

CITY OF WHITEWRIGHT, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
SEPTEMBER 30, 2019

City of Whitewright, Texas
Annual Financial Report
For the Year Ended September 30, 2019

TABLE OF CONTENTS

	PAGE
FINANCIAL SECTION	
Independent Auditor's Report.....	1-2
<u>Required Supplementary Information:</u>	
Management's Discussion and Analysis.....	3-7
<u>Basic Financial Statements:</u>	
<u>Government-Wide Financial Statements:</u>	
Statement of Net Position.....	8
Statement of Activities.....	9
<u>Fund Financial Statements:</u>	
Balance Sheet - Governmental Fund.....	10
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position.....	11
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Fund.....	12
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	13
Statement of Net Position - Proprietary Fund.....	14
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund.....	15
Statement of Cash Flows - Proprietary Fund.....	16
Notes to the Financial Statements.....	17-46
<u>Required Supplementary Information:</u>	
General Fund Budgetary Comparison - Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual.....	47
Schedule of Changes in Net Pension Liability and Related Ratios - TMRS- Last Ten Measured Years	48
Schedule of Contributions to Pension Plan - TMRS - Last Ten Fiscal Years.....	49
Schedule of Changes in Total OPEB Liability and Related Ratios - TMRS - Last Ten Measured Years.....	50
Schedule of Contributions to OPEB Plan - TMRS - Last Ten Fiscal Years.....	51



INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Whitewright, Texas

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Whitewright, Texas as of and for the year ended September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 3-7, General Fund Budgetary Comparison Schedule on page 47, and TMRS Pension and OPEB information on pages 48-51 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.

LaFollett & Company PLLC

LaFollett & Company PLLC
Tom Bean, Texas
September 1, 2020

**CITY OF WHITEWRIGHT, TEXAS,
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of City of Whitewright's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2019. Please read it in conjunction with the City's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of FY19 by \$2,918,452. This is a decrease of \$129,245 from FY18's net position value of \$3,047,697. Unrestricted net position at the close of FY19 is \$301,475 and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$129,245 or 4%, as a result of an overall increase in governmental expenditures and a prior period adjustment.
- The City's General Fund on page 10 and 12 reported an ending fund balance of \$303,762, which is a decrease of \$52,295 and a prior period adjustment of \$20,248 in comparison with the prior year decrease of \$285,496.
- The unassigned General Fund balance of \$282,292 (93%) is available for spending at the City's discretion. The remainder of the governmental fund balance is nonspendable or restricted for the library, court security and technology, and streets. For 2019, the General Fund had approximately \$115,775 in monthly expenses, so the unassigned fund balance of \$282,292 represents 2.44 months of expenses.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 8 and 9). These provide information about the activities of the City as a whole and present a long-term view of the City's financial condition. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 10) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. Governmental fund statements tell how services were financed in short-term, as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for funding requests. Proprietary fund financial statements report activity for the City's water, sewer, and sanitation operations.

The notes to the financial statements (starting on page 17) provide narrative explanations or additional data needed for full disclosures for the government-wide statements and the fund financial statements.

Reporting the City as a Whole – Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities

Government-wide financial statements, which provide an analysis of the City's overall financial condition and operation, begin on page 8. The primary objective of these statements is to show whether the City's financial condition has improved or deteriorated as a result of the year's activities.

The Statement of Net Position includes all the City's assets, deferred inflow and outflows, and liabilities (including long-term items) while the Statement of Activities includes all the revenue and expenses generated by the City's operations during the year.

Government-wide statements utilize the accrual basis of accounting, which is the same method used by most private sector companies.

All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. The City's revenue is divided into the following categories: 1) charges for services, 2) operating grants and contributions, 3) capital grants and contributions, 4) general revenues not associated with any specific program function. All of the City's assets are reported whether they serve the current or future years. Liabilities are also reported regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and changes in them. The City's net position (the difference between assets and liabilities) provide one measure of the City's financial health or financial position. Over time, increases or decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City however, you should consider non-financial factors as well, such as changes in the City's request for services from citizens and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, the City has two kinds of activities, as well as, the component units:

Governmental Activities – City services such as police, fire protection and ambulance services, municipal court, library, City administration, and interest on long-term debt are reported here. City property taxes and charges for services finance most of these activities.

Business-Type Activities - The City uses proprietary (business-type) funds to account for its water, sewer, and sanitation operations. The services are supported by monthly charges to citizens.

Discretely Presented Component Units - The Economic Development Corporation (EDC) and Community Development Corporation (CDC) are reported in separate columns to emphasize that they are separate entities.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 10 and provide detailed information about the most significant funds. The City's two kinds of funds-governmental and proprietary – use different accounting approaches.

Governmental Funds – The City reports most of its basic services in governmental funds. Governmental funds use the modified accrual basis of accounting (a method that measures the receipt and disbursement of cash and other financial assets that can be readily converted to cash) and they report balances that are available for future spending. Governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the accounting differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules found on pages 11 and 13.

Proprietary Funds – The City uses proprietary (business-type) funds to account for its water, sewer, and sanitation operations. The full-accrual basis of accounting is used for all proprietary type funds, which are found on pages 14-16.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position serves as one useful indicator of a government's financial position. In the case of the City, net position is \$2,918,452 at the close of FY19. Seventy-four percent (74%) of the City's net position is invested in capital assets; land, buildings, infrastructure, machinery and equipment, less any outstanding debt used to acquire these assets. The City uses capital assets to provide services to the citizens they serve; consequently, these assets are not available for future spending. The following is a summary of the Statement of Net Position and the Statement of Activities as of and for the year ended September 30, 2019:

City of White wright - Statement of Net Position

	<u>FY19</u>	<u>FY18</u>
Current and other assets	\$ 1,071,601	\$ 1,044,983
Capital assets	<u>3,493,755</u>	<u>3,498,738</u>
Total assets	<u>4,565,356</u>	<u>\$4,543,721</u>
Deferred outflow of resources	<u>89,241</u>	<u>34,522</u>
Total deferred outflow of resources	<u>89,241</u>	<u>34,522</u>
Current liabilities	412,753	340,638
L-T liabilities	<u>1,246,445</u>	<u>1,042,444</u>
Total liabilities	<u>1,659,198</u>	<u>1,383,082</u>
Deferred inflow of resources	<u>76,947</u>	<u>147,464</u>
Total deferred inflow of resources	<u>76,947</u>	<u>147,464</u>
Net position		
Net investment in capital assets	2,170,686	2,369,083
Restricted	446,291	168,863
Unrestricted	<u>301,475</u>	<u>509,751</u>
Total net position	<u>\$ 2,918,452</u>	<u>\$ 3,047,697</u>

City of White wright - Statement of Activities

Revenues:		
Charges for services	\$ 1,620,316	\$ 1,509,957
Operating grants and contributions	11,301	26,896
Capital grants and contributions	13,592	72,838
General revenues	<u>838,717</u>	<u>751,964</u>
Total revenues	<u>2,483,926</u>	<u>2,361,655</u>
Expenses:		
Water, sewer, and sanitation	1,053,106	938,188
General government	569,458	467,465
Police and municipal court	346,112	403,755
Fire protection and ambulance	536,166	475,583
Library	85,766	74,713
Interest	<u>2,315</u>	<u>1,116</u>
Total expenses	<u>2,592,923</u>	<u>2,360,820</u>
Increase in net position	(108,997)	835
Net position - beginning of year	3,047,697	3,096,576
Cumulative change in accounting principle	-	(49,714)
Prior period adjustment	<u>(20,248)</u>	<u>-</u>
Net position - end of year	<u>\$ 2,918,452</u>	<u>\$ 3,047,697</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

Net position of the City's governmental activities decreased from \$1,548,767 to \$1,353,410. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements is \$376,513 for governmental activities.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's General Fund (as presented in the balance sheet on page 10) reported a fund balance of \$303,762 compared to \$376,305 in FY18. This represents a decrease of \$72,543 compared to last year's increase of \$285,496. Most of the large increase in fund balance in FY18 was caused by a \$259,516 transfer in from the Water and Sewer Fund.

