CITY OF DECATUR, TEXAS

FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2015

CITY OF DECATUR, TEXAS
ANNUAL FINANCIAL AUDIT REPORT
SEPTEMBER 30, 2015

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FINANCIAL SECTION

Siegmund & Associates, LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Decatur, Texas as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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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 of Decatur, Texas, as of September 30, 2015, 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 on pages 3 through 9, the budgetary comparison information on page 56, and the schedule of funding progress for the employee pension plan on page 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2016, on our consideration of the City of Decatur, Texas internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Decatur, Texas' internal control over financial reporting and compliance.

Siegmund & Associates, LLC
Certified Public Accountants

March 22, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2015. The analysis should be read in conjunction with the financial statements that follow.

Financial Highlights

- The City's governmental activities net assets increased by $505 thousand from 2014. The business-type activities net assets decreased by $153 thousand from 2014. The City's combined net assets increased by $352 thousand from 2014.

- During fiscal year 2015, the City had expenses/expenditures that totaled $16.5 million of which $11.8 million was for governmental activities and $4.7 million was for business-type activities.

- The Governmental Funds reported a decrease in fund balance of $125 thousand. Governmental Fund revenues increased $134 thousand from 2014 and the expenditures increased $259 thousand from 2014.

Using this Annual Report

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

Basic Financial Statements

A condensed version of the Statement of Net Assets at September 30, 2015 follows:

	Governmental Activities		Business-Type Activities		Government Totals	
	2015	2014	2015	2014	2015	2014
Cash	$ 7,861	$ 7,851	$ 801	$ 936	$ 8,662	$ 8,787
Other assets	415	735	190	178	605	913
Capital assets (net)	31,134	32,090	14,516	14,986	45,650	47,076
Total assets	39,410	40,676	15,507	16,100	54,917	56,776
Other liabilities	1,399	1,915	631	772	2,030	2,687
Unfunded pension liability	4,033	4,500	0	0	4,033	4,500
Long-term debt	12,357	13,279	6,304	6,603	18,661	19,882
Total liabilities	17,789	19,694	6,935	7,375	24,724	27,069
Deferred outflows/(inflows)	134	0	0	0	134	0
Net assets						
Invested in capital assets, net of related debt	18,596	18,463	8,213	8,242	26,809	26,705
Restricted	6,359	5,873	210	348	6,569	6,221
Unrestricted	(3,468)	(3,354)	149	135	(3,319)	(3,219)
Total net assets	$ 21,487	$ 20,982	$ 8,572	$ 8,725	$ 30,059	$ 29,707

Governmental Activities:

The net assets of the City's governmental activities totaled $21.5 million and increased by $505 thousand from 2014. The majority (89%) of the City's net assets are reflected in capital assets (e.g., land, buildings, vehicles and equipment) less the outstanding balance of related debt used to acquire those assets. An additional portion of the City's net assets, $6.4 million, represents resources that are subject to external restrictions on how they may be used. During 2015, the City maintained a tight fiscal policy and did not begin any new construction projects.

Business-type activities:

The net assets of the business-type activities totaled $8.6 million and decreased by $153 thousand from 2014.

A condensed version of the Statement of Activities follows:

Governmental and Business-Type Activities
For the Years then Ended
(in Thousands)

	Governmental Activities		Business-Type Activities		Government Totals	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges for services	$ 1,720	$ 1,679	$ 4,217	$ 3,787	$ 5,937	$ 5,466
Grants and contributions	385	472	0	0	385	472
Total Program Revenues	2,105	2,151	4,217	3,787	6,322	5,938
General Revenues:						
Taxes	9,210	9,075	768	761	9,978	9,836
Other	29	(14)	66	(13)	95	(27)
Interest	12	10	2	2	14	12
Total General Revenues	9,251	9,071	836	750	10,087	9,821
Total Revenues	11,356	11,222	5,053	4,537	16,409	15,759
Expenses:						
General government	1,617	1,521	0	0	1,617	1,521
Police	2,287	2,278	0	0	2,287	2,278
Fire protection	1,588	1,542	0	0	1,588	1,542
Streets	1,484	1,786	0	0	1,484	1,786
Civic center	1,145	1,146	0	0	1,145	1,146
Other	3,693	3,282	0	0	3,693	3,282
Water and sewer	0	0	4,669	4,332	4,669	4,332
Total Expenses	11,814	11,555	4,669	4,332	16,483	15,887
Transfers:	399	418	(399)	(418)	0	0
Change in net assets	(59)	85	(15)	(213)	(74)	(128)
Prior period adjustment	564	0	(137)	0	427	0
Beginning net assets	20,982	20,897	8,725	8,938	29,707	29,835
Ending net assets	$ 21,487	$ 20,982	$ 8,573	$ 8,725	$ 30,060	$ 29,707

Governmental Activities:

The City's governmental activities revenue for 2015 totaled $11.4 million and increased by $134 thousand from 2014. The governmental activities expenditures for 2015 totaled $11.8 million and increased by $259 thousand from 2014. The net assets increased $505 thousand from 2014. The increase is the result of a current year net decrease in net assets of $59 and $564 thousand of prior period adjustments. The prior period adjustments consisted of (1) an increase of $750 thousand from the reevaluation of the pension liability and (2) a decrease of $186 thousand from the adoption of GASB #65 which removed bond issuance costs from the financial statements.

Business-type Activities:

The City's business-type revenues for 2015 totaled $5.1 million and increased $516 thousand from 2014. The business-type expenses for 2015 totaled $4.7 million, and increased by $337 thousand from 2014. The net assets decreased $153 thousand from 2014. The decrease is the result of a current year decrease in net assets of $15 thousand and a decrease of $137 thousand from the adoption of GASB #65 which removed bond issuance costs from the financial statements.

Capital Assets and Debt Outstanding

Capital Assets:

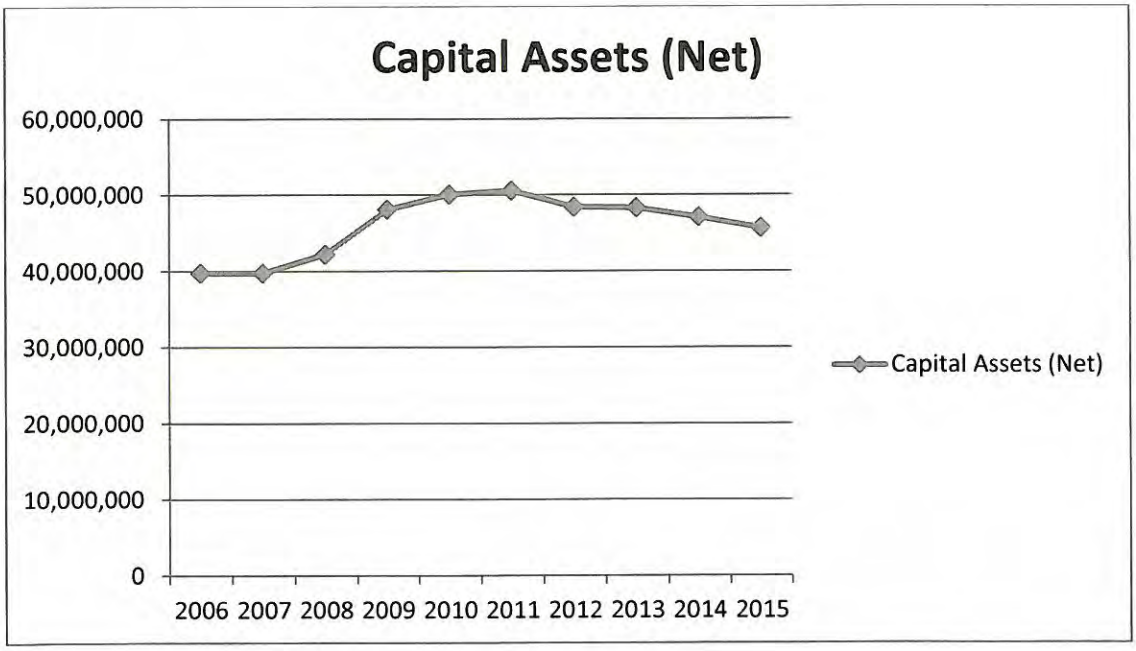
For the year ended September 30, 2015, the City expended $542 thousand for capital assets. At September 30, 2015, the City had $69.3 million invested in capital assets. This amount represents an increase of $41 thousand (net of retirements) from 2014. The capital assets are comprised of equipment, land, buildings and various components of infrastructure. A few of the major capital asset investments in the previous years have been the construction of a civic center, airport improvements, police headquarters, public works building, renovation of parks, buildings, street improvements, bridges, water and wastewater distribution and treatment facilities. In 2015, the City made improvements to the street infrastructure, updated water meters, acquired new books and videos for the library, and purchased vehicles and equipment. The major additions during the year were the police and fire vehicles and the improvements to the street infrastructure. The City's current year investment of $542 thousand in capital assets indicates a strong financial position for the City.

