

City of Whitewright, Texas

Report of Audit

Fiscal Year Ended September 30, 2011

CITY OF WHITEWRIGHT, TEXAS
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September 30, 2011

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Unqualified Opinion on Basic Financial Statements Accompanied by
Required Supplementary Information

Independent Auditors' Report

Honorable Mayor and City Council
City of Whitewright, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units and each major fund of the City of Whitewright, Texas (the City), as of and for the year ended September 30, 2011, 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's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and the Texas Municipal Retirement System Schedule of Funding Progress, 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.

Honorable Mayor and City Council
City of Whitewright, Texas
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Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

A handwritten signature in black ink, reading "McClanahan and Hulm, LLP". The signature is written in a cursive, flowing style.

Certified Public Accountants

Bonham, Texas
March 9, 2012

CITY OF WHITEWRIGHT, TEXAS
Statement of Net Assets
September 30, 2011

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation	Community Development Corporation
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 224,668	\$ 130,970	\$ 355,638	\$ 126,329	\$ 39,614
Current Investments	20,326	54,186	74,512	-	-
Prepaid Assets	5,317	-	5,317	1,759	-
Property Taxes Receivable, net	43,617	-	43,617	-	-
Sales Taxes Receivable, net	39,913	-	39,913	19,956	19,956
Other Receivables, net	78,972	63,781	142,753	166,029	-
Internal Balances	36,339	(36,339)	-	-	-
Restricted Assets:					
Cash - Fire Department	27,017	-	27,017	-	-
Cash - Library	5,141	-	5,141	-	-
Cash - Debt Service	3,132	-	3,132	-	-
Deposits Held in Trust by GTUA	-	79,396	79,396	-	-
Bond Issuance Costs	-	7,483	7,483	-	-
Capital Assets Not Being Depreciated:					
Land	156,737	-	156,737	-	-
Construction in Progress	33,606	-	33,606	-	-
Capital Assets Net of Accumulated Depreciation:					
Land Improvements	29,440	-	29,440	-	-
Buildings and Improvements	201,853	-	201,853	205,056	8,103
Furniture, Equipment & Machinery	712,739	76,412	789,151	-	-
Public Infrastructure	376,027	1,672,336	2,048,363	-	-
Total Assets	1,994,844	2,048,225	4,043,069	519,129	67,673
<u>LIABILITIES</u>					
Accounts Payable	23,654	32,494	56,148	-	-
Wages Payable	18,320	4,182	22,502	-	-
Customer Deposits Payable	-	59,365	59,365	-	-
Accrued Interest Payable	-	7,167	7,167	-	-
Non-Current Liabilities:					
Portion Due or Payable Within One Year	18,790	37,222	56,012	23,771	-
Portion Due or Payable After One Year	26,848	256,725	283,573	110,317	-
Total Liabilities	87,612	397,155	484,767	134,088	-
<u>NET ASSETS</u>					
Invested in Capital Assets, Net of Related Debt	1,464,764	1,454,801	2,919,565	70,968	8,103
Restricted for:					
Fiscal Agent	-	79,396	79,396	-	-
Fire Department	27,017	-	27,017	-	-
Library	5,141	-	5,141	-	-
Debt Service	3,132	-	3,132	-	-
Unrestricted	407,178	116,873	524,051	314,073	59,570
Total Net Assets	\$ 1,907,232	\$ 1,651,070	\$ 3,558,302	\$ 385,041	\$ 67,673

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

CITY OF WHITEWRIGHT, TEXAS
Statement of Activities
Year Ended September 30, 2011

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Component Units
				Governmental Activities	Business-Type Activities	Economic Development Corporation
Primary Government:						
Governmental Activities:						
General Government	\$ 586,596	\$ 148,967	\$ 77,186	\$ (245,496)	\$ -	\$ (245,496)
Emergency Medical Service	344,215	278,519	-	(65,696)	-	(65,696)
Police and Court	289,640	73,337	-	(216,303)	-	(216,303)
Fire Protection	46,176	33,506	78,000	65,330	-	65,330
Library	22,716	44,071	-	21,355	-	21,355
Interest on Long Term Debt	2,371	-	-	(2,371)	-	(2,371)
Total Governmental Activities	1,291,714	578,400	155,186	(443,181)	-	(443,181)
Business-Type Activities:						
Water and Sewer - Debt Service	19,096	-	-	-	(19,096)	(19,096)
Water and Sewer - Operating	468,971	598,862	-	-	163,040	163,040
Total Business-Type Activities	488,067	598,862	33,149	-	143,944	143,944
Total Primary Government	\$ 1,779,781	\$ 1,177,262	\$ 155,186	\$ (443,181)	143,944	(299,237)
Component Units:						
Economic Development Corporation	\$ 97,518	\$ -	\$ -	\$ -	\$ (97,518)	\$ -
Community Development Corporation	191,337	-	-	-	-	(191,337)
Total Component Units	\$ 288,855	\$ -	\$ -	\$ -	(97,518)	(191,337)
General Revenues:						
Taxes:						
				388,325	-	388,325
				213,174	-	213,174
				67,451	-	67,451
				1,516	280	1,796
				22,437	-	22,437
				46,330	(46,330)	-
				739,233	(46,050)	693,183
				296,052	97,894	393,946
				1,611,180	1,553,176	3,164,356
				-	-	-
				\$ 1,907,232	\$ 1,651,070	\$ 3,558,302
				\$ -	\$ -	\$ -
				\$ 97,518	\$ (97,518)	\$ -
				191,337	-	(191,337)
				\$ 288,855	\$ -	\$ -

