Texas 76234.

**Financial Contact**

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

## **Basic Financial Statements**

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**City of Decatur, Texas**  
**Statement of Net Position**  
**September 30, 2020**

<b>Assets and Deferred Outflows of Resources</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Current Assets</b>			
Cash and cash equivalents, unrestricted	\$ 4,168,168	\$ 2,392,779	\$ 6,560,947
Receivables, net of allowances for uncollectibles	1,339,687	919,077	2,258,764
Prepaid items	2,528	-	2,528
Current maturities of business development loan receivable	50,000	-	50,000
Total current assets	<u>5,560,383</u>	<u>3,311,856</u>	<u>8,872,239</u>
<b>Noncurrent Assets</b>			
Cash and cash equivalents, restricted	7,488,484	449,773	7,938,257
Business development loan receivable	127,500	-	127,500
<b>Capital assets</b>			
Land	3,803,690	744,388	4,548,078
Buildings and equipment	26,664,824	-	26,664,824
Street infrastructure	22,479,752	-	22,479,752
Water and sewer distribution systems	-	26,739,183	26,739,183
Accumulated depreciation	(19,908,814)	(12,659,489)	(32,568,303)
Total capital assets, net of depreciation	<u>33,039,452</u>	<u>14,824,082</u>	<u>47,863,534</u>
Total noncurrent assets	<u>40,655,436</u>	<u>15,273,855</u>	<u>55,929,291</u>
Total assets	<u>46,215,819</u>	<u>18,585,711</u>	<u>64,801,530</u>
<b>Deferred Outflows of Resources</b>			
Deferred amount on refunding	22,563	-	22,563
Pension	513,432	146,931	660,363
OPEB	47,989	13,734	61,723
Total deferred outflows of resources	<u>583,984</u>	<u>160,665</u>	<u>744,649</u>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>			
<b>Current Liabilities</b>			
Accounts payable	168,957	204,651	373,608
Other current liabilities	529,086	136,997	666,083
Accrued interest payable	19,344	25,714	45,058
Current maturities of long-term debt	680,000	620,000	1,300,000
Accrued compensated absences	329,578	81,907	411,485
Total current liabilities	<u>1,726,965</u>	<u>1,069,269</u>	<u>2,796,234</u>
<b>Noncurrent Liabilities</b>			
Long-term debt	10,245,000	2,420,000	12,665,000
Debt issuance premium, net of amortization	184,468	102,527	286,995
Accrued compensated absences	365,719	84,393	450,112
Meter and other deposits	-	172,009	172,009
Net pension liability	2,112,952	604,670	2,717,622
Total OPEB liability	278,509	79,702	358,211
Total noncurrent liabilities	<u>13,186,648</u>	<u>3,463,301</u>	<u>16,649,949</u>
Total liabilities	<u>14,913,613</u>	<u>4,532,570</u>	<u>19,446,183</u>
<b>Deferred Inflows of Resources</b>			
Deferred amount on refunding	32,514	26,410	58,924
Pension	1,017,630	291,220	1,308,850
OPEB	19,018	5,444	24,462
Total deferred inflows of resources	<u>1,069,162</u>	<u>323,074</u>	<u>1,392,236</u>
<b>Net Position</b>			
Net investment in capital assets	21,993,746	11,701,641	33,695,387
Restricted for:			
Airport	545,289	-	545,289
Capital projects	1,024,531	-	1,024,531
Cemetery			
Expendable	139,692	-	139,692
Nonexpendable	474,908	-	474,908
Debt service	2,094,839	205,554	2,300,393
Economic development	2,128,880	-	2,128,880
Employee benefits	280,137	-	280,137
Library			
Expendable	132,849	-	132,849
Nonexpendable	485,656	-	485,656
Municipal court	183,520	-	183,520
School crossing guard program	13,661	-	13,661
Public safety	54,693	-	54,693
Unrestricted	1,264,627	1,983,537	3,248,164
Total net position	<u>\$ 30,817,028</u>	<u>\$ 13,890,732</u>	<u>\$ 44,707,760</u>

**City of Decatur, Texas**  
**Statement of Activities**  
**Year Ended September 30, 2020**

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
<b>Governmental Activities:</b>							
General government	\$ 762,268	\$ 77,313	\$ 11,000	\$ -	\$ (673,955)	\$ -	\$ (673,955)
Airport	347,077	138,047	-	662,940	453,910	-	453,910
Main street	199,218	35,159	1,475	-	(162,584)	-	(162,584)
Fire protection	1,626,165	-	90,438	-	(1,535,727)	-	(1,535,727)
Police	2,880,765	-	378,346	-	(2,502,419)	-	(2,502,419)
Animal control	51,564	-	-	-	(51,564)	-	(51,564)
Streets	1,520,063	-	-	-	(1,520,063)	-	(1,520,063)
Library	696,025	55,432	924	55,451	(584,218)	-	(584,218)
Tax and court	305,892	684,656	-	-	378,764	-	378,764
Parks	575,546	12,835	-	-	(562,711)	-	(562,711)
Planning services	533,828	27,828	-	-	(506,000)	-	(506,000)
Inspection services	298,287	351,277	-	-	52,990	-	52,990
Cemetery	103,023	35,142	6,850	15,425	(45,606)	-	(45,606)
Conference center	807,547	371,538	-	-	(436,009)	-	(436,009)
Economic development	812,024	-	-	-	(812,024)	-	(812,024)
Technology	418,679	-	-	-	(418,679)	-	(418,679)
Interest and fiscal charges	354,083	-	-	-	(354,083)	-	(354,083)
<b>Total governmental activities</b>	<b>12,292,054</b>	<b>1,789,227</b>	<b>489,033</b>	<b>733,816</b>	<b>(9,279,978)</b>	<b>-</b>	<b>(9,279,978)</b>
<b>Business-type Activities:</b>							
Water, sewer, and garbage	5,303,703	5,203,943	-	-	-	(99,760)	(99,760)
<b>Totals</b>	<b>\$ 17,595,757</b>	<b>\$ 6,993,170</b>	<b>\$ 489,033</b>	<b>\$ 733,816</b>	<b>(9,279,978)</b>	<b>(99,760)</b>	<b>(9,379,738)</b>
<b>General Revenues and Transfers:</b>							
Ad valorem taxes				5,135,364	741,476		5,876,840
Sales taxes				4,761,377	-		4,761,377
Franchise, occupancy, and other taxes				1,013,899	-		1,013,899
Interest on investments				100,567	22,756		123,323
Gain on sale of assets				3,122	-		3,122
Miscellaneous				337,017	-		337,017
<b>Total general revenues and transfers</b>				<b>11,351,346</b>	<b>764,232</b>		<b>12,115,578</b>
<b>Change in Net Position</b>				<b>2,071,368</b>	<b>664,472</b>		<b>2,735,840</b>
<b>Net Position, Beginning</b>				<b>28,745,660</b>	<b>13,226,260</b>		<b>41,971,920</b>
<b>Net Position, Ending</b>				<b>\$ 30,817,028</b>	<b>\$ 13,890,732</b>		<b>\$ 44,707,760</b>

