

City of Whitewright, Texas

Report of Audit

Year Ended September 30, 2014

CITY OF WHITEWRIGHT, TEXAS  
Table of Contents  
September 30, 2014

	<u>Statement</u>	<u>Page</u>
Report on Basic Financial Statements Accompanied by Required Supplementary Information		1
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	1	3
Statement of Activities	2	4
Fund Financial Statements:		
Governmental Fund:		
Balance Sheet	3	5
Statement of Revenues, Expenditures, and Changes in Fund Balances	4	6
Proprietary Fund:		
Statement of Net Position	5	8
Statement of Revenues, Expenses, and Change in Net Position	6	9
Statement of Cash Flows	7	10
Notes to Financial Statements		11
Required Supplementary Information:		
Budgetary Comparison Schedule – General Fund		29
Texas Municipal Retirement System – Schedule of Funding Progress		30
Notes to Required Supplementary Information		31

**McClanahan and Holmes, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

STEVEN W. MOHUNDRO, CPA  
GEORGE H. STRUVE, CPA  
ANDREW B. REICH, CPA  
RUSSELL P. WOOD, CPA  
DEBRA J. WILDER, CPA  
TEFFANY A. KAVANAUGH, CPA

228 SIXTH STREET S.E.  
PARIS, TEXAS 75460  
903-784-4316  
FAX 903-784-4310

304 WEST CHESTNUT  
DENISON, TEXAS 75020  
903-465-6070  
FAX 903-465-6093

1400 WEST RUSSELL  
BONHAM, TEXAS 75418  
903-583-5574  
FAX 903-583-9453

Report on Basic Financial Statements Accompanied  
by Required Supplementary Information

**INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and Members  
of the City Council  
City of Whitewright  
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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

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

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

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

Honorable Mayor and Members  
of the City Council  
City of Whitewright  
Whitewright, Texas  
Page 2

## 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 discretely presented component units, and each major fund of the City of Whitewright, Texas, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the 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.

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.

*McClanahan and Holmes, LLP*  
Certified Public Accountants

Denison, Texas  
June 29, 2015

CITY OF WHITEWRIGHT, TEXAS  
Statement of Net Position  
September 30, 2014

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation	Community Development Corporation
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ -	\$ 576,268	\$ 576,268	\$ 64,134	\$ 25,922
Current Investments	52,372	54,977	107,349	51,680	-
Prepaid Assets	5,317	-	5,317	-	-
Property Taxes Receivable, Net	41,973	-	41,973	-	-
Sales Taxes Receivable, Net	23,361	-	23,361	11,680	11,680
Other Receivables, Net	167,030	73,862	240,892	223,232	-
Restricted Assets:					
Cash - Library	4,294	-	4,294	-	-
Deposits Held in Trust by GTUA	-	63,354	63,354	-	-
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	44,095	-	44,095	-	-
Buildings and Improvements	145,313	-	145,313	170,393	-
Furniture, Equipment and Machinery	758,375	44,796	803,171	-	2,175
Public Infrastructure	310,940	1,809,484	2,120,424	-	-
Total Assets	1,743,413	2,622,741	4,366,154	521,119	39,777
<u>LIABILITIES</u>					
Overdraft	266,699	-	266,699	-	-
Accounts Payable	20,705	8,549	29,254	1,139	1,004
Wages Payable	5,029	934	5,963	-	-
Deferred Revenues	3,283	-	3,283	-	-
Customer Deposits Payable	-	47,145	47,145	-	-
Accrued Interest Payable	-	4,063	4,063	-	-
Noncurrent Liabilities:					
Portion Due or Payable Within One Year	13,615	53,031	66,646	46,937	-
Portion Due or Payable After One Year	27,268	409,813	437,081	160,927	-
Total Liabilities	336,599	523,535	860,134	209,003	1,004
<u>NET POSITION</u>					
Net Investment in Capital Assets	1,408,182	1,391,435	2,799,617	-	-
Restricted for:					
Fiscal Agent	-	63,354	63,354	-	-
Library	9,611	-	9,611	-	-
Unrestricted	(10,979)	644,417	633,438	312,116	38,773
Total Net Position	\$ 1,406,814	\$ 2,099,206	\$ 3,506,020	\$ 312,116	\$ 38,773