CITY OF WHITEWRIGHT, TEXAS
Governmental Fund
Balance Sheet
September 30, 2011

Statement 3

	General Fund
<u>ASSETS</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 224,668
Investments	20,326
Prepaid Assets	5,317
Due from Other Funds	36,339
Receivables, net	
Property Taxes	43,617
Other	118,885
Total Current Assets	<u>449,152</u>
Restricted Assets:	
Cash - Fire Department	27,017
Cash - Library	5,141
Cash - Debt Service	3,132
Total Restricted Assets	<u>35,290</u>
Total Assets	<u><u>\$ 484,442</u></u>
<u>LIABILITIES AND FUND BALANCES</u>	
Current Liabilities:	
Wages Payable	\$ 18,320
Accounts Payable	23,654
Deferred Revenue	46,999
Total Current Liabilities	<u>88,973</u>
Fund Balances:	
Restricted For:	
Fire Department	27,017
Library	10,458
Debt Service	3,132
Unassigned	354,862
Total Fund Balances	<u>395,469</u>
Total Liabilities and Fund Balances	<u><u>\$ 484,442</u></u>
Fund Balance(s) of Governmental Funds	\$ 395,469
Amounts reported for governmental activities on 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. The cost of the assets is \$3,100,969 and the accumulated depreciation is \$1,590,567.	1,510,402
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in Governmental Funds.	(45,638)
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.	46,999
Net Assets of Governmental Activities	<u><u>\$ 1,907,232</u></u>

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

CITY OF WHITEWRIGHT, TEXAS
Governmental Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended September 30, 2011

	General Fund
Revenues	
Taxes:	
Property	\$ 389,978
General Sales and Use	213,174
Franchise	67,451
Emergency Medical Service	278,519
Solid Waste Disposal	140,658
Police Department and Court	73,337
Fire Department	33,506
Capital Contributions	114,947
Other Revenue	22,437
Permits and Fees	8,309
Library	44,071
Grants	155,186
Interest Revenue	1,516
Total Revenues	<u>1,543,089</u>
Expenditures	
Current:	
General Government	513,616
Emergency Medical Service	327,585
Police Department and Court	270,425
Fire Department	33,369
Library	8,026
Debt Service:	
Principal Retirement	15,454
Interest and Fiscal Charges	2,371
Capital Outlay	323,452
Total Expenditures	<u>1,494,298</u>
Excess (Deficiency) of Revenues over Expenditures	<u>48,791</u>
Other Financing Sources (Uses)	
Operating Transfers In (Out)	46,330
Capital Financing	42,100
Total Other Financing Sources (Uses)	<u>88,430</u>
Net Changes in Fund Balances	137,221
Fund Balances - Beginning of Year	<u>258,248</u>
Fund Balances - End of Year	<u>\$ 395,469</u>

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

CITY OF WHITEWRIGHT, TEXAS
Governmental Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended September 30, 2011

Net Changes in Fund Balances - Total Governmental Funds (Statement 4)	\$ 137,221
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 as depreciation expense. This is the amount by which capital outlays (\$322,099) exceeded depreciation (\$138,724) in the current year.	183,375
The issuance of long-term debt provides current financial resources to Governmental Funds while the repayment of long-term debt consumes the current financial resources of Governmental Funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(22,891)
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 increase net assets.	<u>(1,653)</u>
Change in Net Assets - Governmental Activities	<u>\$ 296,052</u>

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

CITY OF WHITEWRIGHT, TEXAS
 Proprietary Fund
 Statement of Net Assets
 September 30, 2011

<u>ASSETS</u>	<u>Proprietary Fund</u>
Current Assets	
Cash and Cash Equivalents	\$ 130,970
Investments	54,186
Accounts Receivables (Net of Allowance for Uncollectibles)	63,781
Total Current Assets	<u>248,937</u>
Restricted Assets	
Deposit Held by GTUA	<u>79,396</u>
Noncurrent Assets	
Bond Issuance Costs	7,483
Capital Assets, Net of Accumulated Depreciation	1,748,748
Total Noncurrent Assets	<u>1,756,231</u>
Total Assets	<u>2,084,564</u>
 <u>LIABILITIES</u> 	
Current Liabilities	
Accounts Payable	32,494
Wages Payable	4,182
Due to Other funds	36,339
Notes Payable	17,222
Bonds Payable	20,000
Accrued Interest Payable	7,167
Customer Deposits Payable	59,365
Total Current Liabilities	<u>176,769</u>
Noncurrent Liabilities	
Bonds Payable (Net of Unamortized Bond Issue Costs)	240,000
Note Payable	16,725
Total Noncurrent Liabilities	<u>256,725</u>
Total Liabilities	<u>433,494</u>
 <u>NET ASSETS</u> 	
Invested in Capital Assets, Net of Related Debt	1,454,801
Restricted Deposits	79,396
Unrestricted	116,873
Total Net Assets	<u>\$ 1,651,070</u>