Management's Discussion and Analysis (Continued)

Capital Assets (Continued):

Capital Assets at Year-End
(in Thousands)

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land	$ 1,875	$ 1,875	$ 588	$ 588	$ 2,463	$ 2,463
Construction in process	0	0	0	0	0	0
Airport	6,136	6,155	0	0	6,136	6,155
Civic center	5,942	5,944	0	0	5,942	5,944
Fire equipment	5,442	5,432	0	0	5,442	5,432
General government	552	562	0	0	552	562
Library	1,739	1,804	0	0	1,739	1,804
Parks	2,609	2,636	0	0	2,609	2,636
Police	2,349	2,201	0	0	2,349	2,201
Street equipment	1,018	1,016	0	0	1,018	1,016
Street infrastructure	15,845	15,100	0	0	15,845	15,100
Other	1,825	2,459	0	0	1,825	2,459
Water and sewer systems	0	0	23,414	23,520	23,414	23,520
Subtotal	45,332	45,184	24,002	24,108	69,334	69,292
Accumulated depreciation	(14,197)	(13,094)	(9,486)	(9,121)	(23,683)	(22,215)
Capital assets, net	$ 31,135	$ 32,090	$ 14,516	$ 14,987	$ 45,651	$ 47,077



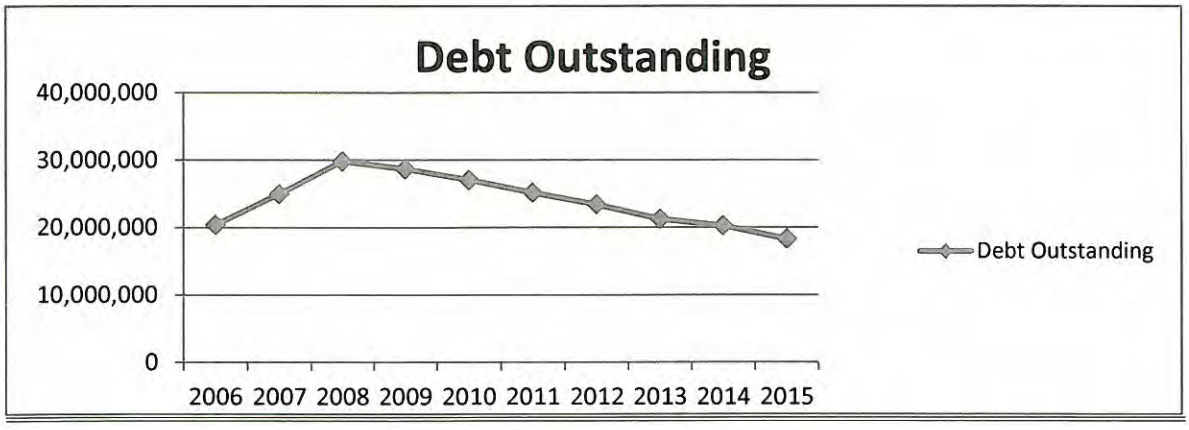
Debt Outstanding:

At year end, the City's debt totaled $18.3 million and decreased by $1.9 million from 2014. Moody's Investor Services, the municipal debt rating company, rated the City's credit at A-2. This rating allows the City to issue debt without insurance and at more competitive interest rates.

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

Debt Outstanding at Year-End
(in Thousands)

	Governmental Activities		Business-Type Activities		Government Totals	
	2015	2014	2015	2014	2015	2014
2008 Certificates of obligation	$ 4,495	$ 4,750	$ 0	$ 0	$ 4,495	$ 4,750
2011 Revenue refunding bonds	3,870	4,575	0	0	3,870	4,575
2013 Revenue refunding bonds	3,160	3,475	0	0	3,160	3,475
Capital lease obligations	669	773	176	233	845	1,006
2007 Unlimited tax and revenue bonds	0	0	3,855	4,090	3,855	4,090
2011 Unlimited tax and revenue bonds	0	0	2,080	2,345	2,080	2,345
Total Debt Outstanding	$ 12,194	$ 13,573	$ 6,111	$ 6,668	$ 18,305	$ 20,241



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, 2015, the City Council and Management considered the following factors:

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

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

The City blends the Wise County Water Supply District (District) into the business-type activities of the City. See the District's separately issued financial statements dated January 21, 2016. If you have any questions about the report or need additional financial information, please contact the District's General Manager, Brett Shannon at 201 E. Walnut, Decatur, Texas 76234.

Financial Contact

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

CITY OF DECATUR, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2015

Assets	Governmental Activities	Business-Type Activities	Total
Current Assets			
Cash and cash equivalents, unrestricted	$ 2,019,180	$ 547,525	$ 2,566,705
Cash and cash equivalents, restricted for special revenues	3,317,854	0	3,317,854
Cash and cash equivalents, restricted for debt service	900,825	195,806	1,096,631
Cash and cash equivalents, restricted for capital projects	1,622,681	57,289	1,679,970
Ad valorem taxes receivable	84,184	15,265	99,449
Customer receivables	0	490,736	490,736
Internal balances	317,082	(317,082)	0
Due from other governments	13,842	807	14,649
Total Current Assets	8,275,648	990,346	9,265,994
Capital Assets, net of depreciation			
Land	1,875,107	588,033	2,463,140
Buildings and equipment	17,861,260	0	17,861,260
Street infrastructure	11,398,228	0	11,398,228
Water and sewer distribution systems	0	13,928,507	13,928,507
Total Capital Assets, net of depreciation	31,134,595	14,516,540	45,651,135
Total Assets	39,410,243	15,506,886	54,917,129
Liabilities			
Current Liabilities			
Accounts payable	231,076	251,948	483,024
Other current liabilities	324,919	90,822	415,741
Current maturities of long-term debt	1,414,719	573,823	1,988,542
Total Current Liabilities	1,970,714	916,593	2,887,307
Non-Current Liabilities			
Long-term debt	10,778,823	5,537,634	16,316,457
Debt issuance premium, net of amortization	124,923	192,061	316,984
Accrued compensated absences	880,618	167,820	1,048,438
Net pension liability	4,033,309	0	4,033,309
Meter deposits	0	120,503	120,503
Total Non-Current Liabilities	15,817,673	6,018,018	21,835,691
Total Liabilities	17,788,387	6,934,611	24,722,998
Deferred Inflows of Resources			
Related to the City gain, 2013 advance refunding bonds	78,963	0	78,963
Related to the City pension	55,448	0	55,448
Total Deferred Inflows of Resources	134,411	0	134,411
Net Assets			
Invested in capital assets, net of related debt	18,596,011	8,213,023	26,809,034
Restricted for:			
Special revenue	3,231,985	0	3,231,985
Debt service	1,530,675	154,736	1,685,411
Capital projects	1,597,224	55,644	1,652,868
Unrestricted	(3,468,450)	148,872	(3,319,578)
Total Net Assets	$ 21,487,445	$ 8,572,275	$ 30,059,720

See accompanying notes to financial statements.