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, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units	
					Governmental Activities	Business-Type Activities	Economic Development Corporation	Community Development Corporation
Primary Government:								
Governmental Activities:								
General Government	\$ 577,282	\$ 174,122	\$ -	\$ 11,236	\$ (391,924)	\$ -	\$ (391,924)	\$ -
Emergency Medical Service	366,767	253,674	-	-	(113,093)	-	(113,093)	-
Police and Court	385,659	86,135	-	-	(299,524)	-	(299,524)	-
Fire Protection	100,610	22,507	-	-	(78,103)	-	(78,103)	-
Library	20,625	19,968	-	-	(657)	-	(657)	-
Interest on Long-Term Debt	1,173	-	-	-	(1,173)	-	(1,173)	-
Total Governmental Activities	1,452,116	556,406	-	11,236	(884,474)	-	(884,474)	-
Business-Type Activities:								
Water and Sewer - Debt Service	15,647	-	-	-	-	(15,647)	-	-
Water and Sewer - Operating	522,735	651,806	-	-	-	129,071	129,071	-
Total Business-Type Activities	538,382	651,806	-	-	-	113,424	113,424	-
Total Primary Government	\$ 1,990,498	\$ 1,208,212	\$ -	\$ 11,236	(884,474)	113,424	(771,050)	-
Component Units:								
Economic Development Corporation	\$ 93,642	\$ -	\$ -	\$ -	-	-	(93,642)	-
Community Development Corporation	92,164	-	-	-	-	-	-	(92,164)
Total Component Units	\$ 185,806	\$ -	\$ -	\$ -	-	-	(93,642)	(92,164)
General Revenues:								
Taxes:								
Property Taxes					430,755	-	430,755	-
General Sales and Use Taxes					140,811	-	140,811	67,652
Franchise Taxes					65,367	-	65,367	-
Investment Earnings					1,095	548	1,643	-
Miscellaneous					14,978	-	14,978	-
Transfers					18,661	(18,661)	-	-
Total General Revenues					671,667	(18,113)	653,554	67,652
Changes in Net Position					(212,807)	95,311	(117,496)	(24,512)
Net Position - Beginning					1,611,083	1,966,073	3,577,156	63,285
Prior Period Adjustment					8,538	37,822	46,360	-
Net Position - Ending					\$ 1,406,814	\$ 2,099,206	\$ 3,506,020	\$ 38,773

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

CITY OF WHITEWRIGHT, TEXAS  
Governmental Fund  
Balance Sheet  
September 30, 2014

	General Fund
<u>ASSETS</u>	
Current Assets:	
Investments	\$ 52,372
Prepaid Assets	5,317
Receivables, Net	
Property Taxes	41,973
Other	190,391
Total Current Assets	<u>290,053</u>
Restricted Assets:	
Cash - Library	4,294
Total Restricted Assets	<u>4,294</u>
Total Assets	<u>\$ 294,347</u>

<u>LIABILITIES</u>	
Overdraft	\$ 266,699
Wages Payable	5,029
Accounts Payable	20,705
Unearned Revenue	3,283
Total Liabilities	<u>295,716</u>

<u>DEFERRED INFLOWS OF RESOURCES</u>	
Unavailable Revenue - Property Taxes	39,862
Total Deferred Inflows of Resources	<u>39,862</u>

<u>FUND BALANCES</u>	
Nonspendable:	
Library	5,317
Restricted For:	
Library	4,294
Unassigned	(50,842)
Total Fund Balances (Deficit)	<u>(41,231)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 294,347</u>
Fund Balances (Deficit) of Governmental Funds	\$ (41,231)