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

CITY OF WHITEWRIGHT, TEXAS
 Proprietary Fund
 Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Year Ended September 30, 2011

	Proprietary Fund
Operating Revenues	
Charges for Sales and Services	
Water	\$ 373,314
Sewer	206,840
Other Services and Fees	<u>18,708</u>
Total Operating Revenues	<u>598,862</u>
Operating Expenses	
Salaries	114,993
Utilities	81,367
Depreciation	69,092
Sanitation Plant Expense	28,634
Other Operating Expenses	80,771
Employee Benefits	21,279
Maintenance and Repairs	16,308
Water Expense	17,577
Supplies	<u>38,950</u>
Total Operating Expenses	<u>468,971</u>
Operating Income (Loss)	<u>129,891</u>
Non-Operating Revenues (Expenses)	
Interest Income	280
Interest Expense	(15,872)
Amortization of Bond Expense	<u>(3,224)</u>
Total Non-Operating Revenues (Expenses)	<u>(18,816)</u>
Income before Contributions and Transfers	111,075
Capital Contributions	33,149
Transfers Out	<u>(46,330)</u>
Changes in Fund Net Assets	97,894
Net Assets - Beginning of Year	<u>1,553,176</u>
Net Assets - End of Year	<u><u>\$ 1,651,070</u></u>

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

CITY OF WHITEWRIGHT, TEXAS
Proprietary Fund
Statement of Cash Flows
Year Ended September 30, 2011

	Proprietary Fund
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 601,446
Cash Payments to Employees	(135,951)
Cash Payments to Suppliers for Goods and Services	(238,482)
Net Cash from Operating Activities	<u>227,013</u>
Cash Flows from Noncapital Financing Activities	
Transfers (to) from Other Funds	(46,330)
Net Cash from Noncapital Financing Activities	<u>(46,330)</u>
Cash Flows from Capital and Related Financing Activities	
Cash from Borrowing	35,000
Cash from Restricted Account held by GTUA	78,417
Capital Contributions	33,149
Interest Paid and Fees to Agent	(20,274)
Acquisition and Construction of Capital Assets	(86,773)
Principal Paid on Capital Debt	(109,545)
Net Cash Flows from Capital and Related Financing Activities	<u>(70,026)</u>
Cash Flows from Investing Activities	
Interest Received	128
Net Cash from Investing Activities	<u>128</u>
Net Increase in Cash and Cash Equivalents	110,785
Cash and Cash Equivalents, September 30, 2010	<u>20,185</u>
Cash and Cash Equivalents, September 30, 2011	<u><u>\$ 130,970</u></u>
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating Income	\$ 129,892
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:	
Depreciation	69,092
Increase in Accounts Receivable	(8,651)
Increase in Accounts Payable	25,124
Increase in Customer Deposits Payable	11,235
Decrease in Compensated Absences	(3,861)
Increase in Wages Payable	4,182
Net Cash from Operating Activities (above)	<u><u>\$ 227,013</u></u>
Noncash Capital and Financing Activities:	
Contribution of Capital Assets From Component Unit	\$ 33,149
Amortization of Bond Expense	1,414

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

CITY OF WHITEWRIGHT, TEXAS
Notes to Financial Statements
September 30, 2011

Note 1: 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. A Proprietary Fund is used to account for the operations of the City's water and sewer services.

The City complies with accounting principles generally accepted in the United States of America as applicable to governments. Accounting principles generally accepted in the United States of America include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary fund and similar component units, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For business-type activities and enterprise funds, GASB Statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

A. The Reporting Entity

The 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 of 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 matter 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 emphasize that they are legally separate from the City.

CITY OF WHITEWRIGHT, TEXAS
Notes to Financial Statements
(Continued)
September 30, 2011

Note 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation

Government-Wide Statements

The statement of net assets and statement of activities display information on all of the non-fiduciary activities of the primary government. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from the statements. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. 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 the 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 program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid in financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources. 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. The City has presented the following major governmental fund:

General Fund - 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.

CITY OF WHITEWRIGHT, TEXAS
Notes to Financial Statements
(Continued)
September 30, 2011

Note 1: Summary of Significant Accounting Policies (Continued)

Proprietary Fund

Enterprise Fund - The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or 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 City's one enterprise fund is the Water and Sewer Fund which is used to account for the provision of water and sewer services to the City's residents.

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

C. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported 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 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 donated. Repairs and maintenance on these assets are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized have an original cost of \$1,000 or more and useful life in excess of 1 year. Depreciation on capital assets has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	40 Years
Furniture, Fixtures, Equipment and Vehicles	5-15 Years
Water and Sewer Systems	20-50 Years
Water and Sewer Improvements	50 Years
Infrastructure	20-35 Years
Land Improvements	20 Years

D. Basis of Accounting

The City of Whitewright prepares its financial statements on 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.