CITY OF DECATUR, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges For Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets: Governmental Activities	Net (Expenses) Revenues and Changes in Net Assets: Business-type Activities	Net (Expenses) Revenues and Changes in Net Assets: Totals
Governmental activities:							
General government	$ 1,616,587	$ 35,812	$ 27,000	$ 0	$ (1,553,775)	$ 0	$ (1,553,775)
Airport	293,688	76,675	9,439	0	(207,574)	0	(207,574)
Main street	139,232	0	2	0	(139,230)	0	(139,230)
Fire protection	1,588,178	1,544	53,475	0	(1,533,159)	0	(1,533,159)
Police	2,287,518	0	43,291	0	(2,244,227)	0	(2,244,227)
Animal control	72,653	1,572	0	0	(71,081)	0	(71,081)
Streets	1,484,095	0	0	189,307	(1,294,788)	0	(1,294,788)
Library	569,637	69,721	2,355	0	(497,561)	0	(497,561)
Tax and court	251,075	572,037	0	26,633	347,595	0	347,595
Parks	556,884	0	7,972	0	(548,912)	0	(548,912)
Planning services	377,989	34,599	0	0	(343,390)	0	(343,390)
Inspection services	359,227	251,515	0	0	(107,712)	0	(107,712)
Cemetery	81,263	26,633	0	25,116	(29,514)	0	(29,514)
Civic center	1,144,644	649,810	0	0	(494,834)	0	(494,834)
Emergency management	15,561	0	0	0	(15,561)	0	(15,561)
Technology	25,753	0	0	0	(25,753)	0	(25,753)
Economic development	950,001	0	0	0	(950,001)	0	(950,001)
Total governmental activities	11,813,985	1,719,918	143,534	241,056	(9,709,477)	0	(9,709,477)
Business-type activities:							
Water, sewer and garbage	4,668,973	4,217,407	0	0	0	(451,566)	(451,566)
Totals	$ 16,482,958	$ 5,937,325	$ 143,534	$ 241,056	(9,709,477)	(451,566)	(10,161,043)
General revenues and other expenses:							
Ad valorem taxes, penalties and interest					4,231,271	767,058	4,998,329
Sales taxes					3,988,261	0	3,988,261
Franchise, occupancy and other taxes					990,812	0	990,812
Disposal of assets					29,430	0	29,430
Aid in construction					0	23,425	23,425
Interest on investments					12,452	2,029	14,481
Miscellaneous other					0	42,548	42,548
Operating transfers					398,763	(398,763)	0
Total general revenues and other expenses					9,650,989	436,297	10,087,286
Change in net assets					(58,488)	(15,269)	(73,757)
Net Assets, September 30, 2014					20,982,048	8,724,994	29,707,042
Prior period adjustments					563,885	(137,450)	426,435
Net Assets, September 30, 2015					$ 21,487,445	$ 8,572,275	$ 30,059,720

See accompanying notes to financial statements.

CITY OF DECATUR, TEXAS
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2015

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Project Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 1,699,526	$ 1,648,336	$ 900,825	$ 1,441,384	$ 5,690,071
Certificates of deposit	319,654	1,669,518	0	181,297	2,170,469
Ad valorem taxes receivable	58,809	0	25,375	0	84,184
Due from other funds	46,586	0	629,850	0	676,436
Due from other governments	4,403	9,439	0	0	13,842
Total Assets	2,128,978	3,327,293	1,556,050	1,622,681	8,635,002
Liabilities					
Accounts payable	156,897	74,179	0	0	231,076
Other current liabilities	286,585	0	0	0	286,585
Due to other funds	632,768	21,129	0	25,457	679,354
Deferred revenues	58,809	0	25,375	0	84,184
Total Liabilities	1,135,059	95,308	25,375	25,457	1,281,199
Fund Balances					
Restricted for:					
Special purposes	0	3,231,985	0	0	3,231,985
Debt service	0	0	1,530,675	0	1,530,675
Construction of capital assets	0	0	0	1,597,224	1,597,224
Unassigned	993,919	0	0	0	993,919
Total Fund Balances	993,919	3,231,985	1,530,675	1,597,224	7,353,803
Total Liabilities and Fund Balances	$ 2,128,978	$ 3,327,293	$ 1,556,050	$ 1,622,681	$ 8,635,002

See accompanying notes to financial statements.

CITY OF DECATUR, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2015

Total fund balances - governmental funds		$ 7,353,803
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in the operation of the governmental funds are not a financial resource and, therefore, they are not reported in the governmental funds. These assets consist of:		
Land	$ 1,875,107	
Buildings and equipment	17,861,260	
Street infrastructure	11,398,228	
Total capital assets, net of accumulated depreciation		31,134,595
The revenue from uncollected ad valorem taxes is not a financial resource of the governmental funds and, therefore, it is not reported in the governmental funds.		84,184
The portion of the long-term debt that was payable by the Proprietary Fund that was assumed by the governmental funds when the 2011 refunding bonds were issued is not a financial resource of the governmental funds and, therefore, it is not reported in the governmental funds.		320,000
The accrued interest payable on long-term debt is not due and payable in the current period and, therefore, it is not reported in the governmental funds.		(38,334)
The certificates of obligation and bonds are not due and payable in the current period and, therefore, they are not reported in the governmental funds.		(11,525,000)
The capital lease obligations are not due and payable in the current period and, therefore, they are not reported in the governmental funds.		(668,542)
The unamortized debt issuance premium is not due and payable in the current period and, therefore, it is not reported in the governmental funds.		(124,923)
The unamortized deferred gain from the issuance of the 2013 advance refunding bonds is not due and payable in the current period and, therefore, it is not reported in the governmental funds.		(78,963)
The deferred (inflow)/outflow of resources in future pension expenses reported is not due and payable in the current period and, therefore, they are not reported in the governmental funds.		(55,448)
The accrued compensated absences are not due and payable in the current period and, therefore, they are not reported in the governmental funds.		(880,618)
The unfunded pension obligation is not due and payable in the current period and, therefore, it is not reported in the governmental funds.		(4,033,309)
Total net assets - governmental activities		$ 21,487,445

See accompanying notes to financial statements.

CITY OF DECATUR, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Project Fund	Total Governmental Funds
Revenues					
Ad valorem taxes, penalties and interest	$ 2,959,065	$ 0	$ 1,262,734	$ 0	$ 4,221,799
Sales taxes	2,658,842	1,329,419	0	0	3,988,261
Franchise, occupancy and other taxes	990,812	0	0	0	990,812
Interest on investments	3,707	4,542	1,898	2,305	12,452
Federal programs	0	9,439	0	0	9,439
Civic center	649,810	0	0	0	649,810
Building permits and inspection service fees	251,515	0	0	0	251,515
Court	572,037	0	0	0	572,037
Other	470,604	76,404	0	118,765	665,773
Total Revenues	8,556,392	1,419,804	1,264,632	121,070	11,361,898
Expenditures					
General government	1,266,320	0	0	15,557	1,281,877
Airport	132,163	9,439	0	0	141,602
Main street	136,094	180	0	0	136,274
Fire protection	1,130,429	0	0	0	1,130,429
Police	2,111,389	44,285	0	0	2,155,674
Animal control	74,386	0	0	0	74,386
Street	953,272	0	0	25,644	978,916
Library	491,043	0	0	10,945	501,988
Tax and court	234,090	15,112	0	0	249,202
Parks	444,237	0	0	0	444,237
Planning services	350,186	0	0	0	350,186
Inspection services	338,875	0	0	0	338,875
Cemetery	71,719	0	0	6,700	78,419
Civic center	903,923	0	0	0	903,923
Economic development	0	916,697	0	0	916,697
Emergency management	15,561	0	0	0	15,561
Technology	25,753	0	0	0	25,753
Capital expenditures	327,445	33,072	0	0	360,517
Debt service	0	138,551	1,695,753	0	1,834,304
Total Expenditures	9,006,885	1,157,336	1,695,753	58,846	11,918,820
Excess (Deficiency) of Revenues Over Expenditures	(450,493)	262,468	(431,121)	62,224	(556,922)
Other Financing Sources					
Operating transfer in	398,763	0	430,262	0	829,025
Other Financing Uses					
Operating transfer out	0	(430,262)	0	0	(430,262)
Change in Fund Balances	(51,730)	(167,794)	(859)	62,224	(158,159)
Fund Balances, September 30, 2014	1,045,649	3,399,779	1,531,534	1,535,000	7,511,962
Fund Balances, September 30, 2015	$ 993,919	$ 3,231,985	$ 1,530,675	$ 1,597,224	$ 7,353,803

See accompanying notes to financial statements.

