

CITY OF WHITEWRIGHT, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
SEPTEMBER 30, 2009

City of Whitewright, Texas
Annual Financial Report
For the Year Ended September 30, 2009

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Whitewright, Texas

We have audited the accompanying financial statements of 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, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Whitewright, Texas' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 September 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with auditing standards generally accepted in the United States of America, we have also issued our report dated January 15, 2010, on our consideration of the City of Whitewright's internal control over financial reporting. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and the results of that testing, and not to provide an opinion on the internal control over financial reporting. That report is an integral part of an audit performed in accordance with auditing standards generally accepted in the United States of America and important for assessing the results of our audit.

The management discussion and analysis and budget comparison data on pages 2 through 6 and 27, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Gregg & Company CPAs

Tom Bean, Texas
January 15, 2010

**City of Whitewright, Texas
Management Discussion and Analysis
For the Year Ended September 30, 2009**

Our discussion and analysis of City of Whitewright's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2009. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of FY09 by \$2,494,766. This is an increase of \$31,984 over FY08's net asset value of \$2,462,782. Unrestricted net assets at the close of FY09 are \$368,741 and may be used to meet the City's ongoing obligations to citizens and creditors. This is a decrease of \$37,001 over FY08's unrestricted net asset value of \$405,742.
- As of the close of the current fiscal year, the City's governmental funds reported on page 9 have an ending fund balance of \$364,385 which is an increase of \$50,870 in comparison with the prior year. \$322,244 of the \$364,385 fund balance is available for spending at the City's discretion (unreserved fund balance).

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities (on pages 7 and 8). 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 9) 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 show 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 and the appropriations from the State. Proprietary fund financial statements report activity for the City's water and sewer operations.

The notes to the financial statements (beginning on page 16) provide narrative explanations and 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 Assets 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 7. 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 Assets includes all the City's assets 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, and 3) 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 assets and changes in them. The City's net assets (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 assets are 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 Assets and the Statement of Activities, the City has two kinds of activities:

Governmental Activities – City services such as police protection, fire protection, medical protection, court services, street maintenance, and City administration are reported here. City property taxes and sanitation operations finance most of these activities.

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

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 9 and provide detailed information about the most significant funds. The City's two types 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 Assets and the Statement of Activities) and governmental funds in reconciliation schedules found on pages 10 and 12.

Proprietary Funds – The City uses proprietary (business-type) funds to account for its water and sewer operations. The full-accrual basis of accounting is used for all proprietary type funds.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

The City's net assets increased from \$2,462,782 to \$2,494,766. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – were \$368,741 at September 30, 2009.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues for the City's general fund were \$1,209,411, while total expenditures were \$1,197,612. This resulted in an excess of revenues over expenditures of \$11,799 from current operations. Last year's result was an excess of expenditures over revenues of \$76,415.

Operating revenues for the City's proprietary fund were \$465,541, while operating expenses were \$402,763. This resulted in an operating net income of \$62,778. Last year's result was an operating net income of \$156,540. The change in net assets after non operating income and expense and transfers was a net loss of \$7,022. Last year's result was net income of \$125,891.

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 9) reported a combined fund balance of \$364,385 compared to \$313,515 in FY08. This represents an increase of \$50,870. The City's revenues and other financing sources for FY09 were \$128,459 less than the previous year. The largest increase in revenues came from Property Tax Revenues. The largest decrease in expenditures came from General Government Expenditures, primarily due to decreased capital outlays.

The significant variances between the budgeted and actual amounts are due to the City not budgeting for the revenue and expenses that the fire department and the library have on regular activities. However, management budgets for the salaries and the City's portion of the fire department and library in the general government budget. Also, the City received significant grants that were not included in the budget

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for all activities as of September 30, 2009 amounts to \$2,484,667, compared to \$2,494,629 (net of accumulated depreciation) at September 30, 2008. This investment in capital assets includes land, buildings and improvements, street improvements, water and sewer systems, equipment and vehicles. The total increase in the City's net investment in capital assets for the current fiscal year was \$84,318. Major capital asset activity during the current fiscal year included the purchase of sewer system improvements, equipment, and street improvements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Eighty-one percent (81%) of the City's net assets are invested in capital assets; land, buildings, vehicles and electronic 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.

City of Whitewright-Statement of Net Assets

	FY09	FY08
Current and other assets	\$ 575,434	\$ 640,243
Capital assets	2,484,667	2,494,629
Total assets	<u>\$ 3,060,101</u>	<u>\$ 3,134,872</u>
Current payables & other liabilities	\$ 85,513	\$ 98,332
L-T bonds & leases payable	479,822	573,758
Total Liabilities	<u>\$ 565,335</u>	<u>\$ 672,090</u>
Net assets:		
Invested in capital assets,		
Net of related debt	\$ 2,005,189	\$ 1,920,871
Restricted for debt service & other	120,836	136,169
Unrestricted	368,741	405,742
Total net assets	<u>\$ 2,494,766</u>	<u>\$ 2,462,782</u>