CITY OF WHITEWRIGHT, TEXAS
Notes to Financial Statements
(Continued)
September 30, 2011

Note 1: Summary of Significant Accounting Policies (Continued)

E. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. 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 \$36,339 at September 30, 2011, for various operating expenses.

F. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash includes all cash on hand, demand deposits, time deposits, and other highly liquid investments with a maturity of three months or less when purchased.

G. Property Taxes

Ad valorem taxes are levied on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. 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.

H. 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.

I. Prepaid Items

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

J. Long-Term Debt

All long-term debts arising from cash transactions to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. Presently, the City's long-term debt consists of notes payable. 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 payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as it is in the government-wide statements.

CITY OF WHITEWRIGHT, TEXAS
Notes to Financial Statements
(Continued)
September 30, 2011

Note 1: Summary of Significant Accounting Policies (Continued)

K. 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.

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are 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 regulation of other governments.

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, 2011, the General Fund's reserved portion of net assets was \$27,017 for the fire department, \$5,141 for the library, and \$3,132 for debt service. The Water Fund's reserved portion of net assets totaled \$79,396. This amount represents funds held at GTUA to be used exclusively for water and sewer system capital projects and repayment of contractual obligations.

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

M. Fund Balance

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

As of September 30, 2011, fund balances of the governmental funds are classified as follows:

Non-spendable – Amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

CITY OF WHITEWRIGHT, TEXAS
Notes to Financial Statements
(Continued)
September 30, 2011

Note 1: Summary of Significant Accounting Policies (continued)

M. Fund Balance (continued)

Committed – Amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purpose. Under the City's policy, only the City Council may assign amounts for specific purposes.

Unassigned – All other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

N. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

O. Inventory

Inventories of governmental funds are reported as expenditures when purchased.

P. Whitewright Community Development Corporation – 4B

The Whitewright Community Development Corporation (CDC) (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 CDC 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 CDC 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 CDC is funded by a one-half percent increase in the city sales tax rate.

CITY OF WHITEWRIGHT, TEXAS
Notes to Financial Statements
(Continued)
September 30, 2011

Note 1: Summary of Significant Accounting Policies (Continued)

Q. Whitewright Economic Development Corporation – 4A

The Whitewright Economic Development Corporation (EDC) (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 EDC is managed by a board of directors that is composed of five persons appointed by the City Council of Whitewright, Texas. The EDC is funded by a one-half percent increase in the city sales tax rate.

Note 2: Stewardship, Compliance and Accountability

By its nature as a local government unit, the City and its component units are subject to various federal, state, and local laws and contractual regulations. The following instances of noncompliance are considered to be material to the financial statements:

For the year ended September 30, 2011, the City's expenditures exceeded appropriation at the legal level of control in the General Fund as follows:

<u>Object Category</u>	<u>Expenditures Exceeding</u> <u>Appropriations</u>
Police and Court	\$ 19,955
Capital Outlay	283,452
Debt Service	17,825

The over-expenditures were funded by available fund balance.

Note 3: Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (FDIC). Deposited funds may be invested in certificates of deposit in institutions that are domiciled in the State of Texas. Collateral agreements must be approved prior to deposit of funds as provided by law. The City Council approves and designates a list of authorized depository institutions based on evaluation of solicited responses and certifications provided by financial institutions and recommendations of the City Council. As of September 30, 2011, the City was not exposed to custodial credit risk since deposits are insured or collateralized with securities pledged held in the name of the City in the amount of \$698,252. The bank balances were \$489,465.

Certificates of Deposit in the amount of \$74,512 are considered deposits for this footnote but are classified as investments on the face of the financial statements.

CITY OF WHITEWRIGHT, TEXAS
Notes to Financial Statements
(Continued)
September 30, 2011

Note 4: Receivables

Government-wide receivables as of September 30, 2011, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Proprietary Fund Wastewater	Component Units	Total
Receivables:				
Ad Valorem Taxes	\$ 45,913	\$ -	\$ -	\$ 45,913
Sales Taxes	39,912	-	39,912	79,824
Fines and Forfeitures-Court	77,344	-	-	77,344
Ambulance Services	42,851	-	-	42,851
Other	13,468	16	166,029	179,513
Accounts	<u>17,561</u>	<u>79,731</u>	-	<u>97,292</u>
Gross Receivables	237,049	79,747	205,941	522,737
Less: Uncollectible Allowance	<u>(74,547)</u>	<u>(15,966)</u>	-	<u>(90,513)</u>
Net Total Receivables	<u>\$ 162,502</u>	<u>\$ 63,781</u>	<u>\$ 205,941</u>	<u>\$ 432,224</u>

The Component Unit receivable of \$166,029 is comprised of the following:

\$140,000 note from Royal Case was entered into on February 18, 2005.

The note is payable in monthly installments of \$1,519 including interest as of September 30, 2011 of 5.5%. The note is secured by a building and matures May 1, 2015.