CITY OF DECATUR, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Net change in fund balances - governmental funds	$	(158,159)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation ($1,313,476) exceeded capital expenditures ($373,199) during the current period.		(940,277)
The debt issuance premiums are recognized in governmental funds in the year the debt is issued, but it is amortized over the life of the debt in the statement of activities.		26,742
The increase in pension (inflow)/outflow of resources in future years is reported in the statement of activities, does not increase expenditures in the governmental funds.		(55,448)
The gain associated with the advance refunding of the 2004 certificates of obligation is recognized in governmental funds in the year the advance refunding occurs, but is amortized over the life of the debt in the statement of activities.		9,382
The statement of activities reports a gain or loss on the disposal of assets based on the proceeds received and the net book value of the assets at the time of disposal. This is the amount by which the cost of the assets disposed of ($225,180) exceeded the accumulated depreciation of those assets ($210,544) in the current year.		(14,636)
The increase in ad valorem taxes receivable does not provide current financial resources and, therefore, is not reported as an increase in revenues in the governmental funds.		9,472
The repayment of debt principal is reported as an expenditure in the governmental funds, but the repayment of debt principal reduces long-term liabilities in the statement of net assets.		1,379,949
The decrease in accrued interest payable reported in the statement of activities does not increase expenditures in the governmental funds.		3,923
The decrease in net pension liability reported in the statement of activities does not increase expenditures in the governmental funds.		(284,329)
The increase in accrued compensated absences reported in the statement of activities does not increase expenditures in the governmental funds.		(35,107)
Change in the net assets governmental activities	$	(58,488)

See accompanying notes to financial statements.

CITY OF DECATUR, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2015

Assets	Business-type activities Enterprise Fund	
Current Assets		
Cash and cash equivalents, unrestricted	$ 547,525	
Cash and cash equivalents, restricted for debt service	195,806	
Cash and cash equivalents, restricted for capital projects	57,289	
Ad valorem taxes receivable	15,265	
Due from other governments	807	
Customer receivables	490,736	
Total Current Assets		$ 1,307,428
Capital Assets, net of depreciation		
Land	588,033	
Water and sewer distribution systems	13,928,507	
Total Capital Assets, net of depreciation		14,516,540
Total Assets		15,823,968
Liabilities		
Current Liabilities		
Accounts payable	251,948	
Other current liabilities	90,822	
Internal balances	317,082	
Current maturities of long-term debt	573,823	
Total Current Liabilities		1,233,675
Non-Current Liabilities		
Long-term debt	5,537,634	
Debt issuance premium, net of amortization	192,061	
Accrued compensated absences	167,820	
Meter deposits	120,503	
Total Non-Current Liabilities		6,018,018
Total Liabilities		7,251,693
Net Assets		
Invested in capital assets, net of related debt	8,213,023	
Restricted for debt service	154,736	
Restricted for capital projects	55,644	
Unrestricted	148,872	
Total Net Assets		$ 8,572,275

See accompanying notes to financial statements.

CITY OF DECATUR, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Business-type activities Enterprise Fund	
Operating Revenues		
Sale of water	$ 2,361,499	
Sewer charges	1,298,936	
Garbage charges and other	556,972	
Total Operating Revenues		$ 4,217,407
Operating Expenses		
Public works	150,086	
Sewer, plant and operation	822,880	
Utility billing	277,679	
Water purchases	541,540	
Water utilities	1,049,528	
Utility maintenance	530,283	
Garbage fees	368,638	
Depreciation	651,488	
Total Operating Expenses		4,392,122
Operating Loss		(174,715)
Non-operating Revenues (Expenses)		
Ad valorem taxes, interest and penalties	767,058	
Interest income	2,029	
Aid in construction	23,425	
Miscellaneous	42,548	
Amortization of bond premium	21,692	
Other	(7,930)	
Debt service and tax collecting fees	(9,551)	
Interest expense	(281,062)	
Total Non-operating Revenues (Expenses)		558,209
Net Income Before Transfers		383,494
Operating Transfer Out		(398,763)
Change in Net Assets		(15,269)
Prior Period Adjustment		(137,450)
Net Assets, September 30, 2014		8,724,994
Net Assets, September 30, 2015		$ 8,572,275

See accompanying notes to financial statements.

CITY OF DECATUR, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Cash flows from operating activities:		
Cash received from customers	$ 4,088,199	
Cash payments to suppliers for goods and services	(2,123,050)	
Cash payments to employees and other directly related employment costs	(1,496,755)	
Net cash provided by operating activities		$ 468,394
Cash flows from noncapital financing activities:		
Property taxes received	760,110	
Interest and penalties on property taxes received	5,249	
Net decrease in due to other funds	(2,918)	
Tax assessing and collecting fees	(8,051)	
Net cash provided by noncapital financing activities:		754,390
Cash flows from capital and related financing activities:		
Aid in construction	23,425	
Miscellaneous	42,549	
Operating transfer out	(398,763)	
Debt service fees	(1,500)	
Other	(7,930)	
Interest paid on long-term debt	(281,811)	
Principal paid on long-term debt	(556,260)	
Acquisition and construction of capital assets	(179,894)	
Net cash used by capital and related financing activities		(1,360,184)
Cash flows from investing activities:		
Interest on investments		2,029
Net decrease in cash and cash equivalents		(135,371)
Cash and cash equivalents at the beginning of the year		935,991
Cash and cash equivalents at the end of the year		800,620
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss		(174,715)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation		651,488
Increase in customer receivables		(131,986)
Increase in accounts payable		100,721
Increase in other deposits		12,505
Increase in meter deposits		3,412
Increase in accrued compensated absences		6,969
Net cash provided by operating activities		$ 468,394

See accompanying notes to financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Description of the Reporting Entity

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Description of the Reporting Entity (Continued)

The sales tax collections have been pledged to service the City debt. Additionally, the City has the ability to exercise influence over all management decisions of the Corporation.

The financial data of the District has been blended into the business-type activities of the City. The District owns the water treatment plant, the raw water line from the lake to the water treatment plant and an elevated treated water storage tower used by the City. The District is an integral part of providing treated water to the residents and businesses of the City. The District levies property taxes to service the debt used to acquire the District's capital assets. The City has the ability to exercise influence over all the District's management decisions.

The City's financial statements include all City operations but exclude the following entities:

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

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

B. Basis of Accounting/Measurement Focus

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting/Measurement Focus (Continued)

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

Government-Wide Financial Statements

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

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

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

Governmental Fund Financial Statements

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

B. Basis of Accounting/Measurement Focus (Continued)

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

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

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

The City reports the following major governmental funds:

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

B. Basis of Accounting/Measurement Focus (Continued)

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

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

The City reports the following Proprietary Fund:

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Policy and Control

- Budgetary Basis of Accounting

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

- Continuing Appropriations

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

D. Cash and Cash Equivalents

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

E. Prepaid Items

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Capital Assets

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

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

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

G. Property Taxes

Property tax revenue is recognized in accordance with GASB Codification Section P70; that is, in the fiscal year for which the taxes have been levied providing they become available. Available means due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities in the current period.

H. Use of Restricted Resources

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Claims and Judgments Payable

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

J. Compensated Absences

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

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

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

K. Pensions

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net positon 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Use of Estimates

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

M. Deferred Inflows of Resources

The deferred inflows of resources consist of pension obligations due in the future and the unamortized portion on the advance refunding bond gain.

N. Fund Equity

Beginning with fiscal year 2011, the City implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used by the City:

Non-spendable – resources which cannot be spent because they are either not in a spendable form (such as prepaid items) or legally or contractually required to be maintained intact.