City of Whitewright-Statement of Activities

	FY09	FY08
Revenues:		
Program revenues		
Water Fund charges for services	\$ 465,541	\$ 490,175
General Fund charges for services	495,671	576,303
Grants and contributions	139,732	244,415
General revenues	562,575	566,497
Total Revenues	<u>\$ 1,663,519</u>	<u>\$ 1,877,390</u>
Expenses:		
General government	\$ 550,501	\$ 590,447
Water, sewer, and sanitation	437,367	371,448
Emergency medical service	318,131	321,637
Police	251,809	230,227
Fire	47,012	49,232
Library	26,715	20,768
Total Expenses	<u>1,631,535</u>	<u>1,583,759</u>
Increase (Decrease) in Net Assets	<u>\$ 31,984</u>	<u>\$ 293,631</u>

Long-term Debt

At year-end, the City had total bonded debt outstanding of \$445,000. There were no contractual obligations issued during the year. Bond principal payments totaled \$90,000 and all payments were made when due.

The City paid off a note payable for the building for the police department and emergency medical service during the year. Note payable principal payments totaled \$25,000 and the payment was made when due.

The City had various capital lease agreements for equipment. Lease payments for the year were \$14,682. Leases payable at year ended September 30, 2009 are \$22,364.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In spite of the economic slowdown, the City continued to experience moderate growth in the collection of property taxes.

Property taxes continue to be the City's primary source of revenue in the general fund. The City's 2009 tax base of \$60,157,050 showed an increase from the 2008 tax base of \$57,366,778 for a total of increase in tax base of \$2,790,272. The increase in the tax roll is mostly due to new residential and commercial construction.

The City's estimated population at January 1, 2009 is 1,740, and is consistent with historical growth patterns and projections in accordance with the City's managed growth philosophy.

Each of these factors was considered in preparing the City's budget for the 2009-2010 fiscal year. The operating budget for the 2009-2010 fiscal year developed by city management and approved by the City's elected officials focused on using the City's available resources and maintaining close scrutiny on operating costs.

The City's Operating Budget is prepared each year in September, prior to the commencement of the fiscal year for which the budget is adopted. The City Council is provided a monthly report of revenues and expenditures to review and assess how consistent actual revenue and expenditures are in relation to the budget that was approved.

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, contact City Hall, at 206 W Grand, P. O. Box 516, Whitewright, Texas 75491 or (903) 364-2219.

City of Whitewright, Texas
Statement of Net Assets
September 30, 2009

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation	Community Development Corporation
ASSETS					
Cash and Cash Equivalents	\$ 237,705	\$ 10,005	\$ 247,710	\$ 78,610	\$ 120,442
Current Investments	20,090	53,045	73,135	-	-
Prepaid Assets	5,317	-	5,317	1,759	-
Property Taxes Receivable, net	46,722	-	46,722	-	-
Sales Taxes Receivable, net	22,455	-	22,455	11,228	11,228
Other Receivables, net	20,681	38,578	59,259	117,516	-
Internal Balances	47,035	(47,035)	-	-	-
Restricted Assets:					
Cash - Fire Department	9,985	-	9,985	-	-
Cash - Library	26,108	-	26,108	-	-
Investments - Library	6,048	-	6,048	-	-
Deposits held in Trust by GTUA	-	78,695	78,695	-	-
Capital Assets not being Depreciated:					
Land	105,602	-	105,602	-	31,500
Construction in Progress	-	-	-	25,000	172,466
Capital Assets net of Accumulated Depreciation:					
Buildings and Improvements	180,609	-	180,609	213,989	-
Furniture, Equipment & Machinery	133,897	51,282	185,179	-	-
Public Infrastructure	285,351	1,727,926	2,013,277	-	-
Total Assets	1,147,605	1,912,496	3,060,101	448,102	335,636
LIABILITIES					
Accounts Payable	31,039	8,294	39,333	-	2,153
Customer Deposits Payable	-	46,180	46,180	-	-
Deferred Revenues	-	-	-	117,516	-
Noncurrent Liabilities:					
Due within One Year	20,298	90,344	110,642	10,964	-
Due in More than One Year	14,180	355,000	369,180	59,934	-
Total Liabilities	65,517	499,818	565,335	188,414	2,153
NET ASSETS					
Investment in Capital Assets, net of Related Debt	670,981	1,334,208	2,005,189	168,091	203,966
Restricted for Fiscal Agent	-	78,695	78,695	-	-
Restricted for Fire Department	9,985	-	9,985	-	-
Restricted for Library	32,156	-	32,156	-	-
Unrestricted	368,966	(225)	368,741	91,597	129,517
Total Net Assets	\$ 1,082,088	\$ 1,412,678	\$ 2,494,766	\$ 259,688	\$ 333,483

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

City of Whitewright, Texas
Statement of Activities
For the Year Ended September 30, 2009