Revenues for the City's General Fund (as shown on page 12) were \$1,382,145 while total expenditures were \$1,389,302. This resulted in a deficiency of revenues under expenditures in the amount of \$7,157 from current operations. Last year's result was an excess of revenues over expenditures of \$629.

The City's Water and Sewer Funds (as presented in the Statement of Net Position on page 14) reported a net position of \$1,565,042 compared to the net position \$1,498,930 in FY18. This represents an increase of \$66,112.

Revenues for the City's Water and Sewer Fund (as shown on page 15) were \$1,067,690 while total operating expenses were \$1,008,371. These totals plus non-operating items resulted in an increase in net position of \$66,112. Last year's result was a net decrease of \$165,384. FY18 unrestricted net position of \$44,629 was decreased to negative (\$75,038) in FY19. The negative unrestricted portion of net position (\$75,038) does not allow for any reserves for the Water and Sewer Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original adopted budget for the General Fund was amended. See General Fund Budgetary Comparison presented on page 47. A review of the actual expenditures compared to the appropriations in the General Fund budget yields several significant variances, as discussed below. The following is a summary discussion of General Fund budget variances for FY19:

Revenues were \$98,614 less than budgeted

- Sales tax revenues were \$85,948 (44%) less than budgeted because the City overestimated the increase in sales tax revenues due to economic growth.
- Miscellaneous revenues were \$50,840 less than budgeted because the City overestimated EDC and CDC salaries.

Expenditures were \$157,457 less than budgeted

- Police department and municipal court expenditures were \$157,948 less than budgeted because the City incorrectly included state court costs as a City expense in the budget.
- Fire department expenditures were \$32,981 less than budgeted due to the City purchasing less uniforms than budgeted, as well as the City overbudgeting for the public safety reserve fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets net of accumulated depreciation for all activities as of September 30, 2019 amounts to \$3,493,755, compared to \$3,498,738 at September 30, 2018. This investment in capital assets includes land, buildings and improvements, street improvements, city parks, machinery and equipment, and water and sewer facilities. Major capital asset purchases during the current fiscal year included the purchase of equipment and water and sewer system improvements in the net amount of \$299,559.

Long-term Debt

At year-end, the City had total contractual obligations, bonds, notes and other debt outstanding of \$1,323,069. The City entered into new debt during the year in the original principal amount of \$325,000 for the purchase and construction of water and sewer system line improvements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following economic factors currently affect the City and were considered in developing the 2019 – 2020 budget.

- In fiscal year (FY) 2019-20 the City's net taxable property values increased by \$5,347,787, or 7.1%, from \$75,782,394 in FY 2018-19, to \$81,130,181 in FY 2019-20.
- The FY 2019-20 adopted overall property tax rate is 0.6514240. This is an increase of 1.3% from the FY 2018-19 adopted tax rate of 0.643040.
- In FY 2019-20, the increase in net taxable values and the adopted tax rate of 0.643040 resulted in an 8.4% increase in the fiscal year 2019-20 ad valorem tax levy, from \$487,311 in fiscal year 2018-19 to \$528,501 in fiscal year 2019-20.
- The FY 2019-20 budgeted expenditures in the General Fund reflect an increase of 22.7% from the FY 2018-19 actual expenditures, from \$1,389,302 actual expenditures in FY 2018-19 to \$1,704,720 budgeted expenditures in FY 2019-20.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, write to City Hall, at 206 W Grand Avenue, Whitewright, Texas 75491 or call (903) 364-2219.

City of Whitewright, Texas
Statement of Net Position
September 30, 2019

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation	Community Development Corporation
ASSETS					
Cash and cash equivalents	\$ 161,463	\$ 900	\$ 162,363	\$ 292,064	\$ 132,989
Certificates of deposit	53,483	57,531	111,014	39,385	-
Prepaid assets	5,317	-	5,317	-	-
Receivables, net	239,554	103,376	342,930	17,570	17,570
Internal balances	14,185	(14,185)	-	-	-
Notes receivable	-	-	-	915	-
Net pension asset	15,056	4,783	19,839	-	-
Restricted assets:					
Deposits held in trust by GTUA	-	430,138	430,138	-	-
Capital assets not being depreciated:					
Land	156,737	-	156,737	-	-
Capital assets net of accumulated depreciation:					
Land improvements	25,930	-	25,930	-	-
Buildings and improvements	51,160	-	51,160	112,623	-
Construction in progress	-	213,346	213,346	-	-
Furniture and equipment	368,753	191,127	559,880	-	-
Infrastructure	395,332	2,091,370	2,486,702	-	-
Total assets	<u>1,486,970</u>	<u>3,078,386</u>	<u>4,565,356</u>	<u>462,557</u>	<u>150,559</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows - pension	66,992	21,279	88,271	-	-
Deferred outflows - OPEB	736	234	970	-	-
Total deferred outflows of resources	<u>67,728</u>	<u>21,513</u>	<u>89,241</u>	<u>-</u>	<u>-</u>
LIABILITIES					
Accounts payable and accrued liabilities	38,074	138,153	176,227	267	-
Accrued interest	-	6,541	6,541	-	-
Customer deposits	-	67,296	67,296	-	-
Due within one year:					
Long term debt	11,815	109,071	120,886	-	-
Compensated absences	34,057	7,746	41,803	-	-
Due in more than one year:					
Long term debt	25,353	1,176,830	1,202,183	-	-
Total OPEB liability	33,592	10,670	44,262	-	-
Total liabilities	<u>142,891</u>	<u>1,516,307</u>	<u>1,659,198</u>	<u>267</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - pension	58,171	18,478	76,649	-	-
Deferred inflows - OPEB	226	72	298	-	-
Total deferred inflows of resources	<u>58,397</u>	<u>18,550</u>	<u>76,947</u>	<u>-</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	960,744	1,209,942	2,170,686	112,623	-
Restricted for:					
Deposits held in trust by GTUA	-	430,138	430,138	-	-
Library	2,409	-	2,409	-	-
Court security and technology	11,429	-	11,429	-	-
Streets	2,315	-	2,315	-	-
Unrestricted	376,513	(75,038)	301,475	349,667	150,559
Total net position	<u>\$ 1,353,410</u>	<u>\$ 1,565,042</u>	<u>\$ 2,918,452</u>	<u>\$ 462,290</u>	<u>\$ 150,559</u>

The notes to the financial statements are an integral part of these financial statements.

City of Whitewright, Texas
Statement of Activities
For the Year Ended September 30, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-Type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 569,458	\$ 33,440	\$ 11,301	\$ 13,592	\$ (511,125)		\$ (511,125)	
Police department and municipal court	346,112	185,074	-	-	(161,038)		(161,038)	
Emergency medical services	457,696	298,904	-	-	(158,792)		(158,792)	
Library	85,766	11,791	-	-	(73,975)		(73,975)	
Fire department	78,470	23,147	-	-	(55,323)		(55,323)	
Interest	2,316	-	-	-	(2,316)		(2,316)	
Total governmental activities	<u>1,539,818</u>	<u>552,356</u>	<u>11,301</u>	<u>13,592</u>	<u>(962,569)</u>		<u>(962,569)</u>	
Business-type activities:								
Water, sewer, and sanitation	1,053,106	1,067,960	-	-	-	14,854	14,854	
Total business-type activities	<u>1,053,106</u>	<u>1,067,960</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,854</u>	<u>14,854</u>	
Total primary government	<u>\$ 2,592,924</u>	<u>\$ 1,620,316</u>	<u>\$ 11,301</u>	<u>\$ 13,592</u>	<u>(962,569)</u>	<u>14,854</u>	<u>(947,715)</u>	
Component units:								
Economic Development Corporation	\$ 54,660	\$ -	\$ -	\$ -			\$ (54,660)	\$ -
Community Development Corporation	44,334	-	-	-			-	(44,334)
Total component units	<u>\$ 98,994</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			<u>(54,660)</u>	<u>(44,334)</u>
General revenues:								
Property taxes					560,048	-	560,048	
General sales and use taxes					200,645	-	200,645	
Franchise taxes					61,703	-	61,703	
Miscellaneous					8,632	-	8,632	
Investment earnings					1,570	6,120	7,690	15
Transfers in (out)					(45,138)	45,138	-	-
Total general revenues and transfers					787,460	51,258	838,718	97,041
Change in net position					(175,109)	66,112	(108,997)	52,707
Net position- beginning					1,548,767	1,498,930	3,047,697	97,852
Prior period adjustment					(20,248)	-	(20,248)	-
Net position - ending					\$ 1,353,410	\$ 1,565,042	\$ 2,918,452	\$ 150,559

The notes to the financial statements are an integral part of these financial statements.