Restricted – resources with constraints placed on the use of the resources imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Unassigned – resources which cannot be properly classified in one of the other categories.

NOTE 2 LEGAL COMPLIANCE

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

NOTE 2 LEGAL COMPLIANCE (Continued)

Budgetary Process

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

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

A public hearing is conducted to obtain taxpayer comments.

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

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

The key dates affecting the annual budget for the fiscal year-ended September 30, 2015 were as follows:

City Manager presents the preliminary 2014/2015 budget to the City Council	August 18, 2014
City Council workshop on 2014/2015 budget	August 18, 2014
City Council proposes 2014/2015 ad valorem tax rate	August 18, 2014
City Council discussion on 2014/2015 budget	August 25, 2014
First public hearing regarding the 2014/2015 proposed budget and ad valorem tax rate	August 25, 2014
Second public hearing regarding the 2014/2015 proposed budget and ad valorem tax rate	September 2, 2014
City Council adopts the budget for 2014/2015 and the ad valorem tax rate	September 8, 2014
Final assessment roll certified	July 21, 2014
Beginning of fiscal year for which ad valorem taxes are levied	October 1, 2014
Property tax bills rendered	October 1, 2014
Property tax collection dates	October 1, 2014-January 31, 2015
Property tax bills become delinquent	February 1, 2015

NOTE 2 LEGAL COMPLIANCE (Continued)

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

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits and investments at September 30, 2015, totaling $8,659,195 are as follows:

Deposits – At September 30, 2015, the carrying amount of the City's deposits are $8,659,195. Of this amount, $2,558,215 is in certificates of deposits. The bank deposits are covered by federal depository insurance, a Federal Home Loan Bank Irrevocable Standby Letter of Credit in the amount of $4,000,000 and by collateral held by the State trustee in the custodial bank's name. The combined federal depository insurance, Standby Letter of Credit and collateral pledged by the custodial banks was in excess of $8,659,195 at September 30, 2015.

NOTE 4 AD VALOREM TAXES

City of Decatur
Ad valorem taxes are levied each October 1st on property valued as of the previous January 1st. The tax rate to finance general governmental services for the fiscal year ended September 30, 2015 was $.7030 per $100 of assessed taxable property value. The tax rate was allocated $.4911 for maintenance and operations and $.2119 debt service per $100 of assessed taxable property value. The taxable property value amounted to $596,342,762. Ad valorem tax revenues are recognized when they become available. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

Wise County Water Supply District (Component Unit)
Ad valorem taxes are levied each October 1 on property valued as of the previous January 1. The tax rate to finance debt service for the fiscal period ended September 30, 2015 was $.1275 per $100 of assessed taxable property value. The tax rate is allocated 100% to debt service. The taxable property value amounted to

NOTE 4 AD VALOREM TAXES (Continued)

$596,342,762. Ad valorem tax revenues are recognized when they become available. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

Ad Valorem Taxes Receivable at September 30, 2015	
City of Decatur, Texas	$ 84,184
Wise County Water Supply District	15,265
Total Ad Valorem Taxes Receivable	$ 99,449

NOTE 5 CAPITAL ASSETS

Governmental capital asset activity for the year ended September 30, 2015:

Description	Beginning of Year	Additions	Retirements	End of Year
Captial assets not being depreciated:				
Land	$ 1,875,107	$ 0	$ 0	$ 1,875,107
Other capital assets:				
Airport	6,155,232	0	(18,926)	6,136,306
Civic center	5,944,141	0	(2,118)	5,942,023
Fire equipment	5,431,660	41,238	(30,992)	5,441,906
General government	561,656	1,180	(11,235)	551,601
Library	1,803,620	46,512	(111,162)	1,738,970
Parks	2,636,399	0	(27,900)	2,608,499
Police	2,200,796	152,625	(4,151)	2,349,270
Street equipment	1,016,589	10,000	(8,800)	1,017,789
Street infrastructure	15,775,843	69,594	0	15,845,437
Other assets	1,795,405	39,368	(9,897)	1,824,876
Totals	45,196,448	360,517	(225,181)	45,331,784
Accumulated Depreciation	(13,094,256)	(1,313,476)	210,543	(14,197,189)
Totals	$ 32,102,192	$ (952,959)	$ (14,638)	$ 31,134,595

NOTE 5 CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of the governmental activities as follows for the year ended September 30, 2015:

General government	$ 15,360
Building department	12,784
Airport	148,373
Main street	2,960
Fire protection	190,209
Police	116,009
Animal control	784
Streets	485,165
Library	67,239
Tax and court	8,953
Parks	86,949
Inspection services	7,340
Cemetary	2,844
Civic center	123,150
Planning	3,063
Economic Development	42,294
Total	$ 1,313,476

NOTE 5 CAPITAL ASSETS (Continued)

Business-type capital asset activity for the year ended September 30, 2015:

Description	Beginning of Year	Additions	Retirements	End of Year
Capital assets not being depreciated:				
Land	$ 588,033	$ 0	$ 0	$ 588,033
Other capital assets:				
Sewer system	5,562,398	0	0	5,562,398
Trucks	276,932	0	(9,567)	267,365
Equipment	606,127	0	0	606,127
Office	22,406	0	0	22,406
New water and sewer lines	3,331,678	968	0	3,332,646
Water meters	438,881	53,182	0	492,063
Treated water distribution system	1,072,662	0	0	1,072,662
Elevated storage tower	829,570	0	0	829,570
Electrical generators	856,793	0	0	856,793
Raw water lines and pumps	3,784,772	0	0	3,784,772
Water treatment plant	6,737,494	127,389	0	6,864,883
Totals	24,107,746	181,539	(9,567)	24,279,718
Accumulated depreciation	(9,121,255)	(651,490)	9,567	(9,763,178)
Totals	$ 14,986,491	$ (469,951)	$ 0	$ 14,516,540

Depreciation expense was charged to functions/programs of the business-type activities was $651,490 for the year ending September 30, 2015.

NOTE 6 PENSION PLAN

A. Plan Description

The City participates as one of 860 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 TRMS Act, Subtitle G, Title 8, Texas Government Code (the TRMS Act) as an agent multiple-employer public employee retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained from the TMRS website at www.TMRS.com.

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

B. Benefits Provided

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

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

NOTE 6 PENSION PLAN (Continued)

Employees covered by benefit terms

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Membership	2013	2014
Inactive employees or beneficiaries currently receiving benefits	32	34
Inactive employees entitled to but not yet receiving benefits	49	54
Active employees	112	115
Totals	193	203

C. Contributions

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

Employees for the City of Decatur (City) were required to contribute 7% of their annual gross earnings during fiscal year. The contribution rates for the City were 13.96% and 14.87% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015, were $827,997, and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

NOTE 6 PENSION PLAN (Continued)

Actuarial assumptions

The Total Pension Liability (TPL) in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Assumptions	2013	2014
Inflation	3%	3%
Overall payroll growth	3%	3%
Investments Rate of Return*	7%	7%

*net of pension plan investment expenses, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Health Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City, rates are multiplied by a factor of 100%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used with slight adjustments.

Actuarial assumptions used in the December 31, 2014 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, annually. No additional changes were made for the 2014 valuation.

NOTE 6 PENSION PLAN (Continued)

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. 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 investments expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.80%
International Equity	17.50%	6.05%
Core Fixed Income	30.00%	1.50%
Non-Core Fixed Income	10.00%	3.50%
Real Return	5.00%	1.75%
Real Estate	10.00%	5.25%
Absolute Return	5.00%	4.25%
Private Equity	5.00%	8.50%
Total	100.00%	

NOTE 6 PENSION PLAN (Continued)

Discount Rate

The discount rate used to measure the Total Pension Liability was 7%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in the statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

	Increase (Decrease)		
Changes in Net Pension Liability	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balance at 12/31/2013	$ 17,930	$ 14,181	$ 3,749
Changes for the year:			
Service cost	899	0	899
Interest	1,271	0	1,271
Change of benefit terms	0	0	0
Difference between expected and actual experience	0	0	0
Changes of assumptions	0	0	0
Contributions - employer	0	783	(783)
Contributions - employee	0	398	(398)
Net investment income	0	811	(811)
Refunds of employee contributions	(450)	(450)	0
Administrative expenses	0	(8)	8
Other changes	0	(1)	1
Net changes	1,818	1,533	285
Balance at 12/31/2014	$ 21,468	$ 17,247	$ 4,221

NOTE 6 PENSION PLAN (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

	1% Decrease 6%	Single Rate 7%	1% Increase 8%
City's Net Pension Liability	$ 7,125,771	$ 4,033,309	$ 1,520,876

An adjustment in the evaluation of the Total Pension Liability for 2013 was made by the actuary in the amount of $4,499,934. The new valuation of the 2013 Total Pension Liability is $3,748,980, creating a decrease of $ 750,954.