**City of Decatur, Texas**  
**Balance Sheet – Governmental Funds**  
**September 30, 2020**

<b>Assets</b>	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Debt Service Fund</b>	<b>Capital Project Fund</b>	<b>Total Governmental Funds</b>
Cash and cash equivalents	\$ 4,303,724	\$ 2,955,302	\$ 1,661,918	\$ 1,891,464	\$ 10,812,408
Certificates of deposit	-	735,721	-	108,523	844,244
Receivables (net of allowance for uncollectibles)					
Ad valorem taxes receivable	26,012	-	8,497	-	34,509
Sales taxes	519,984	259,953	-	-	779,937
Gross receipts taxes	72,471	-	-	-	72,471
Other receivables	452,770	-	-	-	452,770
Notes receivable	177,500	-	-	-	177,500
Prepaid items	1,385	1,143	-	-	2,528
<b>Total assets</b>	<b>\$ 5,553,846</b>	<b>\$ 3,952,119</b>	<b>\$ 1,670,415</b>	<b>\$ 1,999,987</b>	<b>\$ 13,176,367</b>
<b>Liabilities</b>					
Accounts payable	\$ 87,422	\$ -	\$ -	\$ 81,535	\$ 168,957
Other accrued liabilities	520,315	8,771	-	-	529,086
<b>Total liabilities</b>	<b>607,737</b>	<b>8,771</b>	<b>-</b>	<b>81,535</b>	<b>698,043</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenues	109,922	-	7,372	-	117,294
<b>Total deferred inflows of resources</b>	<b>109,922</b>	<b>-</b>	<b>7,372</b>	<b>-</b>	<b>117,294</b>
<b>Fund Balances</b>					
<b>Nonspendable:</b>					
Prepaid items	1,385	1,143	-	-	2,528
Notes receivable	127,500	-	-	-	127,500
Trust principal	-	960,564	-	-	960,564
<b>Restricted for:</b>					
Airport	545,289	-	-	-	545,289
Capital projects	-	-	-	1,024,531	1,024,531
Cemetery	-	-	-	139,692	139,692
Debt service	-	431,796	1,663,043	-	2,094,839
Economic development	-	2,202,593	-	-	2,202,593
Employee benefits	280,137	-	-	-	280,137
Library	-	26,747	-	106,102	132,849
Municipal court	-	183,520	-	-	183,520
School crossing guard program	-	13,661	-	-	13,661
Public safety	-	54,693	-	-	54,693
<b>Committed for:</b>					
Main street	-	49,000	-	-	49,000
Other	-	19,631	-	-	19,631
<b>Assigned to:</b>					
Fire department	496,951	-	-	-	496,951
Capital projects	-	-	-	648,127	648,127
Parks	55,402	-	-	-	55,402
Street improvement	552,033	-	-	-	552,033
Other	149,628	-	-	-	149,628
Unassigned	2,627,862	-	-	-	2,627,862
<b>Total fund balances</b>	<b>4,836,187</b>	<b>3,943,348</b>	<b>1,663,043</b>	<b>1,918,452</b>	<b>12,361,030</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 5,553,846</b>	<b>\$ 3,952,119</b>	<b>\$ 1,670,415</b>	<b>\$ 1,999,987</b>	<b>\$ 13,176,367</b>

**City of Decatur, Texas**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**September 30, 2020**

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

Total fund balances - governmental funds	\$	12,361,030
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		33,039,452
Certain revenue earned but unavailable is deferred in the funds.		117,294
The accrued interest payable on long-term debt is not due and payable in the current year and, therefore, it is not reported in the governmental funds.		(19,344)
Long-term liabilities and related deferred outflows and inflows of resources (deferred charge on refunding, deferred outflows of resources – pension, deferred outflows of resources – OPEB, deferred inflows of resources – pension, and deferred inflows of resources – OPEB), including bonds payable, compensated absences, net pension liability, and total OPEB liability are not due and payable in the current period and, therefore are not reported in the governmental funds financial statements.		<u>(14,681,404)</u>
Total net position – governmental activities	<u>\$</u>	<u>30,817,028</u>

**City of Decatur, Texas**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances –**  
**Governmental Funds**  
**Year Ended September 30, 2020**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Project Fund	Total Governmental Funds
<b>Revenues</b>					
Ad valorem taxes, penalties, and interest	\$ 3,884,427	\$ -	\$ 1,269,848	\$ -	\$ 5,154,275
Sales taxes	3,174,252	1,587,125	-	-	4,761,377
Franchise, occupancy, and other taxes	1,013,899	-	-	-	1,013,899
Interest on investments	33,498	30,234	18,009	18,826	100,567
Contributions, grants, and donations	401,906	87,127	-	70,876	559,909
Conference center	371,538	-	-	-	371,538
Licenses and permits	351,277	-	-	-	351,277
Fines and fees	694,665	48,876	-	-	743,541
Other revenue	625,558	35,159	-	77,313	738,030
<b>Total revenues</b>	<b>10,551,020</b>	<b>1,788,521</b>	<b>1,287,857</b>	<b>167,015</b>	<b>13,794,413</b>
<b>Expenditures</b>					
General government	808,975	36,000	-	9,400	854,375
Airport	185,573	-	-	-	185,573
Main street	167,544	33,768	-	-	201,312
Fire protection	1,464,932	-	-	-	1,464,932
Police	2,745,484	42,637	-	-	2,788,121
Animal control	50,788	-	-	-	50,788
Street	891,500	-	-	164,327	1,055,827
Library	523,864	-	-	128,785	652,649
Tax and court	299,364	6,957	-	-	306,321
Parks	494,139	-	-	-	494,139
Planning services	542,407	-	-	-	542,407
Inspection services	301,654	-	-	-	301,654
Cemetery	97,768	-	-	2,113	99,881
Conference center	676,389	-	-	-	676,389
Economic development	68,507	682,904	-	-	751,411
Technology	422,902	-	-	-	422,902
Debt service					
Principal	-	325,000	1,490,000	-	1,815,000
Interest and fiscal charges	-	277,828	178,840	-	456,668
Capital outlay	429,069	-	-	-	429,069
<b>Total expenditures</b>	<b>10,170,859</b>	<b>1,405,094</b>	<b>1,668,840</b>	<b>304,625</b>	<b>13,549,418</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>380,161</b>	<b>383,427</b>	<b>(380,983)</b>	<b>(137,610)</b>	<b>244,995</b>
<b>Other Financing Sources (Uses)</b>					
Proceeds from sale of capital assets	3,122	-	-	-	3,122
Transfers in	-	-	428,113	-	428,113
Transfers out	-	(428,113)	-	-	(428,113)
<b>Total other financing sources (uses)</b>	<b>3,122</b>	<b>(428,113)</b>	<b>428,113</b>	<b>-</b>	<b>3,122</b>
<b>Net Change in Fund Balances</b>	<b>383,283</b>	<b>(44,686)</b>	<b>47,130</b>	<b>(137,610)</b>	<b>248,117</b>
<b>Fund Balances, Beginning</b>	<b>4,452,904</b>	<b>3,988,034</b>	<b>1,615,913</b>	<b>2,056,062</b>	<b>12,112,913</b>
<b>Fund Balances, Ending</b>	<b>\$ 4,836,187</b>	<b>\$ 3,943,348</b>	<b>\$ 1,663,043</b>	<b>\$ 1,918,452</b>	<b>\$ 12,361,030</b>