\$ 60,467

\$60,000 note from Whitewright Furniture, Inc. was entered into on April 26, 2011 and assumed by Whitewright Hardware, LLC on June 21, 2011. The note is payable in monthly installments of \$862 including interest as of September 30, 2011 of 5.5%. The note is secured by inventory and equipment and matures April 26, 2018.

57,037

\$50,000 note from Crosslands Learning Center, LLC was entered into on May 25, 2011.

The note is payable in monthly installments of \$719 including interest as of September 30, 2011 of 5.5%. The note is secured by inventory and matures May 25, 2018.

48,525

Total

166,029

Less: Current Portion

28,781

Total Due After One Year

\$ 137,248

There is no accrued interest receivable on Notes Receivable at September 30, 2011.

CITY OF WHITEWRIGHT, TEXAS
Notes to Financial Statements
(Continued)
September 30, 2011

Note 4: Receivables (Continued)

The following is a schedule of the future receivables for the notes receivable at September 30, 2011:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	\$ 28,781	\$ 8,420	\$ 37,201
2013	30,413	6,788	37,201
2014	32,128	5,073	37,201
2015	27,886	3,302	31,188
2016	16,813	2,155	18,968
2017	17,761	1,207	18,968
2018	<u>12,247</u>	<u>255</u>	<u>12,502</u>
Totals	<u>\$ 166,029</u>	<u>\$ 27,200</u>	<u>\$ 193,229</u>

Note 5: Capital Assets

A summary of changes in fixed assets for the year ended September 30, 2011, follows:

	<u>Balance 9/30/10</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 9/30/11</u>
Governmental Activities:				
Capital Assets, Not being Depreciated:				
Land	\$ 156,737	\$ -	\$ -	\$ 156,737
Construction in Progress	<u>31,606</u>	<u>2,000</u>	<u>-</u>	<u>33,606</u>
Total Capital Assets Not Being Depreciated	<u>188,343</u>	<u>2,000</u>	<u>-</u>	<u>190,343</u>
Capital Assets Being Depreciated:				
Land Improvements	-	29,500	-	29,500
Buildings	671,316	47,049	-	718,365
Infrastructure	433,923	-	-	433,923
Furniture and Equipment	<u>1,485,288</u>	<u>243,550</u>	<u>-</u>	<u>1,728,838</u>
Total Capital Assets Being Depreciated	<u>2,590,527</u>	<u>320,099</u>	<u>-</u>	<u>2,910,626</u>

CITY OF WHITEWRIGHT, TEXAS
Notes to Financial Statements
(Continued)
September 30, 2011

Note 5: Capital Assets (continued)

	<u>Balance 9/30/10</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 9/30/11</u>
Less Accumulated				
Depreciation for:				
Land Improvements	-	(60)	-	(60)
Buildings	(493,376)	(23,136)	-	(516,512)
Infrastructure	(36,200)	(21,696)	-	(57,896)
Furniture and Equipment	(922,267)	(93,832)	-	(1,016,099)
Total Accumulated				
Depreciation	(1,451,843)	(138,724)	-	(1,590,567)
Total Capital Assets Being				
Depreciated, Net	<u>1,138,684</u>	<u>181,375</u>	<u>-</u>	<u>1,320,059</u>
Governmental Activities				
Total Capital Assets, Net	<u>\$ 1,327,027</u>	<u>\$ 183,375</u>	<u>\$ -</u>	<u>\$1,510,402</u>
Business-Type Activities:				
Capital Assets, Being				
Depreciated:				
Sewer System	\$ 1,151,645	\$ 51,773	\$ -	\$ 1,203,418
Sewer System Improvements	1,180,852	-	-	1,180,852
Water Tower	404,037	-	-	404,037
Furniture and Equipment	<u>103,665</u>	<u>35,000</u>	<u>-</u>	<u>138,665</u>
Total Capital Assets				
Being Depreciated	<u>2,840,199</u>	<u>86,773</u>	<u>-</u>	<u>2,926,972</u>
Less Accumulated				
Depreciation for:				
Sewer System	(356,893)	(23,278)	-	(380,171)
Sewer System Improvements	(359,819)	(23,617)	-	(383,436)
Water Tower	(344,283)	(8,081)	-	(352,364)
Furniture and Equipment	(48,137)	(14,116)	-	(62,253)
Total Accumulated				
Depreciation	(1,109,132)	(69,092)	-	(1,178,224)
Capital Assets Being				
Depreciated, Net	<u>1,731,067</u>	<u>17,681</u>	<u>-</u>	<u>1,748,748</u>
Business-Type Activities				
Total Capital Assets, Net	<u>\$ 1,731,067</u>	<u>\$ 17,681</u>	<u>\$ -</u>	<u>\$ 1,748,748</u>

CITY OF WHITEWRIGHT, TEXAS
Notes to Financial Statements
(Continued)
September 30, 2011

Note 5: Capital Assets (continued)