Pension Plan Fiduciary Net Position

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

For the year ended September 30, 2015, the City recognized pension expenses of $ 844,402.

Schedule of Pension Expenses

Total service cost	$ 899,192
Interest on the total pension liability	1,270,814
Current period benefit changes	0
Employee contributions (reduction of expense)	(397,567)
Projected earnings on plan investments (reduction of expense)	(992,651)
Administrative expense	8,470
Other changes in fiduciary net position	696
Recognition of current year outflow (inflow) of resources - Liabilities	19,207
Recognition of current year outflow (inflow) of resources - Assets	36,241
Amortization of prior year outflow (inflow) of resources - Liabilities	0
Amortization of prior year outflow (inflow) of resources - Assets	0
Total Pension Expense	$ 844,402

NOTE 6 PENSION PLAN (Continued)

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Schedule of Outflows and Inflows - Current and Future Expenses	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 78,315	$ 0
Change in actuarial assumptions	0	0
Difference between projected and actual investment earnings	144,965	0
Contributions subsequent to the measurement date December 31, 2015	0	0
Total deferred outflow/inflow of resources	$ 223,280	$ 0

$55,448 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, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31, 2015	
2015	$ 55,448
2016	55,448
2017	55,448
2018	55,449
2019	1,487
Totals	$ 223,280

NOTE 7 POST RETIREMENT BENEFITS OTHER THAN PENSIONS

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an "other postemployment benefit," or OPEB.

The City offers supplemental death to:	Plan Year 2014	Plan Year 2015
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

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

The City's contributions to the TMRS SDBF for the years ended 2015, 2014 and 2013 were $10,608, $9,794 and $8,537, respectively, which equaled the required contributions each year.

NOTE 8 RISK MANAGEMENT

The City does not carry police officer professional liability, automobile physical damage or heavy equipment physical damage insurance.

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

NOTE 9 OPERATING LEASE OBLIGATIONS

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

NOTE 10 LONG-TERM DEBT

The following is a summary of the long-term debt activity for the year ended September 30, 2015:

	Beginning Balances	Additions	Reductions	Ending Balances	Amounts Due Within One Year
Governmental-type activities:					
Certificates of obligation, bonds and leases payable:					
Certificates of obligation	$ 4,750,000	$ 0	$ (255,000)	$ 4,495,000	$ 265,000
Refunding bonds payable	8,050,000	0	(1,020,000)	7,030,000	1,040,000
Capital lease obligation	773,491	0	(104,949)	668,542	109,719
	13,573,491	0	(1,379,949)	12,193,542	1,414,719
Deferred gain	88,345	0	(9,382)	78,963	0
Unamortized bond premium	151,665	0	(26,739)	124,926	0
	240,010	0	(36,121)	203,889	
Total certificates of obligations, bonds and capital leases	13,813,501	0	(1,416,070)	12,397,431	1,414,719
Other liabilities:					
Accrued compensated absences	845,515	35,103	0	880,618	0
Net pension liability	4,499,934	284,329	(750,954)	4,033,309	0
Total other liabilities	5,345,449	319,432	(750,954)	4,913,927	0
Governmental-type activities; Long-term liabilities	19,158,950	319,432	(2,167,024)	17,311,358	1,414,719
Business-type activities:					
Bonds and leases payable:					
Bonds payable	6,435,000	0	(500,000)	5,935,000	520,000
Lease payable	232,717	0	(56,260)	176,457	53,823
	6,667,717	0	(556,260)	6,111,457	573,823
Unamortized bond premium	213,754	0	(21,692)	192,062	0
Total bonds and lease payable	6,881,471	0	(577,952)	6,303,519	573,823
Accrued compensated absences	160,851	6,969	0	167,820	0
Meter deposits	117,091	3,412	0	120,503	0
Total other liabilities	277,942	10,381	0	288,323	0
Business-type activities; Long-term liabilities	$ 7,159,413	$ 10,381	$ (577,952)	$ 6,591,842	$ 573,823

NOTE 10 LONG-TERM DEBT (Continued)

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

The proceeds from the issuance of the Certificates of Obligation, Series 2008 (the Certificates) were used for the construction and equipping of a new fire station, improvements and extensions to the City's water treatment facilities, street improvements consisting of; drainage improvements, utility line relocations, sidewalks, curbs and gutters related thereto and the acquisition of land and right-of-ways and professional services rendered in connection with the construction and financing of the aforesaid projects. The principal and interest is payable from the proceeds of continuing direct annual ad valorem tax levied within the limits prescribed by law, against all taxable property within the City and are further secured by and payable from a limited pledge of the surplus net revenues derived from the operation of the City's waterworks and sewer system. The Certificates maturing on or after March 1, 2019, are subject to optional redemption, in whole or in part, on March 1, 2018, or on any date thereafter at redemption price equal to the principal amount thereof plus accrued interest. The interest rates on the Series 2008 Certificates vary from 4.00% to 4.50%.

Fiscal Year Ending September 30,	March 1, Principal	March 1, Interest	September 1, Interest	Annual Requirements
2016	$ 265,000	$ 95,101	$ 89,801	$ 449,902
2017	280,000	89,801	84,201	454,002
2018	290,000	84,201	78,401	452,602
2019	300,000	78,401	72,401	450,802
2020	315,000	72,401	66,023	453,424
2021-2025	1,775,000	258,676	220,919	2,254,595
2026-2028	1,270,000	57,523	29,257	1,356,780
Totals	$ 4,495,000	$ 736,104	$ 641,003	$ 5,872,107

NOTE 10 LONG-TERM DEBT (Continued)

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

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

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

Fiscal Year Ending September 30,	March 1, Principal	March 1, Interest	September 1, Interest	Annual Requirements
2016	$ 725,000	$ 64,038	$ 53,163	$ 842,201
2017	750,000	53,163	41,912	845,075
2018	770,000	41,912	28,438	840,350
2019	800,000	28,438	14,437	842,875
2020	825,000	14,437	0	839,437
Totals	$ 3,870,000	$ 201,988	$ 137,950	$ 4,209,938

NOTE 10 LONG-TERM DEBT (Continued)

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

On January 28, 2013 the City issued $3,475,000 of Tax and Waterworks and Sewer System Surplus Revenue Refunding Bonds, Series 2013 dated February 15, 2013 with an interest rate that varies from 2.00% to 3.00% to advance refund the remaining principal balance of $3,530,000 from the Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2004. The net proceeds of $3,710,678 (after payment of $34,667 in underwriting fees) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. This refunding decreases total debt service payments over the next 11 years by $514,762. The net present value savings of refunding the bonds amounted to $472,832. The City received $2,687 of accrued interest on the issuance of the Tax and Waterworks and Sewer System Surplus Revenue Refunding, Series 2013. The total cost of the issuance of the Tax and Waterworks and Sewer System Surplus Revenue Refunding, Series 2013 amounted to $77,246.