Functions/Programs Primary Government:	Program Revenues						Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Units	
								Economic Development Corporation	Community Development Corporation
Governmental Activities:									
General Government	\$ 547,928	\$ 149,955	\$ 42,387	\$ -	\$ (355,586)	-	\$ (355,586)		
Emergency Medical Service	318,131	263,226	37,959	-	(16,946)	-	(16,946)		
Police and Court	251,809	76,446	-	-	(175,363)	-	(175,363)		
Fire Protection	47,012	-	47,904	-	892	-	892		
Library	26,715	6,044	11,482	-	(9,189)	-	(9,189)		
Interest on Long Term Debt	2,573	-	-	-	(2,573)	-	(2,573)		
Total Primary Government	1,194,168	495,671	139,732	-	(558,765)	-	(558,765)		
Business-Type Activities:									
Water and Sewer - Debt Service	34,604	-	-	-	-	(34,604)	(34,604)		
Water and Sewer - Operating	402,763	465,541	-	-	-	62,778	62,778		
Total Business-Type Activities	\$ 437,367	\$ 465,541	\$ -	\$ -	-	28,174	28,174		
Component Units:									
Economic Development Corporation	\$ 57,496	-	-	-	-	-	-	\$ (57,496)	-
Community Development Corporation	35,159	-	-	-	-	-	-	-	(35,159)
Total Component Units	\$ 92,655	-	-	-	-	-	-	(57,496)	(35,159)
General Revenues:									
Property Taxes									
					319,362	-	319,362	-	-
General Sales and Use Taxes					181,071	-	181,071	90,535	90,535
Franchise Taxes					53,782	-	53,782	-	-
Investment Earnings					3,344	3,875	7,219	-	-
Miscellaneous					1,141	-	1,141	29,021	-
Transfers					39,071	(39,071)	-	-	-
Total General Revenues					597,771	(35,196)	562,575	119,556	90,535
Change in Net Assets					39,006	(7,022)	31,984	62,060	55,376
Net Assets - Beginning					1,043,082	1,419,700	2,462,782	197,628	278,107
Net Assets - Ending					\$ 1,082,088	\$ 1,412,678	\$ 2,494,766	\$ 259,688	\$ 333,483

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

City of Whitewright, Texas
Balance Sheet
Governmental Funds
September 30, 2009

	<u>General Fund</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 237,705
Investments	20,090
Prepaid Assets	5,317
Due from Other Funds	47,035
Receivables, net	
Property Taxes	46,722
Other	43,136
Total Current Assets	<u>400,005</u>
Restricted Assets:	
Cash - Fire Department	9,985
Cash - Library	26,108
Investment - Library	6,048
Total Restricted Assets	<u>42,141</u>
Total Assets	<u><u>\$ 442,146</u></u>
LIABILITIES AND FUND BALANCES	
Current Liabilities:	
Accounts Payable	\$ 31,039
Deferred Revenue	46,722
Total Current Liabilities	<u>77,761</u>
Fund Balances:	
Reserved Fund Balances:	
Fire Department	9,985
Library	32,156
Unreserved	322,244
Total Fund Balances	<u>364,385</u>
Total Liabilities and Fund Balances	<u><u>\$ 442,146</u></u>

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

City of Whitewright, Texas
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
For the Year Ended September 30, 2009

Fund Balance(s) of Governmental Funds	\$ 364,385
Amounts reported for <i>Governmental Activities</i> in the Statement of Net Assets differ from the Balance Sheet for the following reasons:	
Capital assets used in governmental activities are not financial resources; therefore, they are not reported in Governmental Funds.	705,459
Long term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in Governmental Funds.	(34,478)
Delinquent property taxes are reported as deferred income on the fund financial statement, but the amount should not be shown as a liability on the Statement of Net Assets.	46,722
Net Assets of Governmental Activities	<u>\$ 1,082,088</u>

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

City of Whitewright, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2009

	<u>General Fund</u>
REVENUES	
Taxes:	
Property	\$ 311,382
General Sales and Use	181,071
Franchise	53,782
Emergency Medical Service	301,185
Solid Waste Disposal	132,064
Police Department and Court	76,446
Fire Department	47,904
Contributions	36,336
Other Revenue	24,429
Permits and Fees	17,891
Library	15,152
Grants	8,425
Interest Revenue	3,344
Total Revenues	<u>1,209,411</u>
EXPENDITURES	
Current:	
General Government	503,969
Emergency Medical Service	307,910
Police Department and Court	235,439
Fire Department	36,182
Library	19,289
Debt Service:	
Principal	39,682
Interest	2,573
Capital Outlay:	
Equipment	32,998
Streets	19,570
Total Expenditures	<u>1,197,612</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>11,799</u>
OTHER FINANCING SOURCES (USES)	
Transfers In (Out)	<u>39,071</u>
Total Other Financing Sources (Uses)	<u>39,071</u>
Net Change in Fund Balance	50,870
Fund Balance - Beginning	313,515
Fund Balance - Ending	<u>\$ 364,385</u>

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

City of Whitewright, Texas
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures, and Changes in Fund Balances to the Statement Activities
For the Year Ended September 30, 2009

Net Change in Fund Balances - Total Governmental Funds	\$ 50,870
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Amounts reported for *Governmental Activities* in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period.	(24,124)
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The amount is the net effect of these differences in the treatment of long-term debt and related items.	27,568
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Governmental funds report some prior year tax 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. The net effect of deferred revenue is to decrease net assets.	(15,308)
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Change in Net Assets of Governmental Activities	<u>\$ 39,006</u>
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The notes to the financial statements are an integral part of this statement.