City of Whitewright
Balance Sheet
Governmental Fund
September 30, 2019

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 161,463
Certificates of deposits	53,483
Prepaid assets	5,317
Receivables, net of allowances:	
Emergency medical services	73,087
Court	64,928
Property taxes	54,892
Sales taxes	35,141
Franchise taxes	11,506
Due from other funds	14,185
Total assets	<u>474,002</u>
 LIABILITIES	
Accounts payable and accrued liabilities	<u>38,074</u>
Total liabilities	<u>38,074</u>
 DEFERRED INFLOWS OF RESOURCES	
Unavailable revenues:	
Court fines	64,929
Property taxes	53,846
Emergency medical services and other	13,391
Total deferred inflows of resources	<u>132,166</u>
 FUND BALANCES	
Nonspendable	5,317
Restricted for:	
Library	2,409
Court security and technology	11,429
Streets	2,315
Unassigned	282,292
Total fund balances	<u>303,762</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 474,002</u>

The notes to the financial statements are an integral part of these financial statements.

City of Whitewright, Texas
Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Position
For the Year Ended September 30, 2019

Amounts reported for the governmental activities in the Statement of Net Position (pg. 8) are different because:

Total fund balances - governmental fund (pg. 10)	\$ 303,762
Capital assets used in governmental activities are not financial resources. Therefore, they are not reported in the governmental funds.	997,912
Delinquent property taxes, ambulance revenue, and court fines are not current financial resources. Therefore, they are deferred in the governmental funds.	132,166
Long term liabilities, including bonds payable and compensated absences, are not due and payable in the current period. Therefore, they are not reported in the governmental funds.	(71,225)
Net pension asset is not a current financial use; therefore, it is not reported in the governmental funds.	15,056
Total OPEB liability is not a current financial use; therefore, it is not reported in the governmental funds.	(33,592)
Deferred outflows (inflows) of resources represent a consumption (source) of net position that applies to a future period(s) and are not recognized as an outflow (inflow) of resources	
Pension amounts	8,821
OPEB amounts	510
Net position of governmental activities (pg. 8)	<u>\$ 1,353,410</u>

The notes to the financial statements are an integral part of these financial statements.

City of Whitewright, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Fund
For the Year Ended September 30, 2019

	General Fund
REVENUES	
Taxes:	
Property	\$ 552,959
Sales	194,052
Franchise	61,703
Mixed beverage	6,593
Emergency medical services	292,856
Police department and municipal court	170,509
Permits and fees	33,440
Fire department	23,147
Donations	13,592
Library	11,791
Grants	11,301
Miscellaneous revenue	8,632
Interest	1,570
Total revenues	<u>1,382,145</u>
EXPENDITURES	
Current:	
General government	438,439
Emergency medical services	429,051
Police department and municipal court	318,150
Fire department	69,604
Library	66,342
Debt service:	
Principal	11,200
Interest	2,317
Capital outlay:	
Police department and municipal court	36,151
General government	11,750
Library	6,298
Total expenditures	<u>1,389,302</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,157)</u>
OTHER FINANCING SOURCES(USES)	
Transfers in (out)	(45,138)
Total other financing sources (uses)	<u>(45,138)</u>
Net change in fund balances	(52,295)
Fund balances - beginning	376,305
Prior period adjustment	(20,248)
Fund balances - ending	<u>\$ 303,762</u>

The notes to the financial statements are an integral part of these financial statements.

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

Amounts reported for the governmental activities in the Statement of Activities (pg. 9)
are different because:

Net change in fund balances - total governmental funds (pg. 12)	\$ (52,295)
---	-------------

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays	54,199
Depreciation expense	(174,489)

Governmental funds repayment of debt principal as an expenditure and proceeds of new debt as a financing source. However, in the Statement of Activities, these transactions are only considered changes in long-term debt balances.

Long-term debt principal repaid in current year	11,200
---	--------

Governmental funds report some prior year tax, court, and ambulance revenues as income in the current year. However, in the Statement of Activities, the revenue is recognized in the year in which it is earned.	27,702
---	--------

Changes to accrued compensated absences are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position.	(34,057)
--	----------

Full accrual based pension expense is not recorded in the governmental fund financials but the (increase) decrease from adjusting the City's contribution expense is realized on the government-wide financial statements.	(5,300)
--	---------

Full accrual based OPEB expense is not recorded in the governmental fund financials but the (increase) decrease from adjusting the City's contribution expense is realized on the government-wide financial statements.	(2,069)
---	---------

Change in net position of governmental activities (pg. 9)	\$ (175,109)
---	--------------

The notes to the financial statements are an integral part of these financial statements.

City of Whitewright
Statement of Net Position
Proprietary Fund
September 30, 2019

	Water and Sewer Fund
ASSETS	
Cash and cash equivalents	\$ 900
Certificates of deposit	57,531
Receivables, net of allowances	103,376
Net pension asset	4,783
Restricted assets:	
Restricted deposits held by GTUA	430,138
Capital assets, net of accumulated depreciation:	
Construction in progress	213,346
Furniture and equipment	449,312
Infrastructure	3,753,978
Less accumulated depreciation	(1,920,793)
Total assets	<u>3,092,571</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension	21,279
Deferred outflows - OPEB	234
Total deferred outflows of resources	<u>21,513</u>
 LIABILITIES	
Accounts payable and accrued liabilities	138,153
Accrued interest payable	6,541
Due to other funds	14,185
Customer deposits payable	67,296
Due within one year:	
Notes payable	59,955
Bonds payable	35,000
Time warrants payable	14,116
Compensated absences	7,746
Due in more than one year:	
Notes payable	269,735
Bonds payable	870,000
Time warrants payable	37,095
Total OPEB liability	10,670
Total liabilities	<u>1,530,492</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension	18,478
Deferred inflows - OPEB	72
Total deferred inflows of resources	<u>18,550</u>
 NET POSITION	
Net investment in capital assets	1,209,942
Restricted deposits with GTUA	430,138
Unrestricted	(75,038)
Total net position	<u>\$ 1,565,042</u>

The notes to the financial statements are an integral part of these financial statements.

City of Whitewright, Texas
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended September 30, 2019

	Water & Sewer Fund
OPERATING REVENUES	
Water	\$ 483,630
Sewer	296,413
Solid waste	227,046
Other services and fees	60,871
Total operating revenues	<u>1,067,960</u>
OPERATING EXPENSES	
Salaries and benefits	262,605
Solid waste	229,836
Contractual services and other operating expenses	159,211
Depreciation	130,053
Utilities	73,549
Materials and supplies	66,986
Sanitation plant	46,777
Maintenance and repairs	39,354
Total operating expenses	<u>1,008,371</u>
Operating income	<u>59,589</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	6,120
Interest expense	(34,310)
Bond issuance costs	(10,425)
Total nonoperating revenue (expenses)	<u>(38,615)</u>
Income before transfers	20,974
Transfers in (out)	<u>45,138</u>
Change in net position	66,112
Net position - beginning	1,498,930
Net position - ending	<u><u>\$ 1,565,042</u></u>

The notes to the financial statements are an integral part of these financial statements.