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

NOTE 10 LONG-TERM DEBT (Continued)

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

Fiscal Year Ending September 30,	March 1, Principal	March 1, Interest	September 1, Interest	Annual Requirements
2016	$ 315,000	$ 40,825	$ 37,675	$ 393,500
2017	330,000	37,675	34,375	402,050
2018	335,000	34,375	31,025	400,400
2019	335,000	31,025	27,675	393,700
2020	350,000	27,675	22,425	400,100
2021-2024	1,495,000	56,850	34,425	1,586,275
Totals	$ 3,160,000	$ 228,425	$ 187,600	$ 3,576,025

In accordance with GASB Statement No. 65 paragraph 15, debt issuance costs for the Tax and Waterworks and Sewer System Surplus Revenue Refunding Bonds, Series 2011 and Tax and Waterworks and Sewer System Surplus Revenue Refunding Bonds, Series 2013 has been recognized as an expense in the period incurred. Due to this change in accounting for debt issuance costs, there is a prior period adjustment on the Statement of Activities Governmental-wide in the amount of $187,069.

NOTE 10 LONG-TERM DEBT (Continued)

Capital Lease Obligation – Industrial Park

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

Fiscal Year Ending September 30,	January 31,		July 31,		Annual Requirements
	Principal	Interest	Principal	Interest	
2016	$ 54,250	$ 15,026	$ 55,469	$ 13,806	$ 138,551
2017	56,716	12,560	57,991	11,285	138,552
2018	59,294	9,982	60,627	8,649	138,552
2019	61,989	7,286	63,382	5,893	138,550
2020	64,807	4,469	66,264	3,012	138,552
2021	67,753	1,523	0	0	69,276
Totals	$ 364,809	$ 50,846	$ 303,733	$ 42,645	$ 762,033

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

Civic center	$ 110,986
Fire protection	193,613
Streets	43,882
Police	21,942
Parks	21,942
Planning	10,971
Inspection services	10,971
Total	$ 414,307

NOTE 10 LONG-TERM DEBT (Continued)

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

	Total Debt	Current
Certificates of obligation, Series 2008	$ 4,495,000	$ 265,000
Refunding bonds, Series 2011	3,870,000	725,000
Refunding bonds, Series 2013	3,160,000	315,000
Capital lease obligation	668,542	109,719
Total long-term debt	$ 12,193,542	$ 1,414,719

Business-Type Activities

Wise County Water Supply District Unlimited Tax Bonds, Series 2007

The proceeds from the issuance of the Series 2007 Bonds were used to construct improvements to the District's water supply and distribution facilities, which include improvements to storage facilities, replacement of water lines, improvements to water supply and intake facilities and the acquisition of land and to pay the costs of issuance of the Bonds. The Bonds constitute an unlimited tax obligation of the District. The principal thereof, and interest thereon are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the District without legal limit as to rate or amount. The District reserves the right at its option, to redeem the Unlimited Tax Bonds, Series 2007 maturing July 10, 2018 through July 10, 2024, or at any date after July 10, 2017 at par value thereof plus accrued interest to the date fixed for redemption. Interest rates for the Series 2007 Bonds vary from 4.50% to 5.00%.

Fiscal Year Ending	January 10,	July 10,		
September 30,	Interest	Principal	Interest	Annual Requirements
2016	$ 90,156	$ 245,000	$ 90,156	$ 425,312
2017	84,031	260,000	84,031	428,062
2018	77,531	270,000	77,531	425,062
2019	71,119	285,000	71,119	427,238
2020	64,350	295,000	64,350	423,700
2021-2025	215,438	1,700,000	215,438	2,130,876
2026-2027	28,737	800,000	28,737	857,474
Totals	$ 631,362	$ 3,855,000	$ 631,362	$ 5,117,724

NOTE 10 LONG-TERM DEBT (Continued)

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

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

The premium received is being amortized over the life of the bonds. The accrued interest was applied against the initial interest payment. The bonds are not subject to redemption prior to their stated maturity. The principal thereof, and the interest thereon are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the District without legal limit as to rate or amount.

Fiscal Year Ending September 30,	January 10, Interest	July 10, Principal	July 10, Interest	Annual Requirements
2016	$ 37,019	$ 275,000	$ 37,019	$ 349,038
2017	32,894	275,000	32,894	340,788
2018	28,769	285,000	28,769	342,538
2019	23,781	295,000	23,781	342,562
2020	18,619	305,000	18,619	342,238
2021-2022	19,500	645,000	19,500	684,000
Totals	$ 160,582	$ 2,080,000	$ 160,582	$ 2,401,164

In accordance with GASB Statement No. 65 paragraph 15, debt issuance costs for the Wise County Water Supply District Unlimited Tax Bonds, Series 2007 and Wise County Water Supply District, Unlimited Tax Refunding Bonds, Series 2011 has been recognized as an expense in the period incurred. Due to this change in accounting for debt issuance costs, there is a prior period adjustment on the Statement of Activities Government-Wide and the Statement of Revenues, Expenses and Changes in Net Assets Proprietary Funds in the amount of $137,450.

NOTE 10 LONG-TERM DEBT (Continued)

Capital Lease Obligation – Wastewater Equipment

The City of Decatur, Texas has entered into a capital lease agreement in the original amount of $296,740 to purchase wastewater equipment. The lease is payable in annual installments of $64,023 beginning January 15, 2014. The City has the option to purchase the equipment for one dollar ($1) at the end of the lease. The lease is collateralized by the value of the equipment. The net book value of the equipment was $222,555 at September 30, 2015. The stated interest rate on the lease is 3.125%.

Fiscal Year Ending September 30,	January 15, Principal	Interest	Annual Requirements
2016	$ 53,823	$ 10,200	$ 64,023
2017	60,202	3,821	64,023
2018	62,432	1,591	64,023
Totals	$ 176,457	$ 15,612	$ 192,069

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

	Total Debt	Current
Unlimited tax bonds, Series 2007	$ 3,855,000	$ 245,000
Unlimited tax refunding bonds, Series 2011	2,080,000	275,000
Capital lease obligation	176,457	53,823
Total long-term debt	$ 6,111,457	$ 573,823

Interest expenses and other financing benefits and costs charged to the business-type activities in the statement of activities amounted to $281,062.

NOTE 10 LONG-TERM DEBT (Continued)

Current Maturities of Long-Term Debt

The annual requirements to amortize all long-term debt outstanding as of September 30, 2015 including interest payments are as follows:

Fiscal Year Ending	Governmental-Type Activities		Business-Type Activities		Totals	
September 30,	Principal	Interest	Principal	Interest	Principal	Interest
2016	$ 1,414,719	$ 409,435	$ 573,823	$ 264,550	$ 1,988,542	$ 673,985
2017	1,474,707	364,972	595,202	237,671	2,069,909	602,643
2018	1,514,921	316,983	617,432	214,191	2,132,353	531,174
2019	1,560,371	265,556	580,000	189,800	2,140,371	455,356
2020	1,621,071	210,442	600,000	165,938	2,221,071	376,380
2021-2025	3,337,753	572,393	2,345,000	469,876	5,682,753	1,042,269
2026-2028	1,270,000	86,780	800,000	57,474	2,070,000	144,254
Totals	$ 12,193,542	$ 2,226,561	$ 6,111,457	$ 1,599,500	$ 18,304,999	$ 3,826,061

NOTE 11 RESTRICTED NET ASSETS

Restrictions are used to indicate that a portion of the net assets are not available for appropriation or expenditure, or are legally segregated for a specific future use. At September 30, 2015 the City of Decatur has restricted net assets as follows:

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

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

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

NOTE 12 COMMITMENTS AND CONTINGENCIES

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

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

NOTE 13 DUE TO/FROM OTHER FUNDS

The following is a summary of due to/from others funds at September 30, 2015:

	Due From Other Funds	Due To Other Funds
General Fund		
Special Revenue Funds	$ 21,129	$ 0
Debt Service Fund	0	629,850
Capital Project Fund	25,457	0
Proprietary Fund	0	2,918
General Fund Totals	46,586	632,768
Proprietary Fund		
General Fund	2,918	0
Special Revenue Funds		
General Fund	0	21,129
Debt Service Fund		
General Fund	629,850	0
Capital Project Fund		
General Fund	0	25,457
Totals	$ 679,354	$ 679,354

NOTE 13 DUE TO/FROM OTHER FUNDS (Continued)

The Special Revenue Funds owe the General Fund $21,129. This amount represents timing differences in the payment of invoices by the General Fund on behalf of the Special Revenue Funds and the reimbursement by the Special Revenue Funds to the General Fund to repay the debt. The Special Revenue Funds are continually repaying the General Fund.