City of Whitewright, Texas
Statement of Net Assets
Proprietary Fund
September 30, 2009

	<u>Proprietary Funds</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 10,005
Investments - Current	53,045
Accounts Receivables (Net of Allowance for Uncollectibles)	<u>38,578</u>
Total Current Assets	<u>101,628</u>
Restricted Assets:	
Deposit Held by GTUA	<u>78,695</u>
Total Restricted Assets	<u>78,695</u>
Capital Assets:	
Machinery and Equipment	118,930
Water and Sewer System	2,736,534
Less Accumulated Depreciation	<u>(1,076,256)</u>
Total Capital Assets	<u>1,779,208</u>
Total Assets	<u>1,959,531</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	8,294
Due to Other Funds	47,035
Compensated Absences	344
Bonds Payable - Current Portion	90,000
Customer Deposits Payable	<u>46,180</u>
Total Current Liabilities	<u>191,853</u>
Noncurrent Liabilities:	
Bonds Payable - Noncurrent	<u>355,000</u>
Total Noncurrent Liabilities	<u>355,000</u>
Total Liabilities	<u>546,853</u>
NET ASSETS	
Investment in Capital Assets, Net of Related Debt	1,334,208
Restricted Deposits	78,695
Unrestricted	<u>(225)</u>
Total Net Assets	<u>\$ 1,412,678</u>

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

City of Whitewright, Texas
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
For the Year Ended September 30, 2009

	<u>Proprietary Funds</u>
Operating Revenues:	
Charges for Sales and Services:	
Water	\$ 264,570
Sewer	200,971
Total Operating Revenues	<u>465,541</u>
Operating Expenses:	
Salaries and Wages	96,601
Utilities	79,120
Depreciation	59,046
Sanitation Plant Expense	49,765
Other Operating Expenses	47,329
Employee Benefits	27,488
Maintenance and Repairs	22,901
Water Expense	13,931
Supplies	6,582
Total Operating Expenses	<u>402,763</u>
Operating Income	<u>62,778</u>
Nonoperating Revenues (Expenses):	
Interest Revenue	3,875
Interest Expense	(26,759)
Bond Issuance Costs	(7,845)
Total Nonoperating Revenue (Expenses)	<u>(30,729)</u>
Income Before Transfers	32,049
Transfers Out	(39,071)
Change in Net Assets	<u>(7,022)</u>
Total Net Assets - Beginning	1,419,700
Total Net Assets - Ending	<u><u>\$ 1,412,678</u></u>

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

City of Whitewright, Texas
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2009

	<u>Proprietary Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 467,143
Cash Paid to Employees	(123,870)
Cash Paid to Suppliers for Goods and Services	(124,660)
Net Cash Provided by Operating Activities	<u>218,613</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to Other Funds	(39,071)
Net Cash Provided by Noncapital Financing Activities	<u>(39,071)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Cash from Restricted Account held by GTUA	8,346
Cash Used for Bond Issue	(7,845)
Interest Paid on Capital Debt	(26,759)
Acquisition and Construction of Capital Assets	(73,206)
Principal Paid on Capital Debt	(90,000)
Net Cash Provided (Used) by Capital and related Financing Activities	<u>(189,464)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	2,627
Net Cash Provided by Investing Activities	<u>2,627</u>
Net Increase (decrease) in Cash and Cash Equivalents	(7,295)
Cash and Cash Equivalents, October 1, 2008	<u>17,300</u>
Cash and Cash Equivalents, September 30, 2009	<u>\$ 10,005</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ 62,778
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	59,046
(Increase) Decrease in Due from Other Funds	48,362
(Increase) Decrease in Accounts Receivable	2,234
Increase (Decrease) in Accounts Payable	(1,471)
Increase (Decrease) in Due to Other Funds	47,035
Increase (Decrease) in Customer Deposits Payable	410
Increase (Decrease) in Compensated Absences	219
Net Cash Provided by Operating Activities	<u><u>\$ 218,613</u></u>

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

City of Whitewright, Texas
Notes to the Financial Statements
September 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Whitewright, Texas (the "City") operates under a council-mayor form of government and provides the following general government functions: law enforcement, fire and other public safety activities, streets, sanitation, public improvements, public charities, parks and recreation, library services, zoning and general administrative services. Proprietary Funds are 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). 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 following is a summary of the more significant policies:

1. Financial Reporting Entity

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. In evaluating how to define the City for financial statement purposes, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in Generally Accepted Accounting Principles and Government Accounting Standards Board Statement No. 14. The basic, but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability to exercise oversight responsibility, includes, but is not limited to: the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters.

Based on the criteria stated above, the Whitewright Public Library and Whitewright Volunteer Fire Department are related organizations that are included in the reporting entity. The City exercises material financial control or managerial influence and is accountable for fiscal matters of these organizations. For these reasons, it has been concluded that these organizations are part of the City's reporting entity.

The City has two component units, the Whitewright Economic Development Corporation (EDC) and the Whitewright Community Development Corporation (CDC), which are funded by a 4B and 4A sales tax, respectively, approved by the City Council. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasis that they are legally separate from the City.

2. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets 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 proprietary 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.

The statement of activities demonstrates the degree to which direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 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 as general revenues.

City of Whitewright, Texas
Notes to the Financial Statements
September 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements 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.