Amounts reported for governmental activities on the Statement of Net Position 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 \$3,489,358 and the accumulated depreciation is \$2,040,292. 1,449,066

Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in Governmental Funds. (40,883)

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 Position. 39,862

Net Position of Governmental Activities \$ 1,406,814

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, 2014

	General Fund
Revenues	
Taxes:	
Property	\$ 430,872
General Sales and Use	140,811
Franchise	65,367
Emergency Medical Service	253,674
Solid Waste Disposal	159,669
Police Department and Court	86,135
Fire Department	22,507
Capital Contributions	11,236
Other Revenue	14,978
Permits and Fees	14,453
Library	19,968
Interest Revenue	1,095
Total Revenues	<u>1,220,765</u>
Expenditures	
Current:	
General Government	478,016
Emergency Medical Service	354,363
Police Department and Court	363,935
Fire Department	89,172
Library	3,796
Debt Service:	
Principal Retirement	17,542
Interest and Fiscal Charges	1,173
Capital Outlay:	
General Government	5,400
Emergency Medical Service	170,442
Police Department and Court	29,097
Fire Department	9,440
Library	22,142
Total Expenditures	<u>1,544,518</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(323,753)</u>
Other Financing Sources (Uses)	
Operating Transfers In	18,661
Capital Financing	29,662
Total Other Financing Sources (Uses)	<u>48,323</u>
Net Changes in Fund Balances	(275,430)
Fund Balances - Beginning of Year	225,661
Prior Period Adjustment	<u>8,538</u>
Fund Balances (Deficit) - End of Year	<u>\$ (41,231)</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, 2014

Statement 4  
(Continued)

Net Changes in Fund Balances - Total Governmental Funds	\$ (275,430)
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 (\$236,521) exceeded depreciation (\$161,660) in the current year.	74,861
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 position. This amount is the net effect of issuance of long-term debt (\$29,662) and repayment of long-term debt (\$17,542).	(12,120)
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 position.	<u>(118)</u>
Change in Net Position - Governmental Activities	<u>\$ (212,807)</u>

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

CITY OF WHITEWRIGHT, TEXAS  
 Proprietary Fund  
 Statement of Net Position  
 September 30, 2014

<u>ASSETS</u>	<u>Proprietary Fund</u>
Current Assets	
Cash and Cash Equivalents	\$ 576,268
Investments	54,977
Accounts Receivables (Net of Allowance for Uncollectibles)	73,862
Total Current Assets	<u>705,107</u>
Restricted Assets	
Deposit Held by GTUA	<u>63,354</u>
Noncurrent Assets	
Capital Assets, Net of Accumulated Depreciation	1,854,280
Total Noncurrent Assets	<u>1,854,280</u>
Total Assets	<u>2,622,741</u>
 <u>LIABILITIES</u>	
Current Liabilities	
Accounts Payable	8,549
Wages Payable	934
Note Payable	34,079
Bonds Payable	5,000
Time Warrant Payable	13,952
Accrued Interest Payable	4,063
Customer Deposits Payable	47,145
Total Current Liabilities	<u>113,722</u>
Noncurrent Liabilities	
Note Payable	237,157
Bonds Payable	60,000
Time Warrant Payable	112,656
Total Noncurrent Liabilities	<u>409,813</u>
Total Liabilities	<u>523,535</u>
 <u>NET POSITION</u>	
Net Investment in Capital Assets	1,391,435
Restricted	63,354
Unrestricted	644,417
Total Net Position	<u>\$ 2,099,206</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 Change in Net Position  
Year Ended September 30, 2014