City of Whitewright, Texas
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2019

	Water & Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers and users	\$ 1,079,600
Cash paid to employees	(262,292)
Cash paid to suppliers	(527,473)
Net cash provided by operating activities	<u>289,835</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in (out) to other funds	45,138
Net cash provided by noncapital financing activities	<u>45,138</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Cash paid for acquisition and construction of capital assets	(245,360)
Net cash from GTUA restricted deposits	(275,086)
Proceeds from debt issuance	325,000
Interest paid on long-term debt	(37,507)
Cash paid for bond issuance costs	(10,425)
Principal payments on debt	(120,386)
Net cash provided by (used for) capital and related financing activities	<u>(363,764)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	7,718
Net cash provided by investing activities	<u>7,718</u>
Net increase (decrease) in cash and cash equivalents	(21,073)
Cash and cash equivalents, October 1, 2018	<u>21,973</u>
Cash and cash equivalents, September 30, 2019	<u>900</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	59,589
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation	130,053
(Increase) decrease in accounts receivable	8,054
(Increase) decrease in deferred outflows - pension balances	(13,735)
(Increase) decrease in deferred outflows - OPEB balances	618
(Increase) decrease in net pension asset	32,978
Increase (decrease) in accounts payable	70,472
Increase (decrease) in accrued liabilities	(6,348)
Increase (decrease) in customer deposits	3,586
Increase (decrease) in due to other funds	14,185
Increase (decrease) in compensated absences	7,746
Increase (decrease) in deferred inflows - pension balances	(17,435)
Increase (decrease) in deferred inflows - OPEB balances	72
Net cash provided by operating activities	<u>\$ 289,835</u>

The notes to the financial statements are an integral part of these financial statements.

City of Whitewright, Texas
Notes to the Financial Statements
September 30, 2019

Note 1: Summary of Significant Accounting Policies

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting Entity

The City of Whitewright, Texas (City), operates under a council-mayor form of government and provides the following general government functions: law enforcement, fire and emergency medical services, streets, sanitation, public improvements, parks, library services, and general administrative services. A Proprietary Fund is used to account for the operations of the City's water and sewer services.

The financial statements of the City of Whitewright are prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publications entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (where applicable.) The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements.

The accompanying financial statements present the primary government, the City, and its component units, entities that are legally separate but are included in the financial statements because the primary government is considered to be financially accountable. The component units presented are those separately administered organizations that are controlled by or dependent on the City. Control or dependency of the component unit to the City is determined on the basis of the appointment of the respective governing board, ability to influence projects, whether a financial benefit/burden relationship exists, and other factors. Further, the presentation in the financial statements is determined by whether the component unit's governing body is substantially the same as the City, who is the primary beneficiary of the services provided, and the expectation of what resources will be used to pay debts.

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2019

Note 1: Summary of Significant Accounting Policies (continued)

B. Reporting Entity (continued)

The Whitewright Economic Development Corporation (EDC) and the Whitewright Community Development Corporation (CDC) are discretely presented component units of the City. The EDC and CDC are non-profit organizations established on behalf of the City under the Development Act of 1979. The transactions of the EDC and CDC are maintained in separate funds and are discretely presented in separate columns in the financial statements. The discretely presented methodology was selected after evaluation of the circumstances and standards, as noted above. The EDC and CDC do not issue separate financial statements.

C. Basis of Presentation – Government-wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary (business-type activity) fund. Revenues are recorded when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue when eligibility requirements imposed by the provider have been met.

The Statement of Activities demonstrates the degree to which direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes or other items not included among functional revenues are reported instead as general revenues.

D. Basis of Presentation – Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2019

Note 1: Summary of Significant Accounting Policies (continued)

D. Basis of Presentation – Fund Financial Statements (continued)

Governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as current assets. Reimbursement basis grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. Gross receipts and sales taxes are considered measurable and recognizable when in the control of the intermediary collecting government that presents information for individual major funds rather than by fund type. Non-major funds are presented in total in one column; however, there are no non-major funds for the year ended September 30, 2019.

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts, which are comprised of fund's assets, liabilities, deferred inflows and outflows of resources, fund equity, revenues and expenses, as appropriate. Government resources are allocated to and for individual funds based on the purposes and functions for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into two broad fund categories as follows:

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The City reports the following major enterprise funds:

Water and Sewer Fund – This fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is to recover costs (expenses, including depreciation) of providing goods or services to the general public through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control accountability, or other purposes. The Water and Sewer Fund is accounted for under this proprietary fund type. Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities, deferred inflows and outflows are included on the Statement of Net Position.

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2019

Note 1: Summary of Significant Accounting Policies (continued)

D. Basis of Presentation – Fund Financial Statements (continued)

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between funds included in the business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at the gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between funds included in the business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued, unless those pronouncements conflict with or contradict GASB pronouncements.

E. Assets, Liabilities, Deferred Inflows/Outflows, and Net Position/Fund Balance

Cash and Cash Equivalents

The City considers all cash on hand, demand deposits, and highly liquid investments available for current use with an initial maturity of three months or less to be cash and cash equivalents.

Inter-fund Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year is recorded as "Amounts Due To" and "Amounts Due From" other funds appropriately.

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2019

Note 1: Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities, Deferred Inflows/Outflows and Net Position/Fund Balance (continued)

Receivables

The City uses the allowance method of valuing water and tax receivables. The City has established an allowance for doubtful accounts for delinquent receivables to the extent that their collection is doubtful.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as an asset in the government-wide and fund financial statements.

Inventory

Inventories of governmental funds are reported as expenditures when purchased. These amounts are not considered significant to the financial statements.

Capital Assets

Capital assets, which include, property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date of donation. Repair and maintenance costs are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized have an original cost of \$5,000 or more and an estimated useful life over one year. Land and construction in progress are not depreciated. Depreciation has been calculated on each class of depreciable property using the straight-line method. The estimated useful lives by classification are as follows:

Furniture, equipment, & machinery	5-15 years
Land improvements	20 years
Infrastructure	20-35 years
Buildings & improvements	40 years
Water & sewer systems	20-50 years
Water & sewer improvements	50 years

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2019

Note 1: Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities, Deferred Inflows/Outflows and Net Position/ Fund Balance (continued)

Pension and Other Post-Employment Benefits (OPEB)

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

Information regarding the City's net pension liability and total OPEB liability is obtained from the TMRS through reports prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68. Accounting and Financial Reporting for Pensions and GASB No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

Deferred Inflows and Outflows of Resources

In addition to assets and liabilities, the Statement of Financial Position and/or Balance Sheet will sometimes report a separate section for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

The City has several items that qualify for reporting as deferred outflows of resources. These deferred outflows result from pension and OPEB contributions after the measurement date (deferred and recognized in the following year) and differences in pension and OPEB assumption changes and experiences.

The City has several items that qualify for reporting as deferred inflows of resources. Deferred inflows of resources described as unavailable revenues only arise under modified accrual basis of accounting and are reported in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from court fines, emergency medical services, and property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Also, the City reports deferred inflows of resources for pension and OPEB amounts that relate to the differences in expected and actual economic experience and assumption changes.

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2019

Note 1: Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities, Deferred Inflows/Outflows and Net Position/ Fund Balance (continued)

Long-Term Debt

All long-term debts to be repaid from the governmental and business-type resources are reported as liabilities in the government-wide financial statements. Presently, the City's long-term debt consists of notes payable, bonds payable, and contractual obligations. Long-term debt arising from cash transactions for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest as expenditures. As the proprietary funds are accounted for using the accrual method, the amounts are reported the same in the fund and government-wide financial statements.

Compensated Absences

City employees earn 40 hours of vacation leave after twelve full months of service. After that, regular full-time employees earn 80 to 160 hours of paid vacation leave based on years of service. It is the City's policy to not carryover any unused employee vacation time as of each fiscal year-end unless granted by the Mayor for special situations. However, the Mayor allowed for the accrual of compensated absences during fiscal year 2019. The accrued compensated absences for governmental and business-type activities at September 30, 2019 are \$34,057 and \$7,746, respectively.

Net Position

Net position invested in net capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At September 30, 2019, the governmental activities had restricted net position of \$11,429 for court security and technology, \$2,409 for library, and \$2,315 for streets. At September 30, 2019, the Water Fund had restricted net position in the amount of \$430,138. This amount includes funds held at Greater Texoma Utility Authority (GTUA) to be used exclusively for water and sewer system capital projects and repayment of contractual obligations.