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.

Governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as current assets. 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.

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, 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:

GOVERNMENTAL FUND TYPES

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.

ENTERPRISE FUND TYPES

Enterprise funds are 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 fund type.

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.

4. 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.

City of Whitewright, Texas
Notes to the Financial Statements
September 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. 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. The Water Fund owes the General Fund \$48,362 at September 30, 2009 for various operating expenses.

6. Property Taxes

Ad valorem taxes are levied on October 1st and are due and payable at that time. All unpaid taxes levied October 1st become delinquent February 1st of the following year. Property taxes attach as an enforceable lien on property as of January 1st. Property tax revenues are recognized when they become available. Available includes those property taxes receivable, which are expected to be collected within sixty days after year-end.

7. Bad Debts

The City uses the allowance method of recording wastewater, ambulance, court fines, and forfeiture bad debts. The City has established an allowance for doubtful accounts for delinquent taxes to the extent that their collection is improbable.

8. Prepaid Items

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

9. Property, Plant and Equipment

Property, plant and equipment used in governmental fund type operations are shown on the statement of net assets, rather than governmental funds. Accumulated depreciation has been provided on such property, plant and equipment. Depreciation expense is allocated in the general fund by function and is included as expense on the statement of activities.

All property, plant and equipment are reported at historical cost or estimated historical cost if actual historical cost is not available. Property, plant and equipment acquired through donation are recorded at estimated fair value on the date of donation. Depreciation is provided in the enterprise funds in amounts sufficient to relate the cost of the depreciable assets to operations over the estimated service life on the straight-line basis. The service lives by asset classification are follows:

Furniture, Fixtures and Equipment	5-10 years
Buildings and Improvements	12-40 years
Public Infrastructure	20 years
Water and Sewer Systems	20-50 years
Water and Sewer Improvements	50 years

10. Compensated Absences

It is the City's policy to permit employees to accumulate certain earned but unused sick and holiday pay benefits. When an employee separates from service with the City, the employee is entitled to receive pay for all earned but unused sick and holiday pay. All such vacation and sick pay is accrued when incurred in the government-wide financial statements.

City of Whitewright, Texas
Notes to the Financial Statements
September 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. 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.

12. Restricted Net Assets

The City reserves a portion of each fund's equity balance, which represents assets not available for general operating use. For the year ended September 30, 2009 the General Fund's reserved portion of fund balance was \$9,985 for the fire department and \$32,156 for the library. The Water Fund's reserved portion of net assets totaled \$78,695. This amount represents funds held at GTUA to be used exclusively for water and sewer system capital projects and repayment of contractual obligations.

13. 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. The City adopts a budget for the Governmental Fund Type and the Proprietary Fund Type during the month of September.

14. Whitewright Community Development Corporation – 4B

The Whitewright Community Development Corporation (a non-profit corporation) was established October 3, 1997 exclusively for the public purposes authorized in the Development Corporation Act and may issue bonds on behalf of the City. Specifically, the Corporation is authorized to study and fund all permissible projects prescribed in the Development Corporation Act and for the promotion and development of new or expanded business promotion and development of new or expanded business enterprises, Main Street (downtown Whitewright), parks and any other purpose authorized by the Development Corporation Act. The Corporation is managed by a board of directors that is composed of seven persons appointed by the City Council of the City of Whitewright, Texas. The corporation is funded by a one-half percent increase in the city sales tax rate.

15. Whitewright Economic Development Corporation – 4A

The Whitewright Economic Development Corporation (a non-profit corporation) was established October 3, 1997 for the exclusive purpose of benefiting and accomplishing public purposes of the City of Whitewright, Texas, by promoting, assisting, and enhancing economic development activities for the City as provided by the Development Corporation Act. The Corporation is managed by a board of directors that is composed of five persons appointed by the City Council of the City of Whitewright, Texas. The corporation is funded by a one-half percent increase in the city sales tax rate.

NOTE B - CASH AND INVESTMENTS

As of September 30, 2009, the City maintains all bank accounts at Independent Bank. The City's investments are limited to demand deposits and certificates of deposits in financial institutions that are members of the FDIC. At September 30, 2009, the City's deposits in its depository bank totaled \$362,936 with \$250,000 insured by the Federal Deposit Insurance Corporation. \$331,192 of securities has been pledged by the depository bank to collateralize all remaining deposits.

City of Whitewright, Texas
Notes to the Financial Statements
September 30, 2009

NOTE B - CASH AND INVESTMENTS (continued)

<u>Reconciliation of Balance Sheet Cash:</u>	
Primary Government Cash on Balance Sheet	\$320,845
Restricted Cash and Investments on Balance Sheet	120,836
(Less) Cash held by GTUA	(78,695)
(Less) Petty Cash on Balance Sheet	(50)
Deposits with Financial Institutions:	<u>\$362,936</u>