	Proprietary Fund
Operating Revenues	
Charges for Sales and Services	
Water	\$ 367,702
Sewer	246,450
Other Services and Fees	<u>37,654</u>
Total Operating Revenues	<u>651,806</u>
Operating Expenses	
Salaries and Related	140,653
Utilities	86,211
Depreciation	70,295
Sanitation Plant Expense	30,034
Other Operating Expenses	83,209
Employee Benefits	24,593
Maintenance and Repairs	37,081
Water Expense	24,941
Supplies	<u>25,718</u>
Total Operating Expenses	<u>522,735</u>
Operating Income	<u>129,071</u>
Nonoperating Revenues (Expenses)	
Interest Income	548
Interest Expense	(11,639)
Bond Fees	<u>(4,008)</u>
Total Nonoperating Revenues (Expenses)	<u>(15,099)</u>
Income Before Contributions and Transfers	113,972
Transfers Out	<u>(18,661)</u>
Change in Net Position	95,311
Net Position - Beginning of Year	1,966,073
Prior Period Adjustment	<u>37,822</u>
Net Position - End of Year	<u><u>\$ 2,099,206</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, 2014

	Proprietary Fund
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 643,909
Cash Payments to Employees	(164,790)
Cash Payments to Suppliers for Goods and Services	(295,020)
Net Cash from Operating Activities	<u>184,099</u>
Cash Flows from Noncapital Financing Activities	
Transfers (to) from Other Funds	<u>(55,000)</u>
Net Cash from Noncapital Financing Activities	<u>(55,000)</u>
Cash Flows from Capital and Related Financing Activities	
Cash from Restricted Account held by GTUA	645
Additional Debt	271,236
Purchase of Capital Assets	(248,985)
Interest Paid and Fees to Agent	(13,417)
Principal Paid on Capital Debt	(18,426)
Net Cash Flows from Capital and Related Financing Activities	<u>(8,947)</u>
Cash Flows from Investing Activities	
Interest Received	622
Purchase of Investments	(548)
Net Cash from Investing Activities	<u>74</u>
Net Increase in Cash and Cash Equivalents	120,226
Cash and Cash Equivalents, September 30, 2013	<u>456,042</u>
Cash and Cash Equivalents, September 30, 2014	<u>\$ 576,268</u>
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating Income	\$ 129,071
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:	
Depreciation	70,295
Increase in Accounts Receivable	(8,548)
Decrease in Accounts Payable	(7,826)
Increase in Customer Deposits Payable	652
Increase in Wages Payable	455
Net Cash from Operating Activities	<u>\$ 184,099</u>

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

CITY OF WHITEWRIGHT, TEXAS  
Notes to Financial Statements  
September 30, 2014

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. 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, and 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 4A and 4B 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.

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.

CITY OF WHITEWRIGHT, TEXAS  
Notes to Financial Statements  
September 30, 2014

Note 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Government-Wide Statements (Continued)

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.

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.

CITY OF WHITEWRIGHT, TEXAS  
Notes to Financial Statements  
September 30, 2014

Note 1: Summary of Significant Accounting Policies (Continued)

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 \$5,000 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 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.

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. There were no "Amounts Due To" or "Amounts Due From" outstanding at September 30, 2014.

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.

CITY OF WHITEWRIGHT, TEXAS  
Notes to Financial Statements  
September 30, 2014

Note 1: Summary of Significant Accounting Policies (Continued)

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. Allowances for uncollectible taxes are based on historical experience in collecting property taxes. At September 30, 2014, net taxes not estimated to be collectible within sixty days are reflected in unavailable revenue.

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.

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. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditures) until then. The government does not have any items this year that qualify for reporting in this category.



CITY OF WHITEWRIGHT, TEXAS  
Notes to Financial Statements  
September 30, 2014

Note 1: Summary of Significant Accounting Policies (Continued)

L. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the government funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

M. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The City restricts a portion of each fund's equity balance, which represents assets not available for general operating use. For the year ended September 30, 2014, the General Fund's restricted portion of net position was \$25,917 for the library. The Water Fund's restricted portion of net position totaled \$63,354. 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.