Fund Balances

The City has adopted the Governmental Accounting Standards Board's (GASB) *Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes in the fund financial statements for governmental type funds. It does not apply for the government-wide financial statements.

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2019

Note 1: Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities, Deferred Inflows/Outflows and Net Position/ Fund Balance (continued)

GASB 54 requires the fund balance amounts to be properly reported within one of the following fund balance categories:

Nonspendable – such fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

Restricted – fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

Committed – fund balance classification includes amounts that can be used only for the specific purposes determined by formal action of the Council (the City's highest level of decision-making authority),

Assigned – fund balance classification are intended to be used by the City's General Fund for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned – fund balance is the residual classification for the City's General Fund and includes amounts not contained in the other classifications, and other fund's that have total negative fund balances.

For the classification of Governmental Fund balances, the City considers expenditures to be made from the most restrictive first when more than one classification is available.

F. Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions. All taxes, including those dedicated for a specific purpose, are reported as general revenues.

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2019

Note 1: Summary of Significant Accounting Policies (continued)

F. Revenues and Expenditures/Expenses (continued)

Property Taxes

Property taxes attach as an enforceable lien on real property and are levied as of October 1st each year and become delinquent on February 1st. Delinquent real property taxes are expected to be collected, as the delinquent amounts are a lien against the related property until paid. Revenue from property taxes not collected during the current period is deferred until such collection is made. Property subject to taxation consists of real property and certain personal property situated in the City. Certain properties of religion, education and charitable organizations, as well as the Federal government and the State of Texas are exempt from taxation. Additionally, certain exemptions are granted to property owners in arriving at the net assessed valuation of property subject to City taxation. The effective property ad valorem tax rate for property tax year 2018 was 0.643040 per \$100 of assessed value for General Fund operations and debt service.

Sales Taxes

The City levies a two percent (2%) sales tax on taxable sales within the City. Fifty percent (50%) of the sales tax is allocated to the General Fund, twenty-five percent (25%) is allocated to the EDC, and twenty-five percent (25%) is allocated to the CDC.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and products in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund are charges to customers for sales and services. The Water and Sewer Fund also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

G. 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.

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2019

Note 1: Summary of Significant Accounting Policies (continued)

H. Budget and Budgetary Accounting

Prior to September 1, the City Council submits a proposed budget for the ensuing fiscal year. At the meeting of the City Council at which the budget is submitted, the City Council fixes the time and place of the public hearing on the budget and causes to be published a notice of the budget hearing. After the budget hearing the budget may be adopted by a favorable vote of the majority vote of the Council.

In accordance with state law, the City adopts an annual budget before September 30 for the subsequent year. The budget is prepared on the same basis of accounting as applied to the governmental funds in the basic financial statements.

I. Whitewright Economic Development Corporation – 4A

The Whitewright Economic Development (EDC) was established on October 3, 1997 for the exclusive purpose of benefiting and accomplishing public purposes of the City by promoting, assisting, and enhancing economic development activities for the City as provided by the Development Corporation Act and may issue bonds on behalf of the City. The EDC is managed by a board of directors that is comprised of five persons appointed by the City Council. The EDC is funded by twenty-five percent (25%) of City sales taxes.

J. Whitewright Community Development Corporation – 4B

The Whitewright Community Development (CDC) was established on October 3, 1997 for the exclusive purpose of benefiting and accomplishing public purposes authorized in the Development Corporation Act. The CDC is managed by a board of directors that is comprised of seven persons appointed by the City Council. The CDC is funded by twenty-five percent (25%) of City sales taxes.

Note 2: Deposits

At September 30, 2019, the primary government had total cash and cash equivalents and certificates of deposit held by depository banks with a carrying amount of \$162,363 and \$111,014, respectively. At September 30, 2019, the City's deposits held by depository banks are fully insured by the Federal Depositary Insurance Corporation (FDIC).

At September 30, 2019, the EDC had total cash and cash equivalents and certificates of deposit held by depository banks with a carrying amount of \$292,064 and \$39,385, respectively. At September 30, 2019, the EDC's deposits held by depository banks are fully insured by the FDIC.

At September 30, 2019, the CDC had total cash and cash equivalents held by depository banks with a carrying amount of \$132,989. At September 30, 2019, the CDC's deposits held by depository banks are fully insured by the FDIC.

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2019

Note 3: Receivables

Government-wide receivables as of September 30, 2019, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Water and Sewer Fund	Total	Component Units EDC	CDC
Emergency medical services	\$ 390,069	\$ -	\$ 390,069	\$ -	\$ -
Municipal court	334,252	-	334,252	-	-
Customer accounts	-	118,078	118,078	-	-
Ad valorem	57,781	-	57,781	-	-
Franchise & other	13,072	21,975	35,047	-	-
Sales taxes	35,141	-	35,141	17,570	17,570
Notes receivable	-	-	-	915	-
	<u>830,315</u>	<u>140,053</u>	<u>970,368</u>	<u>18,485</u>	<u>17,570</u>
Less: allowance for doubtful accounts	(590,761)	(36,677)	(627,438)	-	-
Net	<u>\$ 239,554</u>	<u>\$ 103,376</u>	<u>\$ 342,930</u>	<u>\$ 18,485</u>	<u>\$ 17,570</u>

At September 30, 2019, the EDC has notes receivable in the amount of \$915 which are comprised of the following:

The Component Unit (EDC) note receivable of \$915 is comprised of the following:

\$85,000 note from Whitewright Furniture, Inc. was entered into on March 20, 2014. The note is payable in monthly installments of \$1,221 including interest of 5.5%. The note is secured by inventory and was paid off during the fiscal year.

\$ -

\$135,000 note from BLZBSZ855, LLC (Odeum Theatre) was entered into on October 2, 2015. The note is payable in monthly installments of \$1,465 including interest of 5.50%. The note was paid off during the fiscal year.

-

\$13,600 note from Whitewright Abbington Commons, LP was entered into on January 26, 2018. The note is payable in monthly installments of \$93 including interest of 3.00%. The note matures on February 1, 2032.

915

Total

\$ 915

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2019

Note 3: Receivables (continued)

The following is a schedule of future receivables for notes receivable of the EDC at September 30, 2019:

Year	Principal	Interest	Total
2020	\$ 65	\$ 28	\$ 93
2021	67	26	93
2022	69	24	93
2023	71	22	93
2024	73	20	93
2025-2029	366	67	433
2030-2032	204	11	215
	<u>\$ 915</u>	<u>\$ 198</u>	<u>\$ 1,113</u>

Note 4: Capital Assets

The following is a summary of changes in capital assets for the year ended September 30, 2019:

	Beginning Balance 9/30/2018	Additions	Retirements & Reclasses	Ending Balance 9/30/2019
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 156,737	\$ -	\$ -	\$ 156,737
Depreciable capital assets:				
Land improvements	54,500	-	-	54,500
Buildings and improvements	738,804	-	-	738,804
Furniture and equipment	1,902,080	54,199	-	1,956,279
Infrastructure	674,244	-	-	674,244
Totals	3,526,365	54,199	-	3,580,564
Less: accumulated depreciation	(2,408,163)	(174,489)	-	(2,582,652)
Governmental activities capital assets, net	<u>\$ 1,118,202</u>	<u>\$ (120,290)</u>	<u>\$ -</u>	<u>\$ 997,912</u>
Business-type Activities				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 213,346	\$ -	\$ 213,346
Depreciable capital assets:				
Sewer system	1,391,705	-	-	1,391,705
Sewer system improvements	1,766,023	10,000	-	1,776,023
Water system	586,238	-	-	586,238
Furniture and equipment	427,310	22,014	-	449,324
Totals	4,171,276	245,360	-	4,416,636
Less: accumulated depreciation	(1,790,740)	(130,053)	-	(1,920,793)
Business-type activities capital assets, net	<u>\$ 2,380,536</u>	<u>\$ 115,307</u>	<u>\$ -</u>	<u>\$ 2,495,843</u>