**City of Decatur, Texas**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures and Changes in Fund Balances of**  
**Governmental Funds to the Statement of Activities**  
**Year Ended September 30, 2020**

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

Net change in fund balances - governmental funds	\$ 248,117
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital depreciation (\$1,411,547) exceeded capital expenditures (\$429,069) in the current period.	(982,478)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net position.	662,940
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(77,796)
The issuance of long-term debt, if any, (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of deferred gain/loss on refunding, premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,880,948
Current year change in accrued interest required the use of current financial resources; but, it is not reported as an expenditure in the governmental funds.	136,637
Current year changes in long-term liabilities for compensated absences required the use of current financial resources; but they are not reported as expenses in governmental activities.	11,835
Current year pension and OPEB expenditures are reported on the fiscal year basis in the governmental statement of revenues, expenditures, and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in deferred outflows/inflows of resources balances.	<u>191,165</u>
Change in the net position of governmental activities	<u>\$ 2,071,368</u>

**City of Decatur, Texas**  
**Statement of Net Position – Proprietary Fund**  
**September 30, 2020**

	<b>Business-type Activities Enterprise Fund</b>
<b>Assets and Deferred Outflows of Resources</b>	
<b>Current Assets</b>	
Cash and cash equivalents, unrestricted	\$ 2,392,779
Ad valorem taxes receivable, net	5,196
Customer receivables	913,881
Total current assets	3,311,856
<b>Noncurrent Assets</b>	
Cash and cash equivalents, restricted for customer deposits	172,009
Cash and cash equivalents, restricted for debt service	231,268
Cash and cash equivalents, restricted for capital projects	46,496
Total restricted assets	449,773
Land	744,388
Water and sewer distribution systems, net	14,079,694
Total capital assets, net of depreciation	14,824,082
Total noncurrent assets	15,273,855
Total assets	18,585,711
<b>Deferred Outflows of Resources</b>	
Pension	146,931
OPEB	13,734
Total deferred outflows of resources	160,665
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>	
<b>Current Liabilities</b>	
Accounts payable	204,651
Other current liabilities	136,997
Accrued interest payable	25,714
Current maturities of long-term debt	620,000
Accrued compensated absences	81,907
Total current liabilities	1,069,269
<b>Noncurrent Liabilities</b>	
Long-term debt	2,420,000
Debt issuance premium, net of amortization	102,527
Accrued compensated absences	84,393
Meter deposits	172,009
Net pension liability	604,670
Total OPEB liability	79,702
Total noncurrent liabilities	3,463,301
Total liabilities	4,532,570
<b>Deferred Inflows of Resources</b>	
Deferred amount on refunding	26,410
Pension	291,220
OPEB	5,444
Total deferred inflows of resources	323,074
<b>Net Position</b>	
Net investment in capital assets	11,701,641
Restricted for:	
Debt service	205,554
Unrestricted	1,983,537
Total net position	\$ 13,890,732

**City of Decatur, Texas**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position –**  
**Proprietary Fund**  
**Year Ended September 30, 2020**

	<b>Business-type Activities</b>
	<b>Enterprise Fund</b>
<b>Operating Revenues</b>	
Water charges	\$ 2,788,555
Sewer charges	1,783,004
Garbage and other charges	514,515
Other charges for services and miscellaneous	117,869
	5,203,943
Total operating revenues	5,203,943
<b>Operating Expenses</b>	
Public works	285,260
Sewer, plant and operation	554,250
Utility billing	201,071
Raw water purchases	511,492
Water utilities	1,623,003
Utility maintenance	940,687
Garbage fees	412,539
Depreciation	650,140
Repair and maintenance	22,362
	5,200,804
Total operating expenses	5,200,804
Operating income	3,139
<b>Nonoperating Revenues (Expenses)</b>	
Ad valorem taxes, interest and penalties	741,476
Interest income	22,756
Miscellaneous	(10,473)
Interest expense	(92,426)
	661,333
Total nonoperating revenues (expenses)	661,333
<b>Change in Net Position</b>	664,472
<b>Net Position, Beginning</b>	13,226,260
<b>Net Position, Ending</b>	\$ 13,890,732

**City of Decatur, Texas**  
**Statement of Cash Flows – Proprietary Fund**  
**Year Ended September 30, 2020**

<b>Cash Flows from Operating Activities</b>	
Cash received from customers	\$ 5,244,529
Cash payments to suppliers for goods and services	(2,817,195)
Cash payments to employees and other directly related employment costs	(1,687,689)
Other operating receipts (payments)	<u>(10,231)</u>
Net cash provided by operating activities	<u>729,414</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Property taxes (capital), net	745,032
Acquisition and construction of capital assets	(184,018)
Principal paid on long-term debt	(605,000)
Interest paid on long-term debt	<u>(132,838)</u>
Net cash used by capital and related financing activities	<u>(176,824)</u>
<b>Cash Flows from Investing Activities</b>	
Interest on investments	<u>22,756</u>
Net cash provided by investing activities	<u>22,756</u>
Net increase in cash and cash equivalents	575,346
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>2,267,206</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 2,842,552</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating income	<u>\$ 3,139</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	650,140
Miscellaneous expense	(10,231)
(Increases) decreases in assets and deferred outflows of resources:	
Customer accounts receivable, net	32,466
Deferred outflows of resources	236,691
Increases (decreases) in liabilities and deferred inflows of resources:	
Accounts payable and accrued expenses	69,486
Customer deposits	8,120
Compensated absences	31,000
Net pension liability	(443,865)
Total OPEB liability	17,885
Deferred inflows of resources	<u>134,583</u>
Total adjustments	<u>726,275</u>
Net cash provided by operating activities	<u>\$ 729,414</u>