	<u>Balance 9/30/10</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 9/30/11</u>
Component Unit Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in Progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Assets Not Being Depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital Assets Being Depreciated:				
Buildings	231,083	-	-	231,083
Equipment	<u>15,579</u>	<u>-</u>	<u>-</u>	<u>15,579</u>
Total Capital Assets Being Depreciated	<u>246,662</u>	<u>-</u>	<u>-</u>	<u>246,662</u>
Less Accumulated Depreciation for:				
Buildings	(14,473)	(11,554)	-	(26,027)
Equipment	<u>(5,200)</u>	<u>(2,276)</u>	<u>-</u>	<u>(7,476)</u>
Total Accumulated Depreciation	<u>(19,673)</u>	<u>(13,830)</u>	<u>-</u>	<u>(33,503)</u>
Total Capital Assets Being Depreciated, Net	<u>226,989</u>	<u>(13,830)</u>	<u>-</u>	<u>213,159</u>
Component Unit Activities Total Assets, Net	<u>\$ 226,989</u>	<u>\$(13,830)</u>	<u>\$ -</u>	<u>\$ 213,159</u>

CITY OF WHITEWRIGHT, TEXAS
Notes to Financial Statements
(Continued)
September 30, 2011

Note 5: Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Governmental	\$ 75,382
Police and Court	19,215
Fire Protection	12,807
Emergency Medical Services	16,630
Library	<u>14,690</u>
Total Depreciation Expense-Governmental Activities	<u>\$ 138,724</u>
Business-Type Activities:	
Water and Sewer	<u>\$ 69,092</u>
Component Units Activities:	
Economic Development Corporation	\$ 11,554
Community Development Corporation	<u>2,276</u>
	<u>\$ 13,830</u>

Note 6: Delinquent Property Tax

Delinquent property taxes at September 30, 2011, are as follows:

<u>Tax Year</u>	<u>Amount</u>
2009 and prior	\$ 31,557
2010	<u>14,356</u>
Subtotal	45,913
Less allowance for doubtful accounts	<u>(2,296)</u>
Total Delinquent Property Taxes, net	<u>\$ 43,617</u>

Note 7: 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, 2011, the tax rate was \$.699999 per \$100 assessed valuation.

CITY OF WHITEWRIGHT, TEXAS
Notes to Financial Statements
(Continued)
September 30, 2011

Note 8: Long-Term Debt

A summary of the City's long-term debt transactions for the year ended September 30, 2011, follows:

	<u>Balance 10/1/10</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/11</u>	<u>Due Within One Year</u>
<u>Governmental-Type Activities</u>					
Notes Payable	\$ 18,992	\$ 42,100	\$ (15,454)	\$ 45,638	\$ 18,790
Compensated Absences	<u>3,755</u>	<u>-</u>	<u>(3,755)</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>\$ 22,747</u>	<u>\$ 42,100</u>	<u>\$ (19,209)</u>	<u>\$ 45,638</u>	<u>\$ 18,790</u>
<u>Business-Type Activities</u>					
Notes Payable	\$ 368,492	\$ 35,000	\$ (109,545)	\$ 293,947	\$ 37,222
Compensated Absences	<u>3,861</u>	<u>-</u>	<u>(3,861)</u>	<u>-</u>	<u>-</u>
Total Business- Type Activities	<u>\$ 372,353</u>	<u>\$ 35,000</u>	<u>\$ (113,406)</u>	<u>\$ 293,947</u>	<u>\$ 37,222</u>
<u>Economic Development Corporation</u>					
Notes Payable	<u>\$ 59,934</u>	<u>\$ 90,000</u>	<u>\$ 15,846</u>	<u>\$ 134,088</u>	<u>\$ 23,771</u>
Total Economic Development Corporation	<u>\$ 59,934</u>	<u>\$ 90,000</u>	<u>\$ 15,846</u>	<u>\$ 134,088</u>	<u>\$ 23,771</u>

CITY OF WHITEWRIGHT, TEXAS
Notes to Financial Statements
(Continued)
September 30, 2011

Note 8: Long-Term Debt (Continued)

Long-term debt is compromised of the following:

	<u>Government</u>	<u>Business-type</u>	<u>Component Units</u>
\$180,000, Series 1996 GTUA Water Supply and Sewer Service Contract Obligation, due in annual installments of \$10,000 through 2017, interest from 4.45% to 6.45%.	\$ -	\$ 80,000	\$ -
\$150,000, Series 2000 GTUA Water Supply and Sewer Service Contract Obligation, due in annual Installments of \$5,000 through 2021, interest from 3.30% to 5.30%.	-	100,000	-
\$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%.	-	80,000	-
\$16,500, Note Payable issued February 18, 2010, due in monthly installments of \$496.30 through February 2013, bearing interest rate of 5.25%.	-	8,117	-
\$35,000 Note Payable issued November 16, 2010, due in monthly installments of \$1,053.21 through November 18, 2013, bearing an interest rate of 5.25%.	-	25,830	-
\$112,000, Note Payable issued May 13, 2005, due in monthly installments of \$1215.74 through May 2015, bearing an interest rate of 5.50% from May 13, 2005 to May 13, 2015, the interest rate will be the sum of the current index annum at that time.	-	-	48,351
\$50,000 Note Payable issued April 27, 2011, due in monthly installments of \$683.56 through April 27, 2018, bearing an interest rate of 4.00%.	-	-	47,399
\$40,000 Note Payable issued May 25, 2011, due in monthly installments of \$546.87 through May 25, 2018, bearing an interest rate of 4.00%.	-	-	38,338
\$20,000, Note Payable issued July 12, 2010, due in monthly installments of \$602.43 through July 18, 2013, bearing an interest rate of 5.25%.	12,603	-	-

CITY OF WHITEWRIGHT, TEXAS
Notes to Financial Statements
(Continued)
September 30, 2011

Note 8: Long-Term Debt (Continued)

\$20,100 Note Payable, issued December 2, 2010, due in monthly installments of \$464.24 through November 18, 2014, bearing an interest rate of 5.25%.