N. Fund Balance

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, 2014, fund balances of the governmental funds are classified as follows:

Nonspendable – 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  
September 30, 2014

Note 1: Summary of Significant Accounting Policies (Continued)

N. 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.

O. 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.

P. Inventory

Inventories of governmental funds are reported as expenditures when purchased.

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.

R. 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  
September 30, 2014

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, 2014, the City's expenditures exceeded appropriations 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	\$ 37,227
Fire	96,112
Capital Outlay	227,081
Debt Service	18,715

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, 2014, 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 \$583,301. The bank balances were \$689,344.

Certificates of Deposit in the amount of \$159,029 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

September 30, 2014

Note 4: Receivables

Government-wide receivables as of September 30, 2014, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Proprietary Fund Wastewater	Component Units	Total	Amounts Not Expected to be Collected During The Subsequent Year
Receivables:					
Ad Valorem Taxes	\$ 44,182	\$ -	\$ -	\$ 44,182	\$ 30,169
Sales Taxes	23,361	-	23,360	46,721	-
Fines and Forfeitures-Court	49,482	-	-	49,482	-
Ambulance Services	131,226	-	-	131,226	-
Other	12,402	23	223,232	235,657	-
Accounts	23,197	89,805	-	113,002	-
Gross Receivables	283,850	89,828	246,592	620,270	30,169
Less: Uncollectible Allowance	( 51,486)	( 15,966)	-	( 67,452)	-
Net Total Receivables	<u>\$ 232,364</u>	<u>\$ 73,862</u>	<u>\$ 246,592</u>	<u>\$ 552,818</u>	<u>\$ 30,169</u>

The Component Unit receivable of \$223,232 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, 2014, of 5.5%. The note is secured by a building and matures May 1, 2015.

\$ 14,878

\$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, 2014, of 5.5%. The note is secured by inventory and equipment and matures April 26, 2018.

33,580

\$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, 2014, of 5.5%. The note is secured by inventory and matures May 25, 2018.

29,156

\$80,000 note from Loft Management, Inc. and Blink Productions, LLC was entered into on March 29, 2013. The note is payable in monthly installments of \$1,178 including interest as of September 30, 2014, of 6.25%. The note is personally guaranteed and further secured by equipment and matures March 29, 2020.

65,667

\$85,000 note from Whitewright Furniture, Inc. was entered into on March 20, 2014. The note is payable in monthly installments of \$1,221 including interest as of September 30, 2014, of 5.5%. The note is secured by inventory and equipment and matures March 26, 2021.

79,951

Total

223,232

Less: Current Portion

51,643

Total Due After One Year

\$ 171,589

CITY OF WHITEWRIGHT, TEXAS  
Notes to Financial Statements  
September 30, 2014

Note 4: Receivables (Continued)

There is no accrued interest receivable on Notes Receivable at September 30, 2014.

The following is a schedule of the future receivables for the notes receivable at September 30, 2014:

Fiscal Year Ending	Principal	Interest	Totals
2015	\$ 51,643	\$ 11,380	\$ 63,023
2016	38,921	8,844	47,765
2017	41,204	6,562	47,766
2018	37,105	4,194	41,299
2019	26,359	2,439	28,798
2020-2021	28,000	1,056	29,056
Totals	<u>\$ 223,232</u>	<u>\$ 34,475</u>	<u>\$ 257,707</u>

Note 5: Capital Assets

A summary of changes in fixed assets for the year ended September 30, 2014, follows:

	Balance 9/30/13	Additions	Retirements	Balance 9/30/14
Governmental Activities:				
Capital Assets Not being Depreciated:				
Land	\$ 156,737	\$ -	\$ -	\$ 156,737
Construction in Progress	33,606	-	-	33,606
Total Capital Assets Not Being Depreciated	<u>190,343</u>	<u>-</u>	<u>-</u>	<u>190,343</u>
Capital Assets Being Depreciated:				
Land Improvements	54,500	-	-	54,500
Buildings	729,365	9,439	-	738,804
Infrastructure	433,923	-	-	433,923
Furniture and Equipment	<u>1,844,707</u>	<u>227,081</u>	<u>-</u>	<u>2,071,788</u>
Total Capital Assets Being Depreciated	<u>3,062,495</u>	<u>236,520</u>	<u>-</u>	<u>3,299,015</u>
Less Accumulated Depreciation for:				
Land Improvements	( 6,772)	( 3,633)	-	( 10,405)
Buildings	( 568,144)	( 25,347)	-	( 593,491)
Infrastructure	( 101,288)	( 21,695)	-	( 122,983)
Furniture and Equipment	<u>( 1,202,428)</u>	<u>( 110,985)</u>	<u>-</u>	<u>(1,313,413)</u>
Total Accumulated Depreciation	<u>( 1,878,632)</u>	<u>( 161,660)</u>	<u>-</u>	<u>(2,040,292)</u>

CITY OF WHITEWRIGHT, TEXAS  
Notes to Financial Statements  
September 30, 2014

Note 5: Capital Assets (Continued)

	<u>Balance 9/30/13</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 9/30/14</u>
Total Capital Assets Being Depreciated, Net	<u>1,183,863</u>	<u>74,860</u>	<u>-</u>	<u>1,258,723</u>
Governmental Activities				
Total Capital Assets, Net	<u>\$ 1,374,206</u>	<u>\$ 74,860</u>	<u>\$ -</u>	<u>\$ 1,449,066</u>
Business-Type Activities:				
Capital Assets Being Depreciated:				
Sewer System	\$ 1,269,947	\$ 30,087	\$ -	\$ 1,300,034
Sewer System Improvements	1,180,852	31,696	-	1,212,548
Water Tower	404,037	182,201	-	586,238
Furniture and Equipment	<u>138,665</u>	<u>5,000</u>	<u>-</u>	<u>143,665</u>
Total Capital Assets Being Depreciated	<u>2,993,501</u>	<u>248,984</u>	<u>-</u>	<u>3,242,485</u>
Less Accumulated Depreciation for:				
Sewer System	( 695,403)	( 26,807)	-	( 722,210)
Sewer System Improvements	( 410,042)	( 24,172)	-	( 434,214)
Water Tower	( 124,578)	( 8,334)	-	( 132,912)
Furniture and Equipment	<u>( 87,887)</u>	<u>( 10,982)</u>	<u>-</u>	<u>( 98,869)</u>
Total Accumulated Depreciation	<u>( 1,317,910)</u>	<u>( 70,295)</u>	<u>-</u>	<u>( 1,388,205)</u>
Total Capital Assets Being Depreciated, Net	<u>1,675,591</u>	<u>178,689</u>	<u>-</u>	<u>1,854,280</u>
Business-Type Activities				
Total Capital Assets, Net	<u>\$ 1,675,591</u>	<u>\$ 178,689</u>	<u>\$ -</u>	<u>\$ 1,854,280</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>16,779</u>	<u>-</u>	<u>-</u>	<u>16,779</u>
Total Capital Assets Being Depreciated	<u>247,862</u>	<u>-</u>	<u>-</u>	<u>247,862</u>
Less Accumulated Depreciation for:				
Buildings	( 49,135)	( 11,555)	-	( 60,690)
Equipment	<u>( 12,088)</u>	<u>( 2,516)</u>	<u>-</u>	<u>( 14,604)</u>
Total Accumulated Depreciation	<u>( 61,223)</u>	<u>( 14,071)</u>	<u>-</u>	<u>( 75,294)</u>

CITY OF WHITEWRIGHT, TEXAS  
Notes to Financial Statements  
September 30, 2014

Note 5: Capital Assets (Continued)

	Balance 9/30