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2019

Note 4: Capital Assets (continued)

	Beginning Balance 9/30/2018	Additions	Retirements & Reclasses	Ending Balance 9/30/2019
Component unit - EDC				
Depreciable capital assets:				
Buildings	\$ 231,083	\$ -	\$ -	\$ 231,083
Totals	231,083	-	-	231,083
Less: accumulated depreciation	(106,906)	(11,554)	-	(118,460)
EDC capital assets, net	<u>\$ 124,177</u>	<u>\$ (11,554)</u>	<u>\$ -</u>	<u>\$ 112,623</u>
Component unit - CDC				
Depreciable capital assets:				
Furniture and equipment	\$ 16,779	\$ -	\$ -	\$ 16,779
Totals	16,779	-	-	16,779
Less: accumulated depreciation	(16,779)	-	-	(16,779)
CDC capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense for the year ended September 30, 2019 was charged to functions of the primary government, business-type activities, and component units as follows:

<u>Governmental Activities:</u>	
General Government	\$ 123,429
Library	17,091
Ambulance	11,438
Fire Department	7,600
Police Department	14,931
	<u>\$ 174,489</u>
<u>Business-type Activities:</u>	
Water and Sewer	\$ 130,053
	<u>\$ 130,053</u>
<u>Component units:</u>	
EDC	\$ 11,554
CDC	-
	<u>\$ 11,554</u>

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2019

Note 5: Long-term Liabilities

The following is a summary of the changes in long-term liabilities for the primary government for the year ended September 30, 2019:

	<u>Balance</u> <u>9/30/2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>9/30/2019</u>	<u>Due within</u> <u>one year</u>
Governmental Activities					
Notes payable:					
Government Capital Loan - Pumper Truck	\$ 23,017	\$ -	\$ (5,409)	\$ 17,608	\$ 5,624
Government Capital Loan - 2018 Dodge Charger	25,351	-	(5,791)	19,560	6,191
Total:	<u>\$ 48,368</u>	<u>\$ -</u>	<u>\$ (11,200)</u>	<u>\$ 37,168</u>	<u>\$ 11,815</u>
Business-type Activities					
Contractual obligations and bonds payable:					
Cendera Bank - Time Warrant 2012-1A	\$ 67,482	\$ -	\$ (16,271)	\$ 51,211	\$ 14,116
Government Capital Loan - Auger	162,230	-	(38,969)	123,261	40,010
Government Capital Loan - Trucks	16,127	-	(16,127)	-	-
Government Capital Loan - Dump Truck	225,448	-	(19,019)	206,429	19,945
GTUA, Series 2004	45,000	-	-	45,000	5,000
GTUA, Series 2015	565,000	-	(30,000)	535,000	30,000
GTUA, Series 2019	-	325,000	-	325,000	-
Total:	<u>\$ 1,081,287</u>	<u>\$ 325,000</u>	<u>\$ (120,386)</u>	<u>\$1,285,901</u>	<u>\$ 109,071</u>

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2019

Note 5: Long-term Liabilities (continued)

Long-term liabilities for the primary government are comprised of the following at September 30, 2019:

	Governmental Activities	Business-type Activities
\$110,000, Series 2004 GTUA Water Supply and Sewer Service Contract Obligation, due in annual installments of \$5,000 through 2025, interest from 2.79% to 5.64%.	\$ -	\$ 45,000
\$154,004, Time Warrant, issued August 16, 2012, due in monthly installments of \$1,548 through August 2022, bearing an interest rate of 3.85%.	-	51,211
\$271,236, Government Capital Loan, issued June 3, 2014, due in annual installments of \$43,299 through October 1, 2021, bearing an interest rate of 5.00%.	-	123,261
\$62,394, Governmental Capital Loan, issued February 3, 2015, due in annual installments of \$16,698 through October 2018, bearing an interest rate of 3.24%. This loan was paid off during the fiscal year.	-	-
\$640,000 GTUA Contract Revenue Bonds, Series 2015, (City of Whitewright Project) due in annual installments of \$25,000 to \$40,000 through October 2035, interest from 0.09% to 2.59%.	-	535,000
\$38,000, Government Capital Loan, issued September 9, 2015, due in annual installments of \$6,324, through September 2022, bearing an interest rate of 3.987%.	17,608	-
\$225,449, Governmental Capital Loan, issued September 1, 2017, due in annual installments of \$27,079 through November 2027, bearing an interest rate of 3.46%.	-	206,429
\$25,351, Government Capital Loan, issued May 29, 2018, due in annual installments of \$7,214, through July 2022, bearing an interest rate of 5.23%.	19,560	-
\$325,000, GTUA Contract Revenue Bonds, Series 2019 (City of Whitewright Project) due in annual installments of \$11,887 to \$44,950, through October 1, 2029, bearing an interest rate of 5.75%.	-	325,000
Total Long Term Debt	\$ 37,168	\$ 1,285,901

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2019

Note 5: Long-term Liabilities (continued)

The principal and interest requirements related to the notes payable for the governmental activities at September 30, 2019 are as follows:

	Principal	Interest	Total
2020	\$ 11,815	\$ 1,723	\$ 13,538
2021	12,362	1,175	13,537
2022	12,991	601	13,592
	<u>\$ 37,168</u>	<u>\$ 3,499</u>	<u>\$ 40,667</u>

The principal and interest requirements related to the contractual obligations and notes payable for the business-type activities at September 30, 2019 are as follows:

	Principal	Interest	Total
2020	\$ 109,071	\$ 36,952	\$ 146,023
2021	139,284	40,423	179,707
2022	143,044	35,894	178,938
2023	87,085	31,449	118,534
2024	87,849	28,223	116,072
2025-2029	459,568	86,905	546,473
2030-2034	220,000	22,171	242,171
2035	40,000	2,066	42,066
	<u>\$ 1,285,901</u>	<u>\$ 284,083</u>	<u>\$ 1,569,984</u>

GTUA Certification of Obligation

The City entered into a long-term water supply and sewer service contracts with Greater Texoma Utility Authority (GTUA) in 2004, 2015, and 2019. The City has an obligation to make payments specified by the contracts to GTUA to pay the principal and interest on the bonds, maintain a Reserve Fund for the security and payment of bonds similarly secured, and pay the administrative and overhead expenses by GTUA in connection with the bonds.

Under terms of the contracts, the City's obligation to make payments to GTUA and GTUA's ownership interest in the facilities will terminate when all of GTUA's bonds issued in connection with construction of the facilities have been paid in full, are retired, and are no longer outstanding. The City is obligated for the repayment of principal and interest on the debt through a pledging of water and sewer revenues. The structure of the transaction has the qualities of a capital lease therefore the amounts are included in long-term liabilities and capital assets with the associated accumulated depreciation.

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2019

Note 5: Long-term Liabilities (continued)

Long term debt of the component unit, the EDC, is comprised of the following at September 30, 2019:

	Balance 9/30/2018	Additions	Retirements	Balance 9/30/2019	Due within one year
Economic Development Corporation					
Notes payable:					
Cendera Bank - Odeum	\$ 101,190	\$ -	\$ (101,190)	\$ -	\$ -
Texas Star Bank - Furniture Mart	33,533	-	(33,533)	-	-
Total:	<u>\$ 134,723</u>	<u>\$ -</u>	<u>\$ (134,723)</u>	<u>\$ -</u>	<u>\$ -</u>

Long-term liabilities for the EDC are comprised of the following at September 30, 2019:

Component Unit - EDC

\$85,000, Texas Star Bank - Furniture Mart note payable issued March 26, 2014, due in monthly installments of \$1,196 maturing on March 28, 2021, bearing an interest rate of 4.75%. This note was paid off during the fiscal year.

\$ -

\$135,000, Cendera Bank - Odeum note payable issued October 1, 2015, due in monthly installments of \$1,465 maturing in September 2025, bearing an interest rate of 5.50%. This note was paid off during the year.