16,219 - -

\$22,000 Note Payable, issued December 20, 2010, due in monthly installments of \$661.68 through December 18, 2013, bearing an interest rate of 5.25%.

16,816 - -

Total Long-Term Debt

\$ 45,638 \$ 293,947 \$ 134,088

Annual requirements to retire debt obligations are as follows:

Fiscal Year Due	Governmental Activities		Total Debt
	<u>Principal</u>	<u>Interest</u>	<u>Requirement</u>
2012	\$ 18,790	\$ 1,948	\$ 20,738
2013	18,590	944	19,534
2014	7,337	219	7,556
2015	<u>921</u>	<u>8</u>	<u>929</u>
	<u>\$ 45,638</u>	<u>\$ 3,119</u>	<u>\$ 48,757</u>

Fiscal Year Due	Business-Type Activities		Total Debt
	<u>Principal</u>	<u>Interest</u>	<u>Requirement</u>
2012	\$ 37,222	\$ 15,169	\$ 52,391
2013	34,632	13,435	48,067
2014	27,093	11,706	38,799
2015	25,000	10,262	35,262
2016	25,000	8,814	33,814
2017	25,000	7,354	32,354
2018	20,000	6,365	26,365
2019	20,000	5,596	25,596
2020	25,000	4,560	29,560
2021	25,000	3,380	28,380
2022	5,000	1,527	6,527
2023	5,000	1,255	6,255
2024	10,000	841	10,841
2025	<u>10,000</u>	<u>282</u>	<u>10,282</u>
	<u>\$ 293,947</u>	<u>\$ 90,546</u>	<u>\$ 384,493</u>

CITY OF WHITEWRIGHT, TEXAS
Notes to Financial Statements
(Continued)
September 30, 2011

Note 8: Long-Term Debt (Continued)

Fiscal Year <u>Due</u>	<u>Component Units Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Requirement</u>
2012	\$ 23,771	\$ 5,580	\$ 29,351
2013	24,940	4,411	29,351
2014	26,157	3,194	29,351
2015	22,554	1,949	24,503
2016	13,542	1,220	14,762
2017	14,094	668	14,762
2018	<u>9,030</u>	<u>128</u>	<u>9,158</u>
	<u>\$ 134,088</u>	<u>\$ 17,150</u>	<u>\$ 151,238</u>

Note 9: Number of Water and Sewer System Customers

At year end, 836 customers were connected to the water system and 829 to the sewer system.

Note 10: Pension Plan

Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (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 a publicly 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 from TMRS' website at www.TMRS.com.

CITY OF WHITEWRIGHT, TEXAS
Notes to Financial Statements
(Continued)
September 30, 2011

Note 10: Pension Plan (Continued)

Plan Description (continued)

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:

	<u>Plan Year 2010</u>	<u>Plan Year 2011</u>
Employee Deposit Rate	5%	5%
Matching Ratio (City to Employee)	1.5 to 1	1.5 to 1
Years Required for Vesting	5	5
Service Retirement Eligibility (Expressed as Age/Years of Service)	60/5,0/20	60/5,0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to Retirees)	0% of CPI	0% of CPI

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 cost 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 that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as updated service credits and annuity increases.

CITY OF WHITEWRIGHT, TEXAS
Notes to Financial Statements
(Continued)
September 30, 2011

Note 10: Pension Plan (Continued)

Contributions (continued)

The City contributes to the TMRS Plan at an actuarially 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. The annual pension cost and net pension obligation/(asset) are as follows:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/09	\$ 20,717	100%	-
9/30/10	15,722	100%	-
9/30/11	21,118	100%	-

CITY OF WHITEWRIGHT, TEXAS
Notes to Financial Statements
(Continued)
September 30, 2011

Note 10: Pension Plan (Continued)

Contributions (continued)

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

Valuation Date	<u>12/31/2008</u>	<u>12/31/2009</u>	<u>12/31/10- Prior to Restructuring</u>	<u>12/31/10- Restructured</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortized Period	24 yrs; closed period	26.6 yrs; closed period	24.8 yrs; closed period	25 yrs; closed period
Amortization Period for New Gains/Losses	25 years	25 years	25 years	25 years
Asset Valuation Method	Amortized Cost	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:				
Investment Rate of Return*	7.5%	7.5%	7.5%	7.0%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service	Varies by age and service
*Includes Inflation at	3.00%	3.00%	3.00%	3.00%
Cost of Living Adjustments	0.0%	0.0%	0.0%	0.0%