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**City of Decatur, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

**Note 1: Summary of Significant Accounting Policies**

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

***Description of the Reporting Entity***

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

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

**Blended Component Units**

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

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

***Related Organizations***

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

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

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

***Basis of Presentation***

**Government-Wide Financial Statements**

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

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

**Fund Financial Statements**

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

The City reports the following major governmental funds:

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

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

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

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

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The City reports the following major enterprise fund:

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

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

***Measurement Focus and Basis of Accounting***

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

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

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

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

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

***Budgetary Policy and Control***

**Budgetary Basis of Accounting**

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

**Continuing Appropriations**

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

***Transactions Between Funds***

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

The city allocates to the enterprise fund and the special revenue fund an indirect cost percentage of administrative services for those funds but paid through the general fund along with other indirect costs deemed necessary for their operations. During the fiscal year ended September 30, 2020, the City's general fund was reimbursed \$557,000 for these services.

***Cash and Cash Equivalents***

The City considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2020, cash equivalents consisted primarily of certificates of deposit.

**City of Decatur, Texas**  
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**Prepaid Items**

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

**Capital Assets**

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

Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives:

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

**Property Taxes**

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

**Use of Restricted Resources**

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

**City of Decatur, Texas**  
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***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.

***Pensions***

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

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

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

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

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

- Deferred loss on refunding – A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension contributions after measurement date – These contributions are deferred and will be recognized in the subsequent fiscal year end.

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

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

- Deferred gain on refunding – A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Difference in expected and actual experience – pension – This difference is deferred and amortized over the average remaining service life of all participants in the pension plan and recorded as a component of pension expense beginning with the period in which they are incurred.
- Difference in assumption changes – OPEB – This difference is deferred and amortized over the average remaining service life of all participants in the OPEB plan and recorded as a component of OPEB expense beginning with the period in which they are incurred.
- Difference in expected and actual experience – OPEB – This difference is deferred and amortized over the average remaining service life of all participants in the pension plan and recorded as a component of pension expense beginning with the period in which they are incurred.
- Difference in projected and actual earnings on pension plan investments – This difference is deferred and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.
- Unavailable revenue – This arises only under a modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from the following sources: property taxes and court revenues. In the General Fund, deferred inflows of resources consist of property taxes of \$22,708 and court revenues of \$87,214. In the Debt Service Fund, unavailable revenues consist of property taxes in the amount of \$7,372. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**City of Decatur, Texas**  
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***Fund Balance Policies and Classifications***

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

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

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

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

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

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

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

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

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

<b>Fund Balances</b>	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Debt Service Fund</b>	<b>Capital Project Fund</b>	<b>Governmental Funds</b>
<b>Nonspendable:</b>					
Prepaid items	\$ 1,385	\$ 1,143	\$ -	\$ -	\$ 2,528
Notes receivable	127,500	-	-	-	127,500
Trust principal	-	960,564	-	-	960,564
<b>Restricted for:</b>					
Airport	545,289	-	-	-	545,289
Capital projects	-	-	-	1,024,531	1,024,531
Cemetery	-	-	-	139,692	139,692
Debt service	-	431,796	1,663,043	-	2,094,839
Economic development	-	2,202,593	-	-	2,202,593
Employee benefits	280,137	-	-	-	280,137
Library	-	26,747	-	106,102	132,849
Municipal court	-	183,520	-	-	183,520
School crossing guard program	-	13,661	-	-	13,661
Public safety	-	54,693	-	-	54,693
<b>Committed for:</b>					
Main street	-	49,000	-	-	49,000
Other	-	19,631	-	-	19,631
<b>Assigned to:</b>					
Fire department	496,951	-	-	-	496,951
Capital projects	-	-	-	648,127	648,127
Parks	55,402	-	-	-	55,402
Street improvement	552,033	-	-	-	552,033
Other	149,628	-	-	-	149,628
<b>Unassigned</b>	<b>2,627,862</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,627,862</b>
<b>Total fund balances</b>	<b>\$ 4,836,187</b>	<b>\$ 3,943,348</b>	<b>\$ 1,663,043</b>	<b>\$ 1,918,452</b>	<b>\$ 12,361,030</b>

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

***Net Position***

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

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

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

***Use of Estimates***

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

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**Note 2: Deposits and Investments**

***Deposits***

At September 30, 2020, the carrying amount of the City's cash and cash equivalents (including certificates of deposit) was \$14,499,204 and the respective bank balances totaled \$14,806,075.

***Investments***

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

For fiscal year 2020, the City invested in non-negotiable certificates of deposits measured at amortized cost. The City records all interest revenue related to investment activities in the respective funds. As of September 30, 2020, the carrying amount of the City's certificates of deposits reported as cash equivalents totaled \$844,244.

***Custodial Credit Risk***

There is a risk that, in the event of a bank failure, the City's deposits may not be returned. Both the City's investment policy and the Texas Public Funds Investment Act requires that all deposits of the City that exceed the Federal Depository Insurance Corporation (FDIC) coverage levels are collateralized with securities held by a third-party custodian in the City's name. As of September 30, 2020, the value of the City's deposits and investments not insured through the FDIC has been fully collateralized and meets the requirements of the City's policy and state statutes.

**Note 3: Ad Valorem Taxes**

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

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Taxes are due on October 1 immediately following the levy date and are delinquent after the following January 31st. Current tax collections for the year ended September 30, 2020, were 99.32 percent of the adjusted tax levy. Allocations of property tax levy by purpose for 2020 are as follows (amounts per \$100 assessed value):

General Fund	\$	0.4892
Debt Service Fund		0.1598
Total City	\$	0.6490
Wise County Water Supply District – Debt Service		0.0925
Total Wise County Water Supply District	\$	0.0925

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

**Note 4: Receivables**

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

	General Fund	Special Revenue Fund	Debt Service Fund	Enterprise Fund	Total
<b>Receivables</b>					
Ad valorem taxes receivable	\$ 85,367	\$ -	\$ 27,886	\$ 18,875	\$ 132,128
Accounts receivable	306,554	-	-	913,881	1,220,435
Sales taxes	519,984	259,953	-	-	779,937
Gross receipts taxes	72,471	-	-	-	72,471
Other receivables	956,082	-	-	-	956,082
Notes receivable	177,500	-	-	-	177,500
Less allowance for uncollectibles	(869,221)	-	(19,389)	(13,679)	(902,289)
Net receivables	\$ 1,248,737	\$ 259,953	\$ 8,497	\$ 919,077	\$ 2,436,264

See *Note 12* for additional information on the terms of the note receivable agreement.