-

Total Long Term Debt

\$ -

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2019

Note 6: Interfund Transfers and Due To/From

During the year ended September 30, 2019, interfund transfers to the Water and Wastewater Fund from the General Fund of \$45,138 were made for operating purposes.

	<u>Transfers To Other Funds</u>	<u>Transfers From Other Funds</u>	<u>Net Transfers</u>
Governmental Funds:			
General	\$ 45,138	\$ -	
	<u>\$ 45,138</u>	<u>\$ -</u>	<u>\$ 45,138</u>
Proprietary Funds:			
Water and wastewater	\$ -	\$ (45,138)	
	<u>\$ -</u>	<u>\$ (45,138)</u>	<u>\$ (45,138)</u>
Total	<u>\$ 45,138</u>	<u>\$ (45,138)</u>	<u>\$ -</u>

The Water and Wastewater Fund owes the General Fund \$14,185 for a negative cash balance in the City's pooled cash account.

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Internal Balances</u>
Governmental Funds:			
General	\$ 14,185	\$ -	
	<u>\$ 14,185</u>	<u>\$ -</u>	<u>\$ 14,185</u>
Proprietary Funds:			
Water and wastewater	\$ -	\$ 14,185	
	<u>\$ -</u>	<u>\$ 14,185</u>	<u>\$ (14,185)</u>
Total	<u>\$ 14,185</u>	<u>\$ 14,185</u>	<u>\$ -</u>

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2019

Note 7: Insurance Coverage

The Texas Municipal League Inter-Governmental Risk Pool provides insurance coverage for the City. For the period October 1, 2018 to September 30, 2019 the City maintained insurance coverage as follows:

Types of Coverage

General Liability	Errors & Omissions Liability
Law Enforcement Liability	Real & Personal Property
Boiler and Machinery	Mobile Equipment
Crime	Cyber Liability and Data Breach Response
Workers' Compensation	

Note 8: Pension Plan

Plan Description

The City of Whitewright participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code.

TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com. All eligible employees of the City are required to participate in TMRS

Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity.

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2019

Note 8: Pension Plan (continued)

Members may choose to receive their retirement benefit in one of seven payments 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.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

Employee deposit rate	5%
Matching ratio (City to employee)	1.5 to 1
Years required for vesting	5
Service retirement eligibility	Minimum age 60 with 5 years of service Any age with 20 years of service

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	25
<u>Active employees</u>	<u>20</u>
	54

Contributions

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

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 3.63% and 2.87% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2019 were \$22,899 and were equal to the required contributions.

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2019

Note 8: Pension Plan (continued)

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

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

Inflation	2.50% per year
Overall payroll growth	3.5-10.5% per year, including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy 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, 2018 valuation were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2018 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. 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.

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2019

Note 8: Pension Plan (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%
Total	100.0%	

Discount Rate:

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

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2019

Note 8: Pension Plan (continued)

Changes in the Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at 12/31/2017	\$ 1,146,625	\$ 1,301,681	\$ (155,056)
Changes for the year:			
Service cost	70,339	-	70,339
Interest	77,769	-	77,769
Change of benefit terms	-	-	-
Difference between expected and actual experience	17,474	-	17,474
Changes of assumptions	-	-	-
Contributions - employer	-	29,508	(29,508)
Contributions - employee	-	40,658	(40,658)
Net investment income	-	(39,008)	39,008
Benefit payments, including refunds of employee contributions	(59,328)	(59,328)	-
Administrative expense	-	(754)	754
Other changes	-	(39)	39
Net changes	106,254	(28,963)	135,217
Balance at 12/31/2018	\$ 1,252,879	\$ 1,272,718	\$ (19,839)

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

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate		
1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$180,043	(\$19,839)	(\$180,156)

Pension Plan Fiduciary Net Position:

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

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2019

Note 8: Pension Plan (continued)

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

For the year ended September 30, 2019, the City recognized pension expense of \$7,108. The calculation and amount is provided in the GRS Reporting Package. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual economic experience	\$ -	\$ (76,649)
Changes in actuarial assumptions	4,847	-
Difference between projected and actual investment earnings	68,241	-
Contributions subsequent to the measurement date	15,183	-
Total	<u>\$ 88,271</u>	<u>\$ (76,649)</u>

\$15,183 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 ended September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year	Net Deferred (Inflows) Outflows of Resources
2020	\$ 7,259
2021	(14,497)
2022	(15,790)
2023	19,467
2024	-
Thereafter	-
Total	<u>\$ (3,561)</u>

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2019

Note 9: Other Post-Employment Benefits (OPEB) Plan

Plan Description

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

Benefits Provided

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

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	3
Active employees	20
	30

Contributions

The member 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.

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city.

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2019

Note 9: Other Post-Employment Benefits (OPEB) Plan (continued)

There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year.

The City's contributions to the SDBF for the year ended September 30, 2019 were \$943, and were equal to the required contributions. The contribution rates to the SDBF for the City are as follows:

Plan/Calendar Year	Total SDB Contribution (Rate)	Retiree Portion of SDB Contribution (Rate)
2019	0.13%	0.06%
2018	0.12%	0.06%

Total OPEB Liability

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

Actuarial Assumptions:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Inflation	2.5%
Salary Increases	3.5% to 10.5% including inflation
Discount Rate	3.71%
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

Mortality:

Service Retirees RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Disabled Retirees RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

Other Information:

Notes There were no benefit changes during the year.

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2019

Note 9: Other Post-Employment Benefits (OPEB) Plan (continued)

The actuarial assumptions used in the December 31, 2018, valuation were developed primarily from an actuarial experience study of the four-year period from December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, TMRS adopted the Entry Age Normal actuarial cost method. Salary increases were based on a service-related table.

Discount Rate:

A single discount rate of 3.71% was used to measure the Total OPEB Liability and was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

Changes in Total OPEB Liability:

	<u>Total OPEB Liability</u>
Balance at 12/31/2017	\$ 44,376
Changes for the year:	
Service cost	1,626
Interest on Total OPEB Liability	1,488
Change of benefit terms	-
Difference between expected and actual experience	337
Changes of assumptions or other inputs	(3,077)
Benefit payments	(488)
Net changes	<u>(114)</u>
Balance at 12/31/2018	<u>\$ 44,262</u>

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2019

Note 9: Other Post-Employment Benefits (OPEB) Plan (continued)

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

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate		
1% Decrease	Current Discount Rate	1% Increase
2.71%	3.71%	4.71%
\$52,521	\$44,262	\$37,877

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$3,213. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference in expected and actual experience	\$ 283	\$ -
Difference in assumption changes	-	(298)
Contributions made subsequent to measurement date	687	-
	<u>\$ 970</u>	<u>\$ (298)</u>

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2019

Note 9: Other Post-Employment Benefits (OPEB) Plan (continued)

The \$687 contributions made after the measurement date of the total OPEB liability but before the end of the City's reporting period will be recognized as a reduction of the total OPEB liability in the subsequent fiscal period. The other amount reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:	Net Deferred Outflows (Inflows) of Resources
2020	\$ 99
2021	99
2022	99
2023	99
2024	(293)
Thereafter	(118)
Total	<u>\$ (15)</u>

Note 10: Prior Period Adjustment

The General Fund had the following restatements to net position due to expenses relating to state court costs not reported in the previous period.

	General Fund
Beginning balances as previously reported	\$ 376,305
State court costs	(20,248)
Restated beginning balances	<u>\$ 356,057</u>

Note 11: Subsequent Events

Management has evaluated subsequent events that occurred through the date of the financial statements, which is the date they were available for issuance. The following subsequent events were identified that requires disclosure:

On December 20, 2019, the City issued Series 2019A Contract Revenue Bonds in the amount of \$1,645,000 with an interest rate varying from 0.15% to 1.520%. The bonds mature on October 1, 2049.

On December 20, 2019, the City issued zero-interest Series 2019B Contract Revenue Bonds in the amount of \$1,025,000. The bonds mature on October 1, 2049.