CITY OF WHITEWRIGHT, TEXAS
Notes to Financial Statements
(Continued)
September 30, 2011

Note 10: Pension Plan (continued)

Contributions (continued)

Funded Status and Funding Progress – In June, 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects of TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2010, under the two separate actuarial valuations, is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/10 ¹	\$ 513,921	\$ 554,005	92.8%	\$ 40,084	\$ 573,062	7.0%
12/31/10 ²	750,826	731,531	102.6%	(19,295)	573,062	(3.4)%

(1) Actuarial valuation performed under the original fund structure

(2) Actuarial valuation performed under the new fund structure

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Note 11: Transfers

The transfers were for operating purposes. Interfund transfers for the year ended September 30, 2011, consisted of the following amounts:

Transfers to the General Fund from:

Water and Sewer Fund \$ 46,330

CITY OF WHITEWRIGHT, TEXAS
Notes to Financial Statements
(Continued)
September 30, 2011

Note 12: Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

Note 13: Prior Period Adjustment

An adjustment to Whitewright Economic Development Corporation beginning net assets of \$74,940 was necessary to remove Deferred Revenue of \$81,269 and to adjust the beginning balance of a Note Receivable in the amount of (\$6,329).

Note 14: Subsequent Events

Management has evaluated subsequent events through March 9, 2012, the date on which the financial statements were available to be issued.

CITY OF WHITEWRIGHT, TEXAS
 Budgetary Comparison Schedule
 General Fund
 Year Ended September 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenue				
Property Taxes	\$ 316,000	\$ 316,000	\$ 389,978	\$ 73,978
Emergency Medical Service	308,500	308,500	278,519	(29,981)
General Sales and Use Taxes	150,000	150,000	213,174	63,174
Solid Waste Disposal	137,700	137,700	140,658	2,958
Police Department and Court	67,930	67,930	73,337	5,407
Franchise Taxes	50,000	50,000	67,451	17,451
Fire Department	35,700	35,700	33,506	(2,194)
Capital Contributions	-	-	114,947	114,947
Other Revenue	35,650	35,650	22,437	(13,213)
Permits and Fees	8,100	8,100	8,309	209
Library	13,900	13,900	44,071	30,171
Grants	-	-	155,186	155,186
Interest Revenue	1,000	1,000	1,516	516
Total Revenue	<u>1,124,480</u>	<u>1,124,480</u>	<u>1,543,089</u>	<u>418,609</u>
Expenditures				
General Government	572,738	572,738	513,616	59,122
Emergency Medical Services	343,240	343,240	327,585	15,655
Police & Court	250,470	250,470	270,425	(19,955)
Library	11,500	11,500	8,026	3,474
Fire	35,700	35,700	33,369	2,331
Debt Service				
Principal Retirement	-	-	15,454	(15,454)
Interest	-	-	2,371	(2,371)
Capital Outlay	40,000	40,000	323,452	(283,452)
Total Expenditures	<u>1,253,648</u>	<u>1,253,648</u>	<u>1,494,298</u>	<u>(240,650)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(129,168)</u>	<u>(129,168)</u>	<u>48,791</u>	<u>177,959</u>
Other Financing Sources (Uses)				
Operating Transfers In	-	-	46,330	46,330
Operating Transfers Out	-	-	-	-
Capital Financing	-	-	42,100	42,100
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>88,430</u>	<u>88,430</u>
Excess (Deficiency) of Revenues & Other Sources Over Expenditures & Other Uses	<u>(129,168)</u>	<u>(129,168)</u>	<u>137,221</u>	<u>266,389</u>
Fund Balances - October 1, 2010	<u>258,248</u>	<u>258,248</u>	<u>258,248</u>	<u>-</u>
Fund Balances - September 30, 2011	<u>\$ 129,080</u>	<u>\$ 129,080</u>	<u>\$ 395,469</u>	<u>\$ 266,389</u>

CITY OF WHITEWRIGHT, TEXAS
Texas Municipal Retirement System
Schedule of Funding Progress
September 30, 2011

Texas Municipal Retirement System
Schedule of Funding in Progress:
(unaudited)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
	(1)	(2)	(3)	(4)	(5)	(6)
			(1) / (2)	(2) - (1)		(4) / (5)
12/31/2008	\$ 406,763	\$ 391,144	104.0%	\$ 15,619	\$ 494,015	(3.2) %
12/31/2009	467,717	498,795	93.8%	31,078	585,748	5.3 %
12/31/2010 ¹	513,921	554,005	92.8%	40,084	573,062	7.0 %
12/31/2010 ²	750,826	731,531	102.6%	(19,295)	573,062	(3.4) %

(1) Actuarial valuation performed under the original fund structure

(2) Actuarial valuation performed under the new fund structure

CITY OF WHITEWRIGHT, TEXAS
Notes to Required Supplementary Information
September 30, 2011

Budgetary Data

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 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.

GAAP requires that a budgetary comparison be presented for the general fund. The budgetary comparison must include the original budget and the final amended budget.