**City of Decatur, Texas**  
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**Note 5: Capital Assets**

Capital asset activity for the year ended September 30, 2020, was as follows:

	Beginning of Year	Additions	Sales / Disposals	Transfers	End of Year
<b>Governmental Activities</b>					
Capital assets not being depreciated					
Land	\$ 3,803,690	\$ -	\$ -	\$ -	\$ 3,803,690
Total capital assets not being depreciated	3,803,690	-	-	-	3,803,690
Capital assets being depreciated					
Airport	6,362,768	736,600	-	-	7,099,368
Conference center	7,435,176	-	-	-	7,435,176
Fire equipment	5,645,370	178,388	-	-	5,823,758
General government	876,502	-	-	-	876,502
Library	1,712,836	37,013	(38,625)	-	1,711,224
Parks	2,720,899	-	(20,897)	15,925	2,715,927
Police	2,599,244	75,908	-	-	2,675,152
Street equipment	1,090,767	64,100	(67,487)	-	1,087,380
Street infrastructure	18,321,286	-	-	-	18,321,286
Other assets	1,403,995	-	(5,192)	-	1,398,803
Total capital assets being depreciated	48,168,843	1,092,009	(132,201)	15,925	49,144,576
Less: accumulated depreciation	(18,613,543)	(1,411,547)	132,201	(15,925)	(19,908,814)
Total capital assets being depreciated, net	29,555,300	(319,538)	-	-	29,235,762
Governmental activities capital assets, net	\$ 33,358,990	\$ (319,538)	\$ -	\$ -	\$ 33,039,452
<b>Business-type Activities</b>					
Capital assets not being depreciated					
Land	\$ 744,388	\$ -	\$ -	\$ -	\$ 744,388
Total capital assets not being depreciated	744,388	-	-	-	744,388
Capital assets being depreciated					
Sewer system	6,906,609	163,455	-	-	7,070,064
Trucks	193,352	-	-	(15,925)	177,427
Equipment	780,639	11,155	-	-	791,794
Office	10,795	-	-	-	10,795
Water and sewer lines	4,735,843	9,408	-	-	4,745,251
Water meters	695,261	-	-	-	695,261
Treated water distribution system	1,055,610	-	-	-	1,055,610
Elevated storage tower	829,569	-	-	-	829,569
Electrical generators	856,792	-	-	-	856,792
Raw water lines and pumps	4,093,133	-	-	-	4,093,133
Water treatment plant	6,413,487	-	-	-	6,413,487
Total capital assets being depreciated	26,571,090	184,018	-	(15,925)	26,739,183
Less: accumulated depreciation	(12,025,274)	(650,140)	-	15,925	(12,659,489)
Total capital assets being depreciated, net	14,545,816	(466,122)	-	-	14,079,694
Business-type activities capital assets, net	\$ 15,290,204	\$ (466,122)	\$ -	\$ -	\$ 14,824,082

**City of Decatur, Texas**  
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Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental Activities</b>	
General government	\$ 35,675
Airport	163,504
Main street	1,240
Fire protection	193,683
Police	166,433
Animal control	776
Streets	481,128
Library	54,933
Tax and court	4,683
Parks	90,742
Inspection services	4,857
Cemetery	3,364
Conference center	143,604
Planning	1,200
Economic development	<u>65,725</u>
Total depreciation expense -- governmental activities	<u>\$ 1,411,547</u>
 <b>Business-type Activities</b>	
Water and Wastewater	<u>\$ 650,140</u>
Total depreciation expense -- business-type activities	<u>\$ 650,140</u>

**City of Decatur, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

**Note 6: Defined Benefit Pension Plan**

***Plan Description***

The City of Decatur, Texas participates as one of 888 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 (TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

***Benefits Provided***

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the 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 percent of the member's deposits and interest.

***Employees Covered by Benefit Terms***

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	51
Inactive employees entitled to but not yet receiving benefits	91
Active employees	116
	258

**City of Decatur, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

**Contributions**

The contribution rates for employees in TMRS are either 5 percent, 6 percent, or 7 percent of employee gross earnings, and the City matching percentages are either 100 percent, 150 percent, or 200 percent, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7 percent of their annual gross earnings during the fiscal year. The contribution rates for the City were 14.30 percent and 14.65 percent in calendar years 2020 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2020, were \$903,060, and were equal to the required contributions.

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

The Total Pension Liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members are based on PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. Based on the size of the City, rates are multiplied by an additional factor of 117.0 percent, which adds an additional layer of conservatism. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements. For disabled annuitants, the mortality tables for healthy retirees is used with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5 percent and 3 percent minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

**City of Decatur, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined 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 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%
	<u>100.00%</u>	

**Discount Rate**

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

**City of Decatur, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

**Changes in the Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balance at October 1, 2019</b>	\$ 26,270,451	\$ 21,557,934	\$ 4,712,517
Changes for the year:			
Service cost	1,088,653	-	1,088,653
Interest (on the total pension liability)	1,789,101	-	1,789,101
Difference between expected and actual experience	(239,082)	-	(239,082)
Changes of assumptions	13,187	-	13,187
Benefit payments, including refunds of employee contributions	(619,153)	(619,153)	-
Administrative expense	-	(18,832)	18,832
Contributions – member	-	429,812	(429,812)
Contributions – employer	-	899,535	(899,535)
Net investment income	-	3,336,804	(3,336,804)
Other	-	(565)	565
Net changes	<u>2,032,706</u>	<u>4,027,601</u>	<u>(1,994,895)</u>
<b>Balance at September 30, 2020</b>	<u>\$ 28,303,157</u>	<u>\$ 25,585,535</u>	<u>\$ 2,717,622</u>

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

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

1% Decrease in Discount Rate (5.75%)	Current Single Rate Assumption (6.75%)	1% Increase in Discount Rate (7.75%)
\$ 6,922,039	\$ 2,717,622	\$ (712,134)