The General Fund owes the Debt Service Fund $629,850. Periodically the General Fund transfers the interest and sinking portion of the property tax collections received from the Wise County Appraisal District to the Debt Service Fund. The interest and sinking portion of the property tax collections is used and restricted for the payment of the City's debt obligations. The $629,850 will be paid to the Debt Service Fund during the subsequent year.

The Capital Projects Fund owes the General Fund $25,457. This amount represents money that was collected by the Capital Projects Fund on behalf of the General Fund. The $25,457 will be repaid to the General Fund during the subsequent year.

The General Fund owes the Proprietary Fund $2,918 for postage allocation for the year. This amount represents timing differences in the payment of invoices by the Proprietary Fund on behalf of the General Fund and the reimbursement by the General Fund to the Proprietary will repaid during the subsequent year.

NOTE 14 OPERATING TRANSFERS

The following is a summary of operating transfers for the year ended September 30, 2015:

	Transfer To	Transfer From
General Fund	$ 398,763	$ 0
Proprietary Fund	0	398,763
Debt Service Fund	430,262	0
Special Revenue Funds	0	430,262
Total Operating Transfers	$ 829,025	$ 829,025

NOTE 14 OPERATING TRANSFERS (Continued)

The Proprietary Fund transferred $398,763 to the General Fund to assist in covering operating costs of the General Fund.

The Economic Development Corporation of the City of Decatur, Texas transferred $430,262 to the Debt Service Fund in fulfillment of a prior commitment to pay for specific debt.

NOTE 15 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following is a summary of the excess of General Fund expenditures over appropriations:

Expenditures	$ (10,269,617)
Appropriations	10,517,224
Excess of expenditures over appropriations	$ 247,607

NOTE 16 ADOPTION OF NEW ACCOUNTING STANDARDS

The City adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position*, in the current year. This statement provides guidance for the reporting of deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position, and related disclosures. Deferred outflows of resources are defined as consumption of net position by a government that is applicable to a future reporting period and deferred inflows of resources are defined as an acquisition of net position by a government that is applicable to a future reporting period. Net position is defined as the residual of all other elements presented in statement of financial position, being measured as the difference between (a) assets and deferred outflows or resources and (b) liabilities and deferred inflows of resources.

NOTE 16 ADOPTION OF NEW ACCOUNTING STANDARDS (Continued)

The City also adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities* in the current year. This statement establishes accounting and financial reporting that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets or liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows or resource and deferred inflows or resources, such as changes in the determination of the major fund calculations and limiting the use of the term "deferred" in financial statement presentations.

In accordance with GASB's Statement No. 65 paragraph 15, debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred.

To adopt the new governmental accounting standards the City recorded period adjustments. Governmental fund net assets were increased $563,885. Proprietary fund net assets were decreased $137,450.

The prior period adjustment is explained in more detail in Note 6 and 10.

NOTE 17 ECONOMIC DEVELOPMENT CORPORATION COMMITMENTS

The Economic Development Corporation of the City of Decatur, Texas (Corporation) entered into an incentive agreement during 2015. The remainder balance at September 30, 2015 is $842,086.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DECATUR, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Original	Final	Actual	Adjustments To Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues						
Ad valorem taxes, penalties and interest	$ 4,161,406	$ 4,161,406	$ 2,959,065	(1) $ 1,262,732	$ 4,221,797	$ 60,391
Sales taxes	2,643,214	2,643,214	2,658,842	0	2,658,842	15,628
Franchise, occupancy and other taxes	1,041,000	1,041,000	990,812	0	990,812	(50,188)
Interest on investments	3,000	3,000	3,707	0	3,707	707
Civic center	573,000	573,000	649,810	0	649,810	76,810
Building permits and inspection service fees	255,500	255,500	251,515	0	251,515	(3,985)
Court	635,000	635,000	572,037	0	572,037	(62,963)
Other	536,625	536,625	470,604	0	470,604	(66,021)
Total Revenues	9,848,745	9,848,745	8,556,392	1,262,732	9,819,124	(29,621)
Expenditures						
General government	1,177,143	1,177,143	1,266,320	0	1,266,320	(89,177)
Airport	127,425	127,425	132,163	0	132,163	(4,738)
Main street	145,759	145,759	136,094	0	136,094	9,665
Fire	1,127,215	1,127,215	1,130,429	0	1,130,429	(3,214)
Police	2,287,617	2,287,617	2,111,389	0	2,111,389	176,228
Animal control	76,756	76,756	74,386	0	74,386	2,370
Street	1,246,185	1,246,185	953,272	0	953,272	292,913
Library	563,653	563,653	491,043	0	491,043	72,610
Tax and court	277,607	277,607	234,090	0	234,090	43,517
Parks	443,567	443,567	444,237	0	444,237	(670)
Planning services	373,057	373,057	350,186	0	350,186	22,871
Inspection services	337,695	337,695	338,875	0	338,875	(1,180)
Cemetery	69,788	69,788	71,719	0	71,719	(1,931)
Civic center	904,792	904,792	903,923	0	903,923	869
Emergency management	21,974	21,974	15,561	0	15,561	6,413
Technology	0	0	25,753	0	25,753	(25,753)
Capital expenditures	68,500	68,500	327,445	0	327,445	(258,945)
Total Expenditures	9,248,733	9,248,733	9,006,885	0	9,006,885	241,848
Excess (Deficiency) of Revenues Over Expenditures	600,012	600,012	(450,493)	(1) 1,262,732	812,239	212,227
Other Financing Sources (Uses)						
Operating transfer in	668,479	668,479	398,763	0	398,763	(269,716)
Operating transfer out	(1,268,491)	(1,268,491)	0	(1,262,732)	(1,262,732)	5,759
Total Other Sources	(600,012)	(600,012)	398,763	(1,262,732)	(863,969)	(263,957)
Changes in Fund Balance	0	0	(51,730)	0	(51,730)	(51,730)
Fund Balance, September 30, 2014	1,045,649	1,045,649	1,045,649	0	1,045,649	0
Fund Balance, September 30, 2015	$ 1,045,649	$ 1,045,649	$ 993,919	$ 1,262,732	$ 993,919	$ (51,730)

(1) The City budgets the collection of property taxes in the General Fund for both maintenance and operations and interest and sinking purposes. After the property taxes are collected, the General Fund transfers to the Debt Service Fund the interest and sinking portion of the property taxes.

See accompanying notes to financial statements.

CITY OF DECATUR, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
AND RELATED RATIOS - EMPLOYEE PENSION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Texas Municipal Retirement System (TMRS)

(unaudited)

Total pension liability		
Service cost	$ 899,192	
Interest	1,270,814	
Change of benefit terms	0	
Difference between expected and actual experience	97,522	
Change of assumption	0	
Benefit payments, including refunds of employee contributions	(449,602)	
Net change in total pension liability	1,817,926	
Total pension liability - beginning	17,929,703	
Total pension liability - ending	19,747,629	**A**
Plan fiduciary net position		
Contributions - employer	783,353	
Contributions - employee	397,567	
Net investment income	811,445	
Benefit payments, including refunds of employee contributions	(449,620)	
Administrative expense	(8,470)	
Other changes	(696)	
Net change in plan fiduciary net position	1,533,579	
Plan fiduciary net position - beginning	14,180,723	
Plan fiduciary net position - ending	15,714,302	**B**
Net pension liability (A - B)	$ 4,033,327	**C**
Plan fiduciary net position as a percentage of the total pension liability (B / A)	79.58%	
Covered-employee payroll	$ 5,680,974	**D**
Net pension liability as a percentage of covered employee payroll (C / D)	71.00%	

See accompanying notes to financial statements.

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

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

To the Mayor and City Council
City of Decatur, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and the major funds of the City of Decatur, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Decatur, Texas basic financial statements and have issued our report thereon dated March 22, 2016.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Siegmund & Associates, LLC
Certified Public Accountants

March 22, 2016