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2019

Note 11: Subsequent Events (continued)

Subsequent to year end, Coronavirus known as SARS-CoV-2 (COVID-19) was first detected in China, causing outbreaks of COVID-19 that has now spread globally. On March 11, 2020, the World Health Organization announced that the COVID-19 outbreak can be characterized as a pandemic.

The Federal Government, along with State and local governments have taken preventative measures to slow the spread of the virus. At this time, it is unknown how this pandemic will affect revenues or expenses at the City.

REQUIRED SUPPLEMENTARY INFORMATION

City of Whitewright, Texas
General Fund Budgetary Comparison
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2019

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes:				
Property	\$ 550,000	\$ 550,000	\$ 552,959	\$ 2,959
General sales and use	280,000	280,000	194,052	(85,948)
Franchise	64,600	64,600	61,703	(2,897)
Mixed beverage	6,000	6,000	6,593	593
Emergency medical services	305,839	305,839	292,856	(12,983)
Police department and municipal court	149,600	149,600	170,509	20,909
Permits and fees	30,400	30,400	33,440	3,040
Fire department	24,930	24,930	23,147	(1,783)
Donations	-	-	13,592	13,592
Library	7,918	7,918	11,791	3,873
Grants	-	-	11,301	11,301
Miscellaneous	59,472	59,472	8,632	(50,840)
Interest	2,000	2,000	1,570	(430)
Total revenues	<u>1,480,759</u>	<u>1,480,759</u>	<u>1,382,145</u>	<u>(98,614)</u>
EXPENDITURES				
Current:				
General government	452,196	452,196	438,439	(13,757)
Emergency medical services	437,180	437,180	429,051	(8,129)
Police department and municipal court	476,098	476,098	318,150	(157,948)
Fire department	102,585	102,585	69,604	(32,981)
Library	67,700	67,700	66,342	(1,358)
Debt Service:				
Principal	-	-	11,200	11,200
Interest	-	-	2,317	2,317
Capital Outlay:				
Police department and municipal court	1,000	1,000	36,151	35,151
General government	10,000	10,000	11,750	1,750
Library	-	-	6,298	6,298
Total expenditures	<u>1,546,759</u>	<u>1,546,759</u>	<u>1,389,302</u>	<u>(157,457)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(66,000)</u>	<u>(66,000)</u>	<u>(7,157)</u>	<u>58,843</u>
OTHER FINANCING SOURCES (USES)				
Transfers in from water and sewer fund	60,000	60,000	(45,138)	105,138
Proceeds from the sale of assets	6,000	6,000	-	6,000
Total other financing sources (uses)	<u>66,000</u>	<u>66,000</u>	<u>(45,138)</u>	<u>111,138</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (52,295)</u>	<u>\$ 169,981</u>

The notes to the financial statements are an integral part of these financial statements.

City of Whitewright, Texas
Schedule of Changes in Net Pension Liability and Related Ratios ¹
Texas Municipal Retirement System
Last Ten Measured Years

	2018	2017	2016	2015	2014
Total Pension Liability					
Service Cost	\$ 70,339	\$ 64,676	\$ 70,928	\$ 72,871	\$ 58,482
Interest (on the Total Pension Liability)	77,769	78,328	78,880	74,448	68,648
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	17,474	(97,845)	(65,482)	20,654	(3,114)
Change of assumptions	-	-	-	22,159	-
Benefit payments, including refunds of employee contributions	(59,328)	(53,220)	(125,531)	(42,698)	(53,995)
Net Change in Total Pension Liability	106,254	(8,061)	(41,205)	147,434	70,021
Total Pension Liability - Beginning	1,146,625	1,154,686	1,195,891	1,048,457	978,436
Total Pension Liability - Ending (a)	<u>\$ 1,252,879</u>	<u>\$ 1,146,625</u>	<u>\$ 1,154,686</u>	<u>\$ 1,195,891</u>	<u>\$ 1,048,457</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 29,508	\$ 38,874	\$ 32,981	\$ 33,188	\$ 21,401
Contributions - Employee	40,658	37,778	36,827	39,604	37,813
Net Investment Income	(39,008)	155,726	74,723	1,586	57,904
Benefit payments, including refunds of employee contributions	(59,328)	(53,220)	(125,531)	(42,698)	(53,995)
Administrative Expense	(754)	(807)	(844)	(966)	(605)
Other	(39)	(41)	(55)	(48)	(50)
Net Change in Plan Fiduciary Net Position	(28,963)	178,310	18,101	30,666	62,468
Plan Fiduciary Net Position - Beginning	1,301,681	1,123,371	1,105,260	1,074,594	1,012,126
Plan Fiduciary Net Position - Ending (b)	<u>\$ 1,272,718</u>	<u>\$ 1,301,681</u>	<u>\$ 1,123,361</u>	<u>\$ 1,105,260</u>	<u>\$ 1,074,594</u>
Net Pension Liability - Ending (a) - (b)	\$ (19,839)	\$ (155,056)	\$ 31,325	\$ 90,631	\$ (26,137)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	101.58%	113.52%	97.29%	92.42%	102.49%
Covered Payroll	\$ 813,162	\$ 755,557	\$ 736,537	\$ 792,075	\$ 756,260
Net Pension Liability as a Percentage of Covered Payroll	-2.44%	-20.52%	4.25%	11.44%	-3.46%

Notes to Schedule of Net Pension Liability

¹ The schedule above reflects the changes in the net pension liability for the current year. GASB 68 requires ten fiscal years of data to be provided in this schedule. However, until a full ten-year trend is compiled, only available information is shown.

City of Whitewright, Texas
Schedule of Contributions to Pension Plan ¹
Texas Municipal Retirement System
Last Ten Fiscal Years

	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 22,899	\$ 38,874	\$ 32,981	\$ 33,188	\$ 21,401
Contributions in relation to the actuarially determined contribution	22,899	38,874	32,981	33,188	21,401
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 741,595	\$ 846,750	\$ 736,537	\$ 738,229	\$ 756,260
Contributions as a percentage of covered payroll	3.09%	4.59%	4.48%	4.50%	2.83%

Notes to Schedule of Contributions to Pension Plan

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 Years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis

Other Information:

Notes **There were no benefit changes during the year.**

City of Whitewright, Texas
Schedule of Changes in Total OPEB Liability and Related Ratios ¹
Texas Municipal Retirement System
Last Ten Measured Years

	<u>2018</u>	<u>2017</u>
Total OPEB Liability		
Service Cost	\$ 1,626	\$ 1,284
Interest (on the Total OPEB Liability)	1,488	1,476
Effect of plan changes	-	3,360
Effect of assumption changes or inputs	(3,077)	-
Effect of economic/demographic (gains) or losses	337	-
Benefit payments	(488)	(302)
Net Change in Total OPEB Liability	<u>(114)</u>	<u>5,818</u>
Total OPEB Liability - Beginning	<u>44,376</u>	<u>38,558</u>
Total OPEB Liability - Ending (a)	<u>\$ 44,262</u>	<u>\$ 44,376</u>
 Covered Payroll	 \$ 813,162	 \$ 755,557
Total OPEB Liability as a Percentage of Covered Payroll	5.44%	5.87%

NOTES TO SCHEDULE OF TOTAL OPEB LIABILITY

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is

City of Whitewright, Texas
Schedule of Contributions to OPEB Plan ¹
Texas Municipal Retirement System
Last Ten Fiscal Years

	2019	2018
Actuarially Determined Contribution	\$ 943	\$ 971
Contributions in relation to the actuarially determined contribution	943	971
Contribution deficiency (excess)	-	-
Covered payroll	\$ 741,595	\$ 846,750
Contributions as a percentage of covered payroll	0.1%	0.1%

NOTES TO SCHEDULE OF OPEB CONTRIBUTIONS

¹ This schedule is presented to illustrate the requirement to show for ten years. However, until a full ten-year trend is compiled, only available information is shown.

Valuation Timing: Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Inflation	2.5%
Salary Increases	3.5% to 10.5% including inflation
Discount Rate	3.71%
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

Mortality:
Service Retirees RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Disabled Retirees RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

Other Information:

Notes There were no benefit changes during the year.