**Pension Plan Fiduciary Net Position**

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

**City of Decatur, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

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

For the year ended September 30, 2020, the City recognized pension expense of \$622,490.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference in expected and actual experience	\$ -	\$ 537,180
Difference between projected and actual investment earnings on pension plan investments	-	771,670
Changes of assumptions	9,708	-
Employer contributions subsequent to the measurement date	650,655	-
Total	\$ 660,363	\$ 1,308,850

\$650,655 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2021	\$ (507,147)
2022	(411,508)
2023	(4,160)
2024	(376,327)
	\$ (1,299,142)

***Allocation of Pension Items***

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

**City of Decatur, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

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

***Plan Description***

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

***Benefits Provided***

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

***Employees Covered by Benefit Terms***

At the December 31, 2019, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	37
Inactive employees entitled to but not yet receiving benefits	24
Active employees	116
	177

***Contributions***

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

The City's total SBDF contribution rates were 0.25 percent for both calendar years 2020 and 2019. The retiree portion of the total SBDF contribution rates for the City were 0.03 percent and 0.04 percent in calendar years 2020 and 2019, respectively.

**City of Decatur, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

**Total OPEB Liability**

The City's Total OPEB Liability (TOL) was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

The Total OPEB Liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary increases	3.50% to 11.50% including inflation
Discount rate	2.75% as of December 31, 2019 (3.71% as of December 31, 2018)
Retirees' share of benefit-related costs	\$ 0

Mortality rates for retirees and beneficiaries are based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. Based on the size of the City, rates are multiplied by an additional factor of 117.0 percent, which adds an additional layer of conservatism. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements. For disabled annuitants, the mortality tables for healthy retirees is used with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5 percent and 3 percent minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation.

**Discount Rate**

The discount rate used to measure the Total OPEB Liability as of December 31, 2019 was 2.75 percent, compared to 3.71 percent as of December 31, 2018. Because the Supplemental Death Benefits Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of the measurement date of December 31, 2019.

**City of Decatur, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

**Changes in the Total OPEB Liability**

	<b>Increase (Decrease)</b>
	<b>Total OPEB Liability</b>
<b>Balance at October 1, 2019</b>	<b>\$ 277,831</b>
Changes for the year:	
Service cost	17,807
Interest (on the total OPEB liability)	10,592
Difference between expected and actual experience	(5,762)
Changes of assumptions	60,199
Benefit payments	(2,456)
<b>Net Changes</b>	<b>80,380</b>
<b>Balance at September 30, 2020</b>	<b>\$ 358,211</b>

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.75 percent, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75 percent) or 1-percentage-point higher (3.75 percent) than the current rate:

1% Decrease in Discount Rate (1.75%)	Current Discount Rate Assumption (2.75%)	1% Increase in Discount Rate (3.75%)
\$ 436,672	\$ 358,211	\$ 297,438

**City of Decatur, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

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

For the year ended September 30, 2020, the City recognized OPEB expense of \$36,753.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference in expected and actual experience	\$ -	\$ 10,896
Changes of assumptions	60,358	13,566
Employer contributions subsequent to the measurement date	1,365	-
Total	\$ 61,723	\$ 24,462

\$1,365 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2021	\$ 8,354
2022	8,354
2023	7,662
2024	5,439
2025	6,087
	\$ 35,896

***Allocation of OPEB Items***

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

**City of Decatur, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

**Note 8: Deferred Compensation Plan**

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

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

**Note 9: Long-term Debt**

The following is a summary of the long-term debt activity for the year ended September 30, 2020:

	Beginning Balance	Borrowings/ Additions	Repayments/ Reductions	Ending Balances	Amounts Due Within One Year
<b>Governmental Activities</b>					
Refunding bonds	\$ 5,895,000	\$ -	\$ (1,490,000)	\$ 4,405,000	\$ 680,000
Sales tax bonds	6,845,000	-	(325,000)	6,520,000	-
Unamortized bond premium	244,349	-	(59,881)	184,468	-
<b>Bonds payable, net</b>	<b>12,984,349</b>	<b>-</b>	<b>(1,874,881)</b>	<b>11,109,468</b>	<b>680,000</b>
Compensated absences	707,132	340,681	(352,516)	695,297	329,578
<b>Total governmental activities</b>	<b>\$ 13,691,481</b>	<b>\$ 340,681</b>	<b>\$ (2,227,397)</b>	<b>\$ 11,804,765</b>	<b>\$ 1,009,578</b>
<b>Business-type Activities</b>					
Unlimited tax refunding bonds	\$ 3,645,000	\$ -	\$ (605,000)	\$ 3,040,000	\$ 620,000
Unamortized bond premium	134,651	-	(32,124)	102,527	-
<b>Bonds payable, net</b>	<b>3,779,651</b>	<b>-</b>	<b>(637,124)</b>	<b>3,142,527</b>	<b>620,000</b>
Compensated absences	135,300	95,429	(64,429)	166,300	81,907
<b>Total business-type activities</b>	<b>\$ 3,914,951</b>	<b>\$ 95,429</b>	<b>\$ (701,553)</b>	<b>\$ 3,308,827</b>	<b>\$ 701,907</b>

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

**City of Decatur, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

**Refunding Bonds**

The City issues tax and waterworks sewer system surplus revenue refunding bonds and general obligation refunding bonds to provide funds for the acquisition and construction of major capital facilities and to achieve debt service savings. The Bonds constitute direct obligations of the City, payable from an annual, continuing ad valorem tax levied, within the limit prescribed by law, on all taxable property located within the City. Refunding bonds outstanding at September 30, 2020, are as follows:

Issuance	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding End of Year
Tax and Waterworks and Sewer System Surplus Revenue Refunding Bonds	2013	\$ 3,475,000	3.0%	2024	\$ 1,495,000
General Obligation Refunding Bonds	2018	\$ 3,530,000	2.0%-4.0%	2028	<u>2,910,000</u>
					<u>\$ 4,405,000</u>

The annual aggregate maturities for the governmental activities refunding bonds for years subsequent to September 30, 2020, are as follows:

Year Ending September 30,	Principal	Interest	Total
2021	\$ 680,000	\$ 144,550	\$ 824,550
2022	695,000	123,925	818,925
2023	720,000	101,000	821,000
2024	745,000	75,550	820,550
2025	365,000	55,300	420,300
2026-2028	<u>1,200,000</u>	<u>73,200</u>	<u>1,273,200</u>
Totals	<u>\$ 4,405,000</u>	<u>\$ 573,525</u>	<u>\$ 4,978,525</u>