NOTE C – RECEIVABLES

Government-wide receivables as of September 30, 2009, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Proprietary Fund Wastewater	Total
Receivables:			
Ad Valorem Taxes	\$ 49,181	\$ -	\$ 49,181
Sales Taxes	22,455	-	22,455
Fines and Forfeitures - Court	49,121	-	49,121
Ambulance Services	881,994	-	881,994
Other	14,989	-	14,989
Accounts	-	54,544	54,544
Gross Receivables	<u>1,017,740</u>	<u>54,544</u>	<u>1,072,284</u>
Less: Uncollectible Allowance	(927,882)	(15,966)	(943,848)
Net Total Receivables	<u>\$ 89,858</u>	<u>\$ 38,578</u>	<u>\$ 128,436</u>

NOTE D – PROPERTY, PLANT AND EQUIPMENT

The following is a summary of the property, plant and equipment of the proprietary funds at September 30, 2009:

	Oct. 1, 2008	Additions	Deductions	Sept. 30, 2009
Sewer System	\$1,151,645	\$ -	\$ -	\$1,151,645
Sewer System Improvements	1,120,145	60,707	-	1,180,852
Furniture and Equipment	106,431	12,500	-	118,931
Water Tower	404,037	-	-	404,037
Total Assets	<u>2,782,258</u>	<u>73,207</u>	<u>-</u>	<u>2,855,465</u>
Accumulated Depreciation	(1,017,211)	(59,046)	-	(1,076,257)
Total Net Assets	<u>\$1,765,047</u>	<u>\$14,161</u>	<u>\$ -</u>	<u>\$1,779,208</u>

Depreciation expense for the year ended September 30, 2009 is \$59,046.

City of Whitewright, Texas
Notes to the Financial Statements
September 30, 2009

NOTE D – PROPERTY, PLANT AND EQUIPMENT (continued)

The following is a summary of changes in capital assets for governmental activities for the year ended September 30, 2009:

	Oct. 1, 2008	Additions	Deductions	Sept. 30, 2009
Land	\$105,602	\$ -	\$ -	\$105,602
Buildings	664,712	-	-	\$664,712
Furniture and Equipment	838,431	32,998	-	\$871,429
Infrastructure	286,669	19,570	-	\$306,239
Total Assets	1,895,414	52,568	-	1,947,982
Accumulated Depreciation	(1,165,831)	(76,692)	-	(1,242,523)
Total Net Assets	<u>\$729,583</u>	<u>(\$24,124)</u>	<u>\$ -</u>	<u>\$705,459</u>

Depreciation for general fixed assets is included as an expense for governmental activities on the statement of activities. Depreciation is allocated to each governmental function of the primary government as follows:

General	\$ 31,845
Police & Court	16,370
Fire Protection	10,830
Emergency Medical Services	10,221
Library	7,426
Total	<u>\$ 76,692</u>

NOTE E – DELINQUENT PROPERTY TAX

Delinquent property taxes at September 30, 2009, are as follows:

Tax Year	Amount
2007 and prior	\$ 31,541
2008	17,640
Subtotal	49,181
Less allowance for doubtful accounts	(2,459)
	<u>\$ 46,722</u>

NOTE F – PROPERTY TAX REVENUE

Property and personal taxes are billed and collected by the Office of John Ramsey, Grayson County Tax Assessor/Collector. For the year ended September 30, 2009 the tax rate was \$.595000 per \$100 assessed valuation.

City of Whitewright, Texas
Notes to the Financial Statements
September 30, 2009

NOTE G - RETIREMENT PLAN

Plan Description

The City provides pension benefits for full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 833 administered by TMRS, an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues publically available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition the report is available on TMRS' website at www.TMRS.com.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the Plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and city matching percent had always been in existence and if the employee's salary had always been the average of his/her salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

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

Deposit Rate:	5%
Matching Ratio (City to Employee):	1 to 1.5
Member Vested After:	5 years of service
Retirement Eligibility:	Minimum age 60 with 5 years of service Any age with 25 years of service

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for the City. Both the normal cost and the prior service contribution rate include recognition of the projected impact of annually repeating the benefits, such as Updated Service Credits and Annuity Increases. The City contributes to the TMRS Plan at an actuarial determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 31, 2008 valuation is effective for rates beginning January 2009). The annual pension cost and net pension obligation/asset are as follows:

City of Whitewright, Texas
Notes to the Financial Statements
September 30, 2009

NOTE G - RETIREMENT PLAN (continued)

Schedule of Actuarial Liabilities and Funding Progress

	<u>2009</u> <u>12/31/2008</u>	<u>2008</u> <u>12/31/2007</u>	<u>2007</u> <u>12/31/2006</u>
Actuarial Valuation Date			
Actuarial Value of Assets	\$ 406,763	\$ 481,935	\$ 439,521
Actuarial Accrued Liability	\$ 391,144	\$ 462,698	\$ 483,266
Unfunded Actuarial Accrued Liability	(15,619)	(19,237)	(43,745)
Percentage funded	104.00%	104.20%	90.95%
Annual Covered Payroll	\$ 494,015	\$ 476,444	\$ 318,598
Ratio of Unfunded to Annual Covered Payroll	-3.16%	-4.00%	13.73%
Net Pension Obligation at Beginning of Period	-	-	-
Annual Required Contribution (ARC)	20,717	24,335	19,433
Contributions Made	20,717	24,335	19,433
NPO at the End of the Period	\$ -	\$ -	\$ -

