

**WISE COUNTY WATER SUPPLY DISTRICT**

**FINANCIAL AUDIT REPORT**

**SEPTEMBER 30, 2013**

**WISE COUNTY WATER SUPPLY DISTRICT**  
**ANNUAL FINANCIAL AUDIT REPORT**  
**SEPTEMBER 30, 2013**

**TABLE OF CONTENTS**

<b><u>FINANCIAL SECTION</u></b>	<b><u>PAGE NO.</u></b>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-7
Government-Wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9
Statement of Cash Flows	10
Notes to Financial Statements	11-21
<b><u>TEXAS COMMISSION ON ENVIROMENTAL QUALITY SUPPLEMENTARY INFORMATION SECTION</u></b>	
Schedule of Revenues, Expenses and Changes in Fund Balance Budget and Actual	22
Services and Rates	23
Schedule of Business-Type Expenses	24
Taxes Levied and Receivable	25
Long-Term Debt Service Requirements – By Years	26-27
Long-Term Bonded Debt	28
Board Members, Key Personnel and Consultants	29-30

*M. Scott Siegmund, LLC*  
*Certified Public Accountants*

To the Board of Directors and General Manager  
of the Wise County Water Supply District

We have audited the accompanying statement of net assets, statement of activities and statement of cash flows of the Wise County Water Supply District as of and for the year ended September 30, 2013, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Wise County Water Supply District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Wise County Water Supply District as of September 30, 2013 and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 7 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and therefore express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Wise County Water Supply District's basic financial statements. The Texas Commission on Environmental Quality Supplementary Information section on pages 22 through 31 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Texas Commission on Environmental Quality Supplementary Information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

M. Scott Siegmund, LLC  
Certified Public Accountants

January 31, 2014

## **Wise County Water Supply District Management's Discussion and Analysis**

This discussion and analysis is intended to be an easily readable analysis of the Wise County Water Supply District (District) financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

### **Report Layout**

The report consists of a Management's Discussion and Analysis section, a statement of net assets, a statement of activities, a statement of cash flows, notes to the financial statements and supplementary information. The District reports only business-type financial statements. It is possible that other entities similar to the District could be reporting both governmental activities and business-type activities. However, since the District does not have or use any governmental activities or funds there will be no reporting or mentioning of these types of activities or funds in these financial statements.

### *Basic Financial Statements*

- The Statement of Net Assets focuses on resources available for future operations. In simple terms, this statement presents a snap-shot view of the assets the District owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts.
- The Statement of Activities focuses on gross and net costs of District's operations and the extent to which such operations rely upon general tax and other revenues.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the District's financial condition.

**Management’s Discussion and Analysis (Continued)**

*Statement of Net Assets*

A condensed version of the Statement of Net Assets:

<b>Net Assets at Year-End</b>			
(in thousands)			
	2013	2012	Increase (Decrease)
Cash and investments	\$ 580	\$ 637	\$ (57)
Other current assets	13	16	(3)
Capital assets	10,063	10,256	(193)
Other long-term assets	151	163	(12)
<b>Total assets</b>	<u>10,807</u>	<u>11,072</u>	<u>(265)</u>
Current liabilities	598	579	19
Long-term debt	6,435	6,920	(485)
Other long-term liabilities	235	257	(22)
<b>Total liabilities</b>	<u>7,268</u>	<u>7,756</u>	<u>(488)</u>
Net assets:			
Invested in capital assets, net of related debt	3,058	2,782	276
Restricted	350	420	(70)
Unrestricted	131	114	17
<b>Total net assets</b>	<u>\$ 3,539</u>	<u>\$ 3,316</u>	<u>\$ 223</u>

The District is committed to a joint venture with other area governments and entities to operate a water aeration system at Lake Bridgeport. The aeration system will improve the quality of the water taken from the lake and thus reduce the costs to treat the water at the plant. The District has yet to be billed for its proportionate share of the cost of the project because the operating efficiency of the water aeration system has not been proven. The District has funds remaining from the issuance of the 2007 unlimited tax bonds to pay for its share of the project.

## Management's Discussion and Analysis (Continued)

### Statement of Activities:

A condensed version of the Statement of Activities follows:

<b>Business-Type Activities</b>			
(in thousands)			
	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>
<u>Operating revenues</u>			
Charges for services	\$ 496	\$ 481	\$ 15
<u>Operating expenses</u>	<u>736</u>	<u>722</u>	<u>14</u>
Operating loss	<u>(240)</u>	<u>(241)</u>	<u>1</u>
<u>Non-operating revenues (expenses)</u>			
Property taxes	761	768	(7)
Interest income	1	1	0
Loss on sale of assets	0	(13)	13
Tax assessing and collecting fees	(21)	(21)	0
Interest expense	<u>(278)</u>	<u>(293)</u>	<u>15</u>
<u>Total non-operating revenue (expenses)</u>	<u>463</u>	<u>442</u>	<u>21</u>
Changes in net assets	223	201	22
Net assets at the beginning of the year	<u>3,316</u>	<u>3,115</u>	<u>201</u>
Net assets at the end of the year	<u>\$ 3,539</u>	<u>\$ 3,316</u>	<u>\$ 223</u>

The net assets of the District increased \$223 thousand over the previous year. The District purchased 510 million gallons of water during the current year costing \$440 thousand as compared to purchasing 552 million gallons of water during the previous year costing \$427 thousand. The amount of raw water purchased decreased 42 million gallons from the previous year and the cost of the raw water increased one cent per one thousand gallons from the previous year.