**City of Decatur, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

**Sales Tax Revenue Bonds**

The Corporation for Economic Development of the City of Decatur, Texas (EDC) issues sales tax revenue bonds to provide funds for the acquisition and construction of major capital improvements. The Bonds do not constitute direct obligations of the City. The bonds are payable from a one-half of a one percent sales and use tax collected within the boundaries of the City. Sales tax bonds outstanding at September 30, 2020, are as follows:

Issuance	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding End of Year
Sales Tax Revenue Bonds	2016	\$ 1,500,000	3.25%	2037	\$ 1,270,000
Sales Tax Revenue Bonds, Taxable Series	2018	\$ 5,665,000	2.71%-4.02%	2031	5,250,000
					<u>\$ 6,520,000</u>

The annual aggregate maturities for the governmental activities EDC sales tax revenue bonds for years subsequent to September 30, 2020, are as follows:

Year Ending September 30,	Principal	Interest	Total
2021	\$ -	\$ 123,590	\$ 123,590
2022	270,000	242,913	512,913
2023	275,000	234,522	509,522
2024	290,000	225,536	515,536
2025	295,000	215,994	510,994
2026-2030	1,665,000	912,344	2,577,344
2031-2035	2,010,000	563,948	2,573,948
2036-2039	1,715,000	139,715	1,854,715
Totals	<u>\$ 6,520,000</u>	<u>\$ 2,658,562</u>	<u>\$ 9,178,562</u>

The maturity schedule above shows that there is no principal due for the upcoming year. This is due to the City having paid the principal and interest maturities due on October 1, 2020, before year end.

The following is a summary of pledged revenues of the EDC for the year ended September 30, 2020:

Revenue Pledged	Total Pledged Revenue	Current Year Debt Service Payments	Percentage Portion of Pledged Revenue Stream	Remaining Principal and Interest	Period Revenue will not be Available for Other Purposes
.5% sales and use tax	\$ 1,587,125	\$ 602,828	38.0%	\$ 9,178,562	Until 2039

**City of Decatur, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

**Unlimited Tax Refunding Bonds**

The Wise County Water Supply District (District) issues unlimited tax refunding bonds to provide funds for the acquisition and construction of major capital facilities and achieve debt service savings. The bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the District without legal limit as to rate or amount. Unlimited tax refunding bonds outstanding at September 30, 2020, are as follows:

Issuance	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding End of Year
Unlimited Tax Refunding	2018	\$ 3,040,000	2.0%-4.0%	2027	\$ 2,395,000
Unlimited Tax Refunding	2011	\$ 3,130,000	3.5%-4.0%	2022	645,000
					<u>\$ 3,040,000</u>

The annual aggregate maturities for the business-type activities sales tax revenue bonds for years subsequent to September 30, 2020, are as follows:

Year Ending September 30,	Principal	Interest	Total
2021	\$ 620,000	\$ 115,400	\$ 735,400
2022	645,000	93,650	738,650
2023	325,000	71,000	396,000
2024	340,000	58,000	398,000
2025	355,000	44,400	399,400
2026-2027	<u>755,000</u>	<u>45,600</u>	<u>800,600</u>
Totals	<u>\$ 3,040,000</u>	<u>\$ 428,050</u>	<u>\$ 3,468,050</u>

**Note 10: Interfund Transfers**

All interfund transfers between the various funds are approved supplements to the operations of those funds. Transfers between funds for the year ended September 30, 2020, were as follows:

	Transfers in	
	Debt Service	Total Transfers Out
Transfers out		
Special Revenue	\$ 428,113	\$ 428,113
Total transfers in	<u>\$ 428,113</u>	<u>\$ 428,113</u>

**City of Decatur, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

The Special Revenue Funds (Corporation for Economic Development of the City of Decatur, Texas) transferred funds to the Debt Service Fund to pay for 51 percent 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 11: Commitments and Contingencies**

***Risk Management***

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

***Economic Environment***

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of City. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time but could be significant.

**City of Decatur, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

**Note 12: Tax Abatement Agreements**

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

For the fiscal year ended September 30, 2020, the City had the following open tax abatement agreements and abated the following amounts under these agreements:

<b>Open Agreements - Type of Tax Abatement</b>	<b>Amount of Taxes Abated during the Fiscal Year</b>
Hotel Occupancy Taxes	\$ 66,107
Sales Taxes	-
Total	\$ 66,107

## **Required Supplementary Information**

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**City of Decatur, Texas**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget to Actual – General Fund**  
**Year Ended September 30, 2020**

	Budgeted Amounts			Actual	Variance with Final Budget Positive (Negative)
	Original	Amendments	Final		
<b>Revenues</b>					
Ad valorem taxes, penalties, and interest	\$ 3,850,943	-	\$ 3,850,943	\$ 3,884,427	\$ 33,484
Sales taxes	2,880,000	-	2,880,000	3,174,252	294,252
Franchise, occupancy, and other taxes	1,033,000	-	1,033,000	1,013,899	(19,101)
Interest on investments	45,000	-	45,000	33,498	(11,502)
Contributions and donations	30,210	-	30,210	401,906	371,696
Conference center	668,000	-	668,000	371,538	(296,462)
Building permits and inspection service fees	292,500	-	292,500	351,277	58,777
Court	703,500	-	703,500	694,665	(8,835)
Other	418,575	-	418,575	625,558	206,983
<b>Total revenues</b>	<b>9,921,728</b>	<b>-</b>	<b>9,921,728</b>	<b>10,551,020</b>	<b>629,292</b>
<b>Expenditures</b>					
General government	733,316	-	733,316	808,975	(75,659)
Airport	136,310	-	136,310	185,573	(49,263)
Main street	147,526	-	147,526	167,544	(20,018)
Fire	1,402,678	150,000	1,552,678	1,464,932	87,746
Police	2,600,554	-	2,600,554	2,745,484	(144,930)
Animal control	55,400	-	55,400	50,788	4,612
Street	908,933	-	908,933	891,500	17,433
Library	570,882	-	570,882	523,864	47,018
Tax and court	325,664	-	325,664	299,364	26,300
Parks	507,669	-	507,669	494,139	13,530
Planning services	460,891	-	460,891	542,407	(81,516)
Inspection services	340,312	-	340,312	301,654	38,658
Cemetery	75,000	-	75,000	97,768	(22,768)
Conference center	943,218	-	943,218	676,389	266,829
Economic development	-	-	-	68,507	(68,507)
Technology	529,294	-	529,294	422,902	106,392
Capital expenditures	232,597	-	232,597	429,069	(196,472)
<b>Total expenditures</b>	<b>9,970,244</b>	<b>150,000</b>	<b>10,120,244</b>	<b>10,170,859</b>	<b>(50,615)</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(48,516)</b>	<b>(150,000)</b>	<b>(198,516)</b>	<b>380,161</b>	<b>578,677</b>
<b>Other Financing Sources</b>					
Proceeds from sale of capital assets	-	-	-	3,122	3,122
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,122</b>	<b>3,122</b>
<b>Net Change in Fund Balance</b>	<b>(48,516)</b>	<b>(150,000)</b>	<b>(198,516)</b>	<b>383,283</b>	<b>581,799</b>
<b>Fund Balances, Beginning</b>	<b>4,452,904</b>	<b>-</b>	<b>4,452,904</b>	<b>4,452,904</b>	<b>-</b>
<b>Fund Balances, Ending</b>	<b>\$ 4,404,388</b>	<b>\$ -</b>	<b>\$ 4,254,388</b>	<b>\$ 4,836,187</b>	<b>\$ 581,799</b>