NOTE H -- CHANGES IN LONG-TERM LIABILITIES

The following is a summary of the changes in long-term liabilities for the year ended September 30, 2009:

Governmental Activities

	Balance 10/1/2008	Additons	Retirements	Balance 9/30/2009	Amounts Due in One Year
Note Payable	\$ 25,000	\$ -	\$ (25,000)	\$ -	\$ -
Leases Payable	37,046	-	(14,682)	22,364	8,184
Compensated Absences	-	12,114	-	12,114	12,114
Totals	\$ 62,046	\$ 12,114	\$ (39,682)	\$ 34,478	\$ 20,298

Business-Type Activities (Water Fund)

	Balance 10/1/2008	Additons	Retirements	Balance 9/30/2009	Amounts Due in One Year
Note Payable	\$ 535,000	\$ -	\$ (90,000)	\$ 445,000	\$ 90,000
Compensated Absences	125	219	-	344	344
Totals	\$ 535,125	\$ 219	\$ (90,000)	\$ 445,344	\$ 90,344

City of Whitewright, Texas
Notes to the Financial Statements
September 30, 2009

NOTE I – PROPRIETARY FUND LONG-TERM CONTRACTUAL OBLIGATIONS

The City entered into four separate long-term water supply and sewer service contracts with Greater Texoma Utility Authority (GTUA) on June 20, 1990, September 16, 1996, December 20, 1999 and September 17, 2004. The City has an obligation to make payments specified by the contract 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 the terms of the contracts, the City's obligation to make payments to GTUA terminates when all GTUA bonds issued in connection with construction of the facilities have been paid in full, are retired, and are no longer outstanding.

The original principal obligation of the series 1991 contract was \$ 920,000, with interest rates of 5.50%. As of September 30, 2009, the principal balance of the obligation was \$145,000. The City's obligation to GTUA under the 1991 contract expires with the retirement of the GTUA bonds in the fiscal year ending September 30, 2011.

The original principal obligation of the 1996 contract was \$180,000, with interest rates varying between 4.45% and 6.45%. As of September 30, 2009, the principal balance of the obligation was \$100,000. The City's obligation to GTUA under the 1996 contract expires with the retirement of the GTUA bonds in the fiscal year ending September 30, 2017.

The original principal obligation of the 2000 contract was \$150,000, with interest rates varying between 3.3% and 5.3%. As of September 30, 2009, the principal balance of the obligation was \$110,000. The City's obligation to GTUA under the 2000 contract expires with the retirement of the GTUA bonds in the fiscal year ending September 30, 2021.

The original principal obligation of the 2004 contract was \$110,000, with interest rates varying between 2.79% to 5.64%. As of September 30, 2009, principal balance of the obligation was \$90,000. The City's obligation to GTUA under the 2004 contract expires with the retirement of the GTUA bonds in the fiscal year ending September 30, 2025.

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2010	90,000	22,055	\$ 112,055
2011	95,000	17,030	112,030
2012	20,000	13,907	33,907
2013	20,000	12,829	32,829
2014	25,000	11,571	36,571
2015-2019	115,000	36,985	151,985
2020-2024	70,000	10,409	80,409
2025	10,000	564	10,564
	<u>\$ 445,000</u>	<u>\$ 125,350</u>	<u>\$ 570,350</u>

NOTE J – NOTES AND CAPITAL LEASES PAYABLES

On March 21, 2001, the City of Whitewright entered a ten year lease-purchase agreement with Government Capital Corporation for the purchase of a fire truck. The original principal balance was \$92,557 and the lease carried an interest rate of 5.50%. Interest expense for the year was \$1,581 and the remaining principal balance of the lease is \$ \$14,887 at September 30, 2009.

City of Whitewright, Texas
Notes to the Financial Statements
September 30, 2009

NOTE J – NOTES AND CAPITAL LEASES PAYABLES (continued)

On October 5, 2006, the City of Whitewright entered a four year lease-purchase agreement with Ford Motor Credit Company to purchase a 2006 Crown Victoria Police Car. The original principal balance was \$28,994. Interest expense for the year was \$1,012 and the remaining principal balance of the lease is \$7,477 at September 30, 2009.

On February 19, 2004, the City of Whitewright entered a five year note payable for the purchase of a public safety building. The original principal balance was \$75,000 and the note carried an interest rate of zero percent. The principal balance was paid off during the year ended September 30, 2009.

The future minimum lease payments at September 30, 2009, are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 8,184	\$ 1,596	\$ 9,780
2011	14,180	552	14,732
Totals	<u>\$ 22,364</u>	<u>\$ 2,148</u>	<u>\$ 24,512</u>

NOTE K – NOTE PAYABLE AND RECEIVABLE OF COMPONENT UNIT

During the year ended September 30, 2005, the Economic Development Corporation (EDC) purchased land and constructed a building. As a result, the EDC entered a note agreement with Independent Bank in the amount of \$112,000 with an interest rate of 5.5% from May 13, 2005 to May 13, 2008. For the period from May 13, 2008 to May 13, 2015 the interest rate will be the sum of the current index per annum at that time. At September 30, 2009, the outstanding principal balance of the long-term debt is \$70,898.