**Management’s Discussion and Analysis (Continued)**

**Capital Assets and Debt Administration**

*Capital Assets:*

At September 30, 2013 the District had a net \$10,063 thousand invested in capital assets, including raw water lines, pumps, an elevated storage tower, filter beds and other ground system improvements (infrastructure). This amount represents a net decrease (additions, deductions, and depreciation) of \$193 thousand over the previous year.

**Capital Assets at Year-End**  
(in thousands)

	2013	2012	Increase (Decrease)
Land	\$ 598	\$ 577	\$ 21
Electrical generators	857	850	7
Raw water line	3,785	3,785	0
Pumps	427	427	0
Elevated storage tower	829	829	0
Filter beds	434	434	0
Raw water storage tank	2,385	2,385	0
Treatment plant improvements	3,446	3,404	42
Totals	12,761	12,691	70
Less: Accumulated Depreciation	(2,698)	(2,435)	(263)
Totals	<u>\$ 10,063</u>	<u>\$ 10,256</u>	<u>\$ (193)</u>

*Debt Outstanding:*

At year-end, the District had \$6,920 thousand in bonds payable versus \$7,380 thousand last year, a decrease of \$460 thousand.



## Management's Discussion and Analysis (Continued)

### Debt Outstanding at Year-End

(in Thousands)

	2013	2012	Increase (Decrease)
Unlimited limited tax bonds - Series 2007	\$ 4,315	\$ 4,530	\$ (215)
Unlimited limited tax refunding bonds - Series 2011	2,605	2,850	(245)
Totals	<u>\$ 6,920</u>	<u>\$ 7,380</u>	<u>\$ (460)</u>

More detailed information on the Districts long-term liabilities is presented in the notes to the financial statements.

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

The annual budget is developed to provide efficient, effective and economic uses of the District's resources, as well as, a means to accomplish the highest priority objectives. Through the budget, the District's Board of Directors sets the direction of the District, allocates its resources and establishes its priorities.

In considering the District's budget for the year ended September 30, 2013 the Board of Directors and management considered the following factors:

- Property tax revenues are budgeted to remain level so that there are funds available to make the debt service payments.
- Capital improvements to the water distribution system.
- Overall anticipated increase in costs for goods and services.
- Debt service requirements.

The District routinely puts aside resources to deal with swings in the economy and to plan for future capital expansion.

### Financial Contact

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

**FINANCIAL SECTION**

**WISE COUNTY WATER SUPPLY DISTRICT**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2013**

Assets

Current Assets

Cash and cash equivalents, unrestricted	\$ 178,749	
Cash and cash equivalents, restricted for debt service	198,306	
Cash and cash equivalents, restricted for capital improvements	203,400	
Ad valorem taxes receivable	<u>13,362</u>	
<u>Total Current Assets</u>		\$ 593,817

Capital Assets

Water distribution system	12,184,620	
Land	577,386	
Less: Accumulated depreciation	<u>(2,698,635)</u>	
<u>Total Capital Assets</u>		10,063,371

Other Assets

Bond issue costs, net of amortization		<u>150,521</u>
<u>Total Assets</u>		<u>10,807,709</u>

Liabilities

Current Liabilities

Accounts payable	47,600	
Accrued interest payable	65,010	
Current maturities of bonds payable	<u>485,000</u>	
<u>Total Current Liabilities</u>		597,610

Non-Current Liabilities

Bonds payable, noncurrent portion	6,435,000	
Bonds premium, net of amortization	<u>235,446</u>	
<u>Total Non-Current Liabilities</u>		<u>6,670,446</u>

<u>Total Liabilities</u>		<u>7,268,056</u>
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Net Assets

Invested in capital assets, net of related debt	3,058,446	
Restricted for:		
Debt service	146,658	
Capital projects	203,400	
Unrestricted	<u>131,149</u>	
<u>Total Net Assets</u>		<u>\$ 3,539,653</u>

See accompanying notes to financial statements.

**WISE COUNTY WATER SUPPLY DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Operating Revenues

Sales of raw water	\$ 480,000	
Tower rental and miscellaneous	16,608	
<u>Total Operating Revenues</u>		\$ 496,608

Operating Expenses

Raw water purchases	440,264	
Depreciation	263,025	
Management fee	15,000	
Insurance	5,668	
Other	2,546	
Legal and accounting and auditing fees	10,000	
<u>Total Operating Expenses</u>		<u>736,503</u>
<u>Operating Income (Loss)</u>		(239,895)

Nonoperating Revenues (Expenses)

Ad valorem taxes	755,299	
Interest and penalty on ad valorem taxes	5,881	
Miscellaneous	455	
Interest income	1,310	
Amortization of bond premium	21,692	
Amortization of bond issue costs	(13,071)	
Debt service fees	(1,000)	
Tax assessing and collecting fees	(6,887)	
Interest expense	(300,676)	
<u>Total Nonoperating Revenues (Expenses)</u>		<u>463,003</u>

Change in Net Assets 223,108

Net Assets at the Beginning of the Year 3,316,545

Net Assets at the End of the Year \$ 3,539,653

See accompanying notes to financial statements.

**WISE COUNTY WATER SUPPLY DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Cash flows from operating activities:

Cash received from customers	\$ 496,608	
Cash payments to suppliers for goods and services	(476,647)	
<u>Net cash provided by operating activities</u>		\$ 19,961

Cash flows from noncapital financing activities:

Ad valorem taxes collected	758,064	
Proceeds from redemption of certificate of deposit	11,970	
Interest and penalty on property taxes collected	5,927	
Tax assessing and collecting fees	(6,887)	
<u>Net cash provided by noncapital financing activities:</u>		769,074

Cash flows from capital and related financing activities:

Miscellaneous	455	
Interest paid on long-term debt	(303,950)	
Principal paid on long-term debt	(460,000)	
Debt service fees	(1,000)	
Acquisition and construction of capital assets	(70,933)	
<u>Net cash used by capital and related financing activities</u>		(835,428)

Cash flows provided by investing activities:

Interest on investments		1,310
Net decrease in cash equivalents		(45,083)
Cash and cash equivalents at the beginning of the year		625,538
Cash and cash equivalents at the end of the year		\$ 580,455
Cash and cash equivalents, unrestricted		\$ 178,749
Cash and cash equivalents, restricted for debt service		198,306
Cash and cash equivalents, restricted for capital improvements		203,400
Total cash and cash equivalents at end of year		\$ 580,455

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

Operating loss		\$ (239,895)
Adjustments to reconcile the operating loss to net cash used by operating activities:		
Depreciation		263,025
Decrease in accounts payable		(3,169)
<u>Net cash provided by operating activities</u>		\$ 19,961

See accompanying notes to financial statements.

**WISE COUNTY WATER SUPPLY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013**

**NOTE 1**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Wise County Water Supply District conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. The District has implemented GASB Statement No. 34 and these statements are presented in accordance with those requirements. The following is a summary of the significant policies.

A. Description of the Reporting Entity

This report includes all funds of the Wise County Water Supply District. The District does not contain any component units.

The Wise County Water Supply District is a component unit of the City of Decatur, Texas.

The Wise County Water Supply District (District) is a political subdivision of the State of Texas and a municipal corporation. The District was created pursuant to the Constitution and Laws of the State of Texas, particularly Article XVI, Section 59 of the Texas Constitution and Chapter 268, Acts of the 53<sup>rd</sup> Legislature, Regular Session, 1953 as amended. The District operates under the Texas Water Code Chapter 49.

B. Basis of Accounting/Measurement Focus

The accounts of the District 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 comprise its assets, liabilities, fund equity, revenues, and expenditures. Governmental 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 District's Government-Wide Financial Statements include a Statement of Net Assets, a Statement of Activities (including Changes in Net Assets) and a Statement of Cash Flows. These statements present summaries of Business-Type Activities for the District.

**WISE COUNTY WATER SUPPLY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013**  
**(CONTINUED)**

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

B. Basis of Accounting/Measurement Focus (Continued)

These statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the District’s assets and liabilities, including capital assets and infrastructure as well as long-term debt, are included in the accompanying 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 with 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 instead as non-operating 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.

The District has selected the option to not follow private sector standards of accounting and financial reporting issued subsequent to November 30, 1989, for its propriety activities.

Propriety 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 propriety fund’s principal ongoing operations. Operating expenses for the proprietary fund include the cost of contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non operating revenues and expenses.

**Governmental Fund Financial Statements**

The District does not report any governmental funds.

**WISE COUNTY WATER SUPPLY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013**  
**(CONTINUED)**

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

C. Budgetary Policy and Control

- Budgetary Basis of Accounting

The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America and is used as a management control device. An annual budget is adopted for the District. The District maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the Board of Directors. 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. The budgeted amounts presented are the originally adopted budget and the budget as further amended by the Board of Directors.

- Continuing Appropriations

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

D. Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash in checking accounts and interest-bearing accounts.

E. Investments

Investments are shown at fair value; except when they have a remaining maturity at the time of purchase of one year or less, they are shown at amortized cost. Fair value is based on quoted market prices.

F. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the Statement of Net Assets.



**WISE COUNTY WATER SUPPLY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013**  
**(CONTINUED)**

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

G. Capital Assets

Capital assets, which include raw water lines, electrical generators, pumps, an elevated storage tower, filter beds and other general system improvements (infrastructure) are recorded at historical cost whether purchased or constructed.

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 financial statements on a straight-line basis over the estimated useful lives of the assets as follows:

<u>Assets</u>	<u>Years</u>
Raw water line	50
Electrical generators	50
Raw water storage tank	50
Pumps	50
Elevated storage tower	50
Filter beds	15
Raw water storage tank	50
Treatment plant improvements	50

H. Bond Issue Costs, net of amortization

Bond issue costs are deferred and amortized using the straight-line method over the term of the debt issue.

I. Bond Premium, net of amortization

Bond premium is deferred and amortized using the straight-line method over the term of the debt issue.

J. 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.

**WISE COUNTY WATER SUPPLY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013**  
**(CONTINUED)**

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

K. Claims and Judgments Payable

The District 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 Statement of Net Assets.

L. Use of Restricted Resources

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

M. Use of Estimates

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

**NOTE 2**      **LEGAL COMPLIANCE**

Stewardship, compliance, and accountability are key concepts in defining the responsibilities of the Wise County Water Supply District. The use of budgets and monitoring of equity status facilitate the District's compliance with legal requirements.

Budgetary Process

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

Prior to the end of the fiscal year, the General Manager submits to the Board of Directors a proposed operating budget for the fiscal year commencing October 1. The budget is prepared by fund, function and activity, and includes proposed expenditures and the means of financing them.

**WISE COUNTY WATER SUPPLY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013**  
**(CONTINUED)**

**NOTE 2**      **LEGAL COMPLIANCE (Continued)**

A public hearing is conducted to obtain taxpayer comments.

Prior to October 1, the budget is legally enacted by a board resolution.

The General 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 Board of Directors.

The key dates affecting the budget for the fiscal period ended September 30, 2013 are as follows:

General Manager recommended budget and ad valorem tax rate to Board of Directors	August 17, 2012
Public hearing to consider proposed ad valorem tax rate	August 31, 2012
Adoption of annual budget	September 14, 2012
Adoption of ad valorem tax rate	September 14, 2012
Beginning of fiscal period	October 1, 2012
Tax bills rendered for period ended September 30, 2012	October 1, 2012
Tax collection dates	October 1, 2012-January 31, 2013
Tax bills become delinquent	February 1, 2013

The budget of the District is adopted on a basis consistent with generally accepted accounting principles.

**NOTE 3**      **DEPOSITS AND INVESTMENTS**

Deposits and investments at September 30, 2013 totaling \$580,455 are as follows:

Deposits – At September 30, 2013, the carrying amount of the District’s deposits are \$580,455. The total amount is in checking and money market accounts.

The bank deposits are covered by federal depository insurance and collateral pledged by the custodial bank, which was in excess of \$580,455 at September 30, 2013.

**WISE COUNTY WATER SUPPLY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013**  
**(CONTINUED)**

**NOTE 4**      **AD VALOREM TAXES RECEIVABLE**

Ad valorem taxes receivable at September 30, 2013, consist of \$13,362 of delinquent property taxes. Property 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, 2013 was \$.1275 per \$100 of assessed taxable property value. The certified taxable property value amounted to \$592,451,180. 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.

**NOTE 5**      **CHANGES IN CAPITAL ASSETS**

The changes in the capital assets during the period ended September 30, 2013 were as follows:

<u>Description</u>	<u>Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year</u>
Capital assets not being depreciated:				
Land	\$ 577,386	\$ 0	\$ 0	\$ 577,386
Total capital assets not being depreciated	<u>577,386</u>	<u>0</u>	<u>0</u>	<u>577,386</u>
Other capital assets:				
Raw water line	3,784,772	0	0	3,784,772
Pumps	427,040	0	0	427,040
Elevated storage tower	828,723	0	0	828,723
Electrical generators	849,631	7,162	0	856,793
Filter beds	434,692	0	0	434,692
Raw water storage tank	2,384,759	0	0	2,384,759
Treatment plant improvements - infrastructure	3,404,070	63,771	0	3,467,841
Total other capital assets	<u>12,113,687</u>	<u>70,933</u>	<u>0</u>	<u>12,184,620</u>
Totals	12,691,073	70,933	0	12,762,006
Accumulated depreciation	<u>(2,435,610)</u>	<u>(263,025)</u>	<u>0</u>	<u>(2,698,635)</u>
Totals	<u>\$ 10,255,463</u>	<u>\$ (192,092)</u>	<u>\$ 0</u>	<u>\$ 10,063,371</u>

**WISE COUNTY WATER SUPPLY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013**  
**(CONTINUED)**

**NOTE 5**      **CHANGES IN CAPITAL ASSETS (Continued)**

Depreciation expense for the year ended September 30, 2013 charged to the water distribution system amounted to \$263,025.

**NOTE 6**      **RISK MANAGEMENT**

The District does not have any employees; therefore, the District does not carry any employment related insurance. The District maintains insurance on the pumps and plant, commercial fire, and surety bonds for the board members and the general manager.

**NOTE 7**      **LONG-TERM DEBT**

Long-term debt transactions for the period ended September 30, 2013 are summarized as follows:

<u>Description</u>	<u>Balance September 30, 2012</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Balance September 30, 2013</u>
Series 2011	\$ 2,850,000	\$ 0	\$ 245,000	\$ 2,605,000
Series 2007	4,530,000	0	215,000	4,315,000
Totals	<u>\$ 7,380,000</u>	<u>\$ 0</u>	<u>\$ 460,000</u>	<u>\$ 6,920,000</u>

**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 which 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 the refunding the bonds amounted 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 cost of the insurance of the Unlimited Tax Refunding Bonds, Series 2011 amounted to \$65,689.

**WISE COUNTY WATER SUPPLY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013**  
**(CONTINUED)**

**NOTE 7**      **LONG-TERM DEBT (Continued)**

**Unlimited Tax Refunding Bonds, Series 2011 (Continued)**

The premium received and the cost of issuance is being amortized over the life of the bonds. 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. At September 30, 2013 the District had \$2,605,000 of Series 2011 Bonds outstanding.

**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 includes improvements to storage facilities, replacement of water lines, two new backup electrical generators, improvements to water supply and intake facilities, the acquisition of land and to pay the costs of issuance of the Bonds. The Bonds constitute 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%. At September 30, 2013 the District had \$4,315,000 of Series 2007 Bonds outstanding.

The annual aggregate maturities for the years subsequent to September 30, 2013 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 485,000	\$ 289,375	\$ 774,375
2015	500,000	274,050	774,050
2016	520,000	254,351	774,351
2017	535,000	233,849	768,849
2018	555,000	212,600	767,600
2019-2023	2,800,000	698,488	3,498,488
2024-2027	1,525,000	184,600	1,709,600
Totals	<u>\$ 6,920,000</u>	<u>\$ 2,147,313</u>	<u>\$ 9,067,313</u>

The District is in compliance with bond covenants and has \$198,306 of cash in a restricted account available to service the bonds.

**WISE COUNTY WATER SUPPLY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013**  
**(CONTINUED)**

**NOTE 8**      **RESTRICTED NET ASSETS**

Restrictions are used to indicate that a portion of the net assets are not available for appropriation or expenditure, or is legally segregated for a specific future use. At September 30, 2013 the District had restricted net assets as follows:

Restricted for Debt Service – Represents the amount available for the payment of principal and interest for the 2007 and 2011 Unlimited Tax Bonds.

Restricted for Capital Projects – Represents the amount available from the issuance of the Unlimited Tax Bonds, Series 2007 for the construction of improvements to the District’s water supply and distribution facilities and water treatment plant facilities.

**NOTE 9**      **COMMITMENTS AND CONTINGENCIES**

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

**NOTE 10**      **MANAGEMENT FEE**

The District does not employ any personnel due to the limited scope of the operations. The general manager of the District is an employee of the City of Decatur, Texas. Management fees of \$15,000 represent a reimbursement to the City of Decatur, Texas for the management services of this employee. The City of Decatur, Texas pays the pension obligation of this employee.

**NOTE 11**      **CONTRACTS**

A. Raw Water Supply

The District purchases its supply of raw water from the Tarrant Regional Water District (TRWD). The contract expires on September 10, 2037. The cost of raw water is adjusted annually on October 1<sup>st</sup> by the TRWD. The cost of raw water for the year ended September 30, 2013 was \$440,264.

**WISE COUNTY WATER SUPPLY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013**  
**(CONTINUED)**

**NOTE 11**      **CONTRACTS (Continued)**

B. Assessment of Property Taxes

On January 1, 2013 the District entered into an assessment contract with the Wise County Appraisal District for the assessment of the District's property taxes. The contract is for a period of one year. The cost of the assessment of property taxes for the year ended September 30, 2013 was \$6,887.

C. Sale of Raw Water

The District has a contract with the City of Decatur, Texas (City) to provide raw water to the City's water treatment plant. The contract is renewed annually. The City is the District's only customer. The amount received from the City for the sale of raw water for the year ended September 30, 2013 was \$480,000.

D. Rental of Elevated Tower Space

The District leases space on its elevated storage tower to two telecommunication companies for antenna sites. The initial terms of the leases are for periods of five years with monthly rental payments. The telecommunication companies have the option of renewing the leases for additional periods of five years with increased rental payments. The amount received for rental of space on the elevated storage tower for the year ended September 30, 2013 was \$16,608.

E. Construction

The District is in a joint venture with several other area governments and entities to install a water aeration system at the lake. The aeration system will improve the quality of the water taken from the lake and reduce the costs to treat the water. The District's portion of the cost of the project is estimated to be \$143,000. The project is being administered by the regional water district that owns the lake.

The District has funds available to pay for the project from the issuance 2007 Unlimited Tax Bonds.



**TEXAS COMMISSION ON ENVIRONMENTAL QUALITY**  
**SUPPLEMENTARY INFORMATION SECTION**

**WISE COUNTY WATER SUPPLY DISTRICT**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Budgeted Amounts (1)		Actual (2) (Statement of Activities)	Adjustments To Budgetary Basis (3)	Actual on Budgetary Basis (Fund Accounting)	Variance with Final Budget Positive (Negative)
	Original	Original				
<u>Operating Revenues</u>						
Sale of raw water	\$ 480,000	\$ 480,000	\$ 480,000	\$ -	\$ 480,000	\$ -
Tower rental	16,200	16,200	16,608		16,608	408
<b>Total Operating Revenues</b>	<b>496,200</b>	<b>496,200</b>	<b>496,608</b>	<b>0</b>	<b>496,608</b>	<b>408</b>
<u>Operating Expenses</u>						
Raw water purchases	448,700	448,700	440,264		440,264	8,436
Depreciation	0	0	263,025	(263,025) (4)	0	0
Engineering	1,000	1,000	0		0	1,000
Management fee	15,000	15,000	15,000		15,000	0
Insurance	9,000	9,000	5,668		5,668	3,332
Other	5,400	5,400	2,546		2,546	2,854
Legal and accounting and auditing fees	10,500	10,500	10,000		10,000	500
<b>Total Operating Expenses</b>	<b>489,600</b>	<b>489,600</b>	<b>736,503</b>	<b>(263,025)</b>	<b>473,478</b>	<b>16,122</b>
<b>Operating Income</b>	<b>6,600</b>	<b>6,600</b>	<b>(239,895)</b>	<b>263,025</b>	<b>23,130</b>	<b>16,530</b>
<u>Nonoperating Revenues (Expenses)</u>						
Property taxes	744,500	744,500	755,299	(2,584) (5)	752,715	8,215
Interest and penalty on property taxes	7,000	7,000	5,881		5,881	(1,119)
Miscellaneous	700	700	455		455	(245)
Interest income	1,500	1,500	1,310		1,310	(190)
Amortization of bond premium	0	0	21,692	(21,692) (6)	0	0
Amortization of bond issue costs	0	0	(13,071)	13,071 (7)	0	0
Debt service fees	(1,000)	(1,000)	(1,000)		(1,000)	0
Tax assessing and collecting fees	(7,200)	(7,200)	(6,887)		(6,887)	313
Interest expense	(304,000)	(304,000)	(300,676)	(3,274) (8)	(303,950)	50
Principal payments on bonds	(460,000)	(460,000)	0	(460,000) (9)	(460,000)	0
Capital outlay	(200,000)	(200,000)	0	(70,933) (10)	(70,933)	129,067
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(218,500)</b>	<b>(218,500)</b>	<b>463,003</b>	<b>(545,412)</b>	<b>(82,409)</b>	<b>136,091</b>
<b>Change in Net Assets</b>	<b>(211,900)</b>	<b>(211,900)</b>	<b>223,108</b>	<b>(282,387)</b>	<b>(59,279)</b>	<b>152,621</b>
<b>Net Assets at the Beginning of the Year</b>	<b>3,316,545</b>	<b>3,316,545</b>	<b>3,316,545</b>		<b>3,316,545</b>	<b>0</b>
<b>Net Assets at the End of the Year</b>	<b>\$ 3,104,645</b>	<b>\$ 3,104,645</b>	<b>\$ 3,539,653</b>	<b>\$ (282,387)</b>	<b>\$ 3,257,266</b>	<b>\$ 152,621</b>

Notes:

- (1) The District budgets using fund accounting which is a different basis of accounting than is used to prepare the Statement of Activities.
- (2) The actual revenues and expenses are presented on an "economic resources" measurement focus and the accrual basis of accounting (Statement of Activities).
- (3) The adjustments made to the actual (Statement of Activities) are to convert the revenues and expenses to the fund accounting basis used by the District for budgetary purposes.
- (4) The District does not budget depreciation expense.
- (5) The District budgets the collection of property taxes on the cash basis of accounting.
- (6) The District does not budget the amortization of the bond premium.
- (7) The District does not budget the amortization of the bond issuance costs.
- (8) The District budgets the interest paid on the bonds on the cash basis of accounting.
- (9) The District budgets the repayment of the principal portion of the bonds.
- (10) The District budgets capital expenditures.

**WISE COUNTY WATER SUPPLY DISTRICT**  
**SERVICES AND RATES**  
**SEPTEMBER 30, 2013**

1. Services Provided by the District:

- |  |   |                                     |
|--|---|-------------------------------------|
| <input type="checkbox"/> Retail Water  | <input type="checkbox"/> Wholesale Water      | <input type="checkbox"/> Drainage   |
| <input type="checkbox"/> Retail Wastewater   | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation  | <input type="checkbox"/> Fire Protection      | <input type="checkbox"/> Security   |
| <input type="checkbox"/> Solid Waste/Garbage   | <input type="checkbox"/> Flood Control        | <input type="checkbox"/> Roads      |
| <input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)  |   |                                     |
| <input checked="" type="checkbox"/> Other (specify): <u>The District purchases untreated water from the Tarrant Regional Water District and sells 100% of the untreated water to the City of Decatur, Texas.</u> |   |                                     |

2. Total Water Consumption (In Thousands) During The Fiscal Year:

Gallons pumped into system: 510,145,000 (1) Water Accountability Ratio:

Gallons billed to customers: 510,145,000      100%

(1) All untreated water purchased was sold to the City of Decatur, Texas.

**WISE COUNTY WATER SUPPLY DISTRICT**  
**SCHEDULE OF BUSINESS-TYPE EXPENSES**  
**SEPTEMBER 30, 2013**

Personnel Expenses (including benefits)	\$ _____
Professional Fees:	
Auditing	_____ 10,000
Legal	_____
Engineering	_____
Financial Advisor	_____
Purchased Services For Resale	
Bulk Water Purchased	_____ 440,264
Tap Connection Expenditures	_____
Contracted Services:	
Bookkeeping	_____
General Manager (Management Fee)	_____ 15,000
Appraisal District	_____ 6,887
Tax Collector	_____
Other Contracted Services (debt service fees)	_____
Utilities	_____
Repairs and Maintenance	_____
Administrative Expenses:	
Directors' Fees	_____
Office Supplies	_____
Insurance	_____ 5,668
Other Administrative Expenditures	_____ 3,546
Capital Outlay:	
Depreciation	_____ 263,025
Amortization	_____ 13,071
Solid Waste Disposal	_____
Fire Fighting	_____
Parks and Recreation	_____
Other Expenses:	
Interest	_____ 278,984
<b>TOTAL EXPENSES</b>	<b>\$ <u>1,036,445</u></b>

Number of persons employed by the District:   0   Full-Time   0   Part-Time  
(Do not include independent contractors or consultants)

**WISE COUNTY WATER SUPPLY DISTRICT**  
**TAXES LEVIED AND RECEIVABLE**  
**SEPTEMBER 30, 2013**

Debt Service Taxes

Taxes Receivable, Beginning of Year \$ 15,946

2012 Original Tax Levy \$ 755,375  
Less: Adjustments 4

Total to be accounted for 755,379

Tax Collections:

Current Year (750,441)  
Prior Years (7,530)

Total Collections (757,971)

Other:

Current Year Supplements 1,723  
Prior Year Supplements 1,573  
Current Year Adjustments (1,316)  
Prior Year Adjustments (1,972)

Total Other 8

Taxes Receivable, End of Year \$ 13,362

Taxes Receivable, By Years

Prior 2,174  
2008 1,019  
2009 1,313  
2010 1,536  
2011 2,293  
2012 5,027

Taxes Receivable, End of Year \$ 13,362

Property Valuations:

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Real Property	\$ 438,353,450	\$ 435,513,093	\$ 426,500,888	\$ 426,009,471	\$ 392,207,439
Personal Property	67,567,330	59,239,010	55,791,210	61,173,808	68,671,019
Minerals/Utilities	<u>86,530,400</u>	<u>87,359,620</u>	<u>98,412,000</u>	<u>73,024,760</u>	<u>101,955,480</u>
Total Property Valuations	<u>\$ 592,451,180</u>	<u>\$ 582,111,723</u>	<u>\$ 580,704,098</u>	<u>\$ 560,208,039</u>	<u>\$ 562,833,938</u>

Tax Rates Per \$100 Valuation:

Debt service tax rates	<u>\$ 0.1275</u>	<u>\$ 0.130</u>	<u>\$ 0.135</u>	<u>\$ 0.145</u>	<u>\$ 0.145</u>
------------------------	------------------	-----------------	-----------------	-----------------	-----------------

Original Tax Levy:	<u>\$ 755,375</u>	<u>\$ 756,745</u>	<u>\$ 783,951</u>	<u>\$ 812,302</u>	<u>\$ 816,109</u>
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Percent of Taxes Collected  
to Taxes Levied

	<u>99%</u>	<u>99%</u>	<u>99%</u>	<u>99%</u>	<u>99%</u>
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**WISE COUNTY WATER SUPPLY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS**  
**SEPTEMBER 30, 2013**

Unlimited Tax Bonds, Series 2007			
Due During Fiscal Years Ending	Principal Due 07/01	Interest Due 01/10,07/10	Totals
2014	\$ 225,000	\$ 202,188	\$ 427,188
2015	235,000	192,062	427,062
2016	245,000	180,313	425,313
2017	260,000	168,062	428,062
2018	270,000	155,063	425,063
2019	285,000	142,237	427,237
2020	295,000	128,700	423,700
2021	310,000	115,425	425,425
2022	325,000	101,475	426,475
2023	340,000	86,850	426,850
2024	355,000	71,550	426,550
2025	370,000	55,575	425,575
2026	390,000	38,000	428,000
2027	410,000	19,475	429,475
<b>SERIES 2007 TOTALS</b>	<b>\$ 4,315,000</b>	<b>\$ 1,656,975</b>	<b>\$ 5,971,975</b>

Unlimited Tax Refunding Bonds, Series 2011			
Due During Fiscal Years Ending	Principal Due 07/01	Interest Due 01/10,07/10	Totals
2014	\$ 260,000	\$ 87,187	\$ 347,187
2015	265,000	81,988	346,988
2016	275,000	74,038	349,038
2017	275,000	65,787	340,787
2018	285,000	57,537	342,537
2019	295,000	47,562	342,562
2020	305,000	37,237	342,237
2021	315,000	25,800	340,800
2022	330,000	13,200	343,200
<b>SERIES 2011 TOTALS</b>	<b>\$ 2,605,000</b>	<b>\$ 490,336</b>	<b>\$ 3,095,336</b>

**WISE COUNTY WATER SUPPLY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**(ALL BONDED DEBT SERIES) BY YEARS**  
**SEPTEMBER 30, 2013**

<u>Due During Fiscal Years Ending</u>	<u>Annual Requirements for All Series</u>		
	<u>Principal Due 07/01</u>	<u>Interest Due 01/10,07/10</u>	<u>Totals</u>
2014	\$ 485,000	\$ 289,375	\$ 774,375
2015	500,000	274,050	774,050
2016	520,000	254,351	774,351
2017	535,000	233,849	768,849
2018	555,000	212,600	767,600
2019	580,000	189,799	769,799
2020	600,000	165,937	765,937
2021	625,000	141,225	766,225
2022	655,000	114,675	769,675
2023	340,000	86,850	426,850
2024	355,000	71,550	426,550
2025	370,000	55,575	425,575
2026	390,000	38,000	428,000
2027	410,000	19,475	429,475
TOTAL BONDS PAYABLE	\$ 6,920,000	\$ 2,147,311	\$ 9,067,311

**WISE COUNTY WATER SUPPLY DISTRICT**  
**CHANGE IN LONG-TERM BONDED DEBT**  
**SEPTEMBER 30, 2013**

	BOND ISSUES		
	Series 2011	Series 2007	Totals
Interest Rate	2.00%-4.00%	4.50% -5.00%	
Dates Interest Payable	7/10;1/10	7/10;1/10	
Maturity Dates	7/10/11 to 7/10/2022	7/10/08 to 7/10/2027	
Bonds Outstanding at Beginning of Current Year	\$ 2,850,000	\$ 4,530,000	\$ 7,380,000
Bonds Sold During the Current Year	0	0	0
Retirements During the Current Year	(245,000)	(215,000)	(460,000)
Bonds Outstanding at End of Current Year	\$ 2,605,000	\$ 4,315,000	\$ 6,920,000
Interest Paid During the Current Year	\$ 92,088	\$ 211,863	\$ 303,950

Paying Agent's Name & City:

Series 2011	The Bank of New York
Series 2007	The Bank of New York

Bond Authority:

	Tax Bonds	Other Bonds	Refunding Bonds
Amount Authorized By Voters	\$ 4,530,000	\$ 0	\$ 2,850,000
Amount Issued	(4,530,000)	0	(2,850,000)
Remaining To Be Issued	\$ 0	\$ 0	\$ 0

Debt Service Cash and Temporary Investments:

Balances as of September 30, 2013 \$ 198,306

Average annual Debt Service payment (Principal & Interest) for remaining term of all debt:

\$ 647,665



**WISE COUNTY WATER SUPPLY DISTRICT**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**SEPTEMBER 30, 2013**

Complete District Mailing Address:  
 District Business Telephone Number:

P.O. Box 1299, Decatur, Texas 76234  
 (940) 627-2741

Names and Addresses:	Term of Office (Elected or Appointed) or Date Hired	Expense Fees (9/30/2013)	Reimbursement (9/30/2013)	Title at Year End	Resident of District?
Sam Renshaw 800 S. Stratton Decatur, Texas 76234	(Appointed) 05/2013 to 05/2015	\$ -0-	-0-	President	Yes
J.E. Carson 1603 S. Cliff Decatur, Texas 76234	(Appointed) 05/2013 to 05/2015	-0-	-0-	Vice-President	Yes
Roy Eaton 1801 S. College Decatur, Texas 76234	(Appointed) 05/2013 to 05/2015	-0-	-0-	Secretary	Yes
Gary Cocanougher 402 Waggoner Decatur, Texas 76234	(Appointed) 05/2012 to 05/2014	-0-	-0-	Director	Yes
Dwight Reeves P.O. Box 779 Decatur, Texas 76234	(Appointed) 05/2012 to 05/2014	-0-	-0-	Director	Yes
<b>TOTALS</b>		<b>\$ -0-</b>	<b>-0-</b>		

Note: No director is disqualified from serving on this board under the Texas Water Code.

WISE COUNTY WATER SUPPLY DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
SEPTEMBER 30, 2013  
(CONTINUED)

Names and Address:	Term of Office (Elected or Appointed) or Date Hired	Fees (9/30/2013)	Reimbursement (9/30/2013)	Title at Year End
<b>Key Administrative Personnel:</b>				
Brett Shannon P.O. Box 742 Decatur, Texas 76234	Annually	\$ 15,000 (1)	0	General Manager
Woodruff & Wren L.L.P. 100 N. Trinity Decatur, Texas 76234	As Needed	0	0	Attorneys
Kimley - Horn and Associates, Inc. 801 Cherry St., Unit 11, Suite 958 Fort Worth, Texas 76102	As Needed	0	0	Engineering Firm
Wise County Appraisal District 206 S. State Street Decatur, Texas 76234	Annually	6,887	0	Tax Collector
M Scott Siegmund, LLC PO Box 1989 Decatur, TX 76234	Annually	10,000	0	Auditor
<b>Investment Officers:</b>				
Sentry Management Inc. P.O. Box 170 Wichita Falls, Texas 76307	As Needed	0	0	Financial Advisors
<b>TOTALS</b>		<u>\$ 31,887</u>	<u>0</u>	

(1) Paid to the City of Decatur, Texas