**City of Decatur, Texas**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Texas Municipal Retirement System**  
**Year Ended September 30, 2020**

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019
<b>Total Pension Liability</b>						
Service cost	\$ 899,192	\$ 996,805	\$ 1,003,930	\$ 1,015,285	\$ 1,039,690	\$ 1,088,653
Interest (on the total pension liability)	1,270,814	1,401,676	1,456,889	1,562,688	1,672,578	1,789,101
Difference between expected and actual experience	97,522	(455,380)	(326,739)	(342,431)	(413,969)	(239,082)
Change in assumptions	-	74,579	-	-	-	13,187
Benefit payments, including refunds of employee contributions	(449,620)	(444,145)	(479,130)	(665,611)	(573,875)	(619,153)
<b>Net Change in Total Pension Liability</b>	1,817,908	1,573,535	1,654,950	1,569,931	1,724,424	2,032,706
<b>Total Pension Liability – Beginning</b>	17,929,703	19,747,611	21,321,146	22,976,096	24,546,027	26,270,451
<b>Total Pension Liability – Ending (a)</b>	\$ 19,747,611	\$ 21,321,146	\$ 22,976,096	\$ 24,546,027	\$ 26,270,451	\$ 28,303,157
<b>Plan Fiduciary Net Position:</b>						
Contributions – employer	\$ 783,353	\$ 835,221	\$ 845,704	\$ 858,170	\$ 878,793	\$ 899,535
Contributions – employee	397,567	398,267	394,140	397,039	409,557	429,812
Net investment income	811,445	23,193	1,116,673	2,549,630	(644,925)	3,336,804
Benefit payments, including refunds of employee contributions	(449,620)	(444,145)	(479,130)	(665,611)	(573,875)	(619,153)
Administrative expense	(8,470)	(14,123)	(12,603)	(13,199)	(12,448)	(18,832)
Other	(696)	(698)	(679)	(669)	(650)	(565)
<b>City's Net Change in Plan Fiduciary Net Position</b>	1,533,579	797,715	1,864,105	3,125,360	56,452	4,027,601
<b>Plan Fiduciary Net Position – Beginning</b>	14,180,723	15,714,302	16,512,017	18,376,122	21,501,482	21,557,934
<b>Plan Fiduciary Net Position – Ending (b)</b>	\$ 15,714,302	\$ 16,512,017	\$ 18,376,122	\$ 21,501,482	\$ 21,557,934	\$ 25,585,535
<b>City's Net Pension Liability – Ending (a) – (b)</b>	\$ 4,033,309	\$ 4,809,129	\$ 4,599,974	\$ 3,044,545	\$ 4,712,517	\$ 2,717,622
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	79.58%	77.44%	79.98%	87.60%	82.06%	90.40%
<b>Covered Payroll</b>	\$ 5,680,974	\$ 5,689,535	\$ 5,630,567	\$ 5,671,981	\$ 5,830,819	\$ 6,140,177
<b>City's Net Pension Liability as a Percentage of Covered Payroll</b>	71.00%	84.53%	81.70%	53.68%	80.54%	44.26%

**Other Information:**

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

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

**City of Decatur, Texas**  
**Schedule of Contributions**  
**Texas Municipal Retirement System**  
**Year Ended September 30, 2020**

	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020
Actuarially determined contribution	\$ 827,997	\$ 861,843	\$ 852,666	\$ 885,707	\$ 923,462	\$ 903,060
Contribution in relation of the actuarially determined contribution	<u>827,997</u>	<u>861,843</u>	<u>852,666</u>	<u>885,707</u>	<u>923,462</u>	<u>903,060</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,675,104	\$ 5,705,700	\$ 5,575,266	\$ 5,793,311	\$ 6,257,027	\$ 6,272,936
Contributions as a percentage of covered payroll	14.59%	15.10%	15.29%	15.29%	14.76%	14.40%

**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	26 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.5%, 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 2019 valuation pursuant to an experience study of the period 2014 - 2018

**Mortality**

Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.  
 Post-retirement: 2019 Municipal Retirees of Texas Mortality tables. The rates are projected on a fully generational basis with scale UMP.

**Other Information:**

Notes

There were no benefit changes during the year.

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

**City of Decatur, Texas**  
**Schedule of Changes in the Total OPEB Liability and Related Ratios**  
**Retiree Supplemental Death**  
**Year Ended September 30, 2020**

	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019
<b>Total OPEB Liability</b>			
Service cost	\$ 17,016	\$ 19,893	\$ 17,807
Interest (on the total OPEB liability)	9,131	9,583	10,592
Difference between expected and actual experience	-	(9,381)	(5,762)
Change in assumptions	22,396	(20,670)	60,199
Benefit payments	(1,702)	(2,340)	(2,456)
<b>Net Change in Total OPEB Liability</b>	46,841	(2,915)	80,380
<b>Total OPEB Liability— Beginning</b>	233,905	280,746	277,831
<b>Total OPEB Liability— Ending</b>	<u>\$ 280,746</u>	<u>\$ 277,831</u>	<u>\$ 358,211</u>
<b>Covered Employee Payroll</b>	\$ 5,671,981	\$ 5,850,819	\$ 6,140,177
<b>City's Total OPEB Liability as a Percentage of Covered Employee Payroll</b>	4.95%	4.75%	5.83%

**Notes to Schedule:**

Changes of benefit terms:

None

Changes of assumptions:

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2016	3.78%
2017	3.31%
2018	3.71%
2019	2.75%

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

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