The following is a schedule of future principal maturities of the note payable at September 30, 2009:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2010	\$10,964	\$3,625	\$14,589
2011	11,583	3,006	14,589
2012	12,229	2,360	14,589
2013	12,926	1,663	14,589
2014	13,655	934	14,589
Thereafter	<u>9,541</u>	<u>198</u>	<u>9,739</u>
Totals	<u>\$70,898</u>	<u>\$11,786</u>	<u>\$82,684</u>

On February 18, 2005, the EDC sold the land and building to Premier Molding, Inc. (PMI). The EDC is financing the note. Later, PMI sold the building to Royal Case (RC) and they took over the payments to the EDC. The land was sold for \$30,000 at 0% interest, payable May 1, 2010. The building sold for \$140,000 with an annual interest rate of 5.5% and monthly payments of \$1,519 payable May 1, 2005 through May 1, 2015. RC made principal payments in the amount of \$13,029 for the year ended September 30, 2009.

City of Whitewright, Texas
Notes to the Financial Statements
September 30, 2009

NOTE K – NOTE PAYABLE AND RECEIVABLE OF COMPONENT UNIT (continued)

The following is a schedule of the future receivables for the note receivable at September 30, 2009.

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2010	\$43,764	\$4,883	\$48,647
2011	14,540	3,692	18,232
2012	15,352	2,880	18,232
2013	16,226	2,006	18,232
2014	17,141	1,091	18,232
Thereafter	10,492	194	10,686
Totals	<u>\$117,515</u>	<u>\$14,746</u>	<u>\$132,261</u>

NOTE L - INSURANCE COVERAGE

The Texas Municipal League Inter-Governmental Risk Pool provides insurance coverage for the City. For the period October 1, 2008 to September 30, 2009 the City maintained insurance coverage as follows:

Type of Coverage

General Liability	Errors & Omissions Liability	Law Enforcement Liability
Automobile Liability	Real & Personal Property	
Auto Physical Damage	Mobile Equipment	

City of Whitewright, Texas
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 315,000	\$ 315,000	\$ 311,382	\$ (3,618)
Emergency Medical Service	305,500	305,500	301,185	(4,315)
General Sales and Use Taxes	187,000	187,000	181,071	(5,929)
Solid Waste Disposal	137,000	137,000	132,064	(4,936)
Police Department and Court	93,000	93,000	76,446	(16,554)
Franchise Taxes	50,000	50,000	53,782	3,782
Fire Department	-	-	47,904	47,904
Contributions	27,200	27,200	36,336	9,136
Other Revenue	11,900	11,900	24,429	12,529
Permits and Fees	18,950	18,950	17,891	(1,059)
Library	-	-	15,152	15,152
Grants	6,700	6,700	8,425	1,725
Interest Revenue	1,000	1,000	3,344	2,344
Total Revenues	1,153,250	1,153,250	1,209,411	56,161
EXPENDITURES				
General Government	677,108	\$ 677,108	503,969	173,139
Emergency medical service	314,900	314,900	307,910	6,990
Police department and court	222,870	222,870	235,439	(12,569)
Library	-	-	19,289	(19,289)
Fire department	-	-	36,182	(36,182)
Debt service	-	-	42,255	(42,255)
Capital Outlay	-	-	52,568	(52,568)
Total Expenditures	1,214,878	1,214,878	1,197,612	17,266
Excess (Deficiency) of Revenues over Expenditures	(61,628)	(61,628)	11,799	73,427
OTHER FINANCING SOURCES (USES)				
Capital Leases	-	-	-	-
Transfers In (Out)	-	-	39,071	39,071
Total Other financing Sources (Uses)	-	-	39,071	39,071
Net Change in Fund Balances	(61,628)	(61,628)	50,870	112,498
Fund Balance - October 1 (Beginning)	313,515	313,515	313,515	-
Fund Balance - September 30 (Ending)	\$ 251,887	\$ 251,887	\$ 364,385	\$ 112,498

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

INTERNAL CONTROLS SECTION

GREGG & COMPANY

MEMBER
TEXAS SOCIETY OF CPAs

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MEMBER
AMERICAN INSTITUTE OF CPAs

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA*

To the City Council
City of Whitewright, Texas

We have audited the 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, as of and for the year ended September 30, 2009, which collectively comprise the City of Whitewright, Texas's financial statements and have issued our report thereon dated January 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

In planning and performing our audit, we considered the City of Whitewright, Texas' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Whitewright, Texas' internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Whitewright, Texas' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Whitewright's financial statements that is more than inconsequential will not be prevented or detected by the City of Whitewright, Texas' internal control. We consider the following deficiencies to be significant deficiencies in internal control.

- Numerous significant proposed adjustments to the financial records were necessary to record the accounts and transactions in a manner consistent with generally accepted accounting principles.
- The Statement on Auditing Standards no. 112 requires that we document the City does not have the capability to prepare financial statements and the related notes.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Whitewright's internal controls. We believe the significant deficiencies described above constitute material weaknesses.

Our consideration of internal control over financial reporting was for the limited purpose described in the second paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We noted certain matters that we reported to management of the City of Whitewright, Texas, in a letter dated January 15, 2010.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gregg & Company CPAs

Tom Bean, Texas
January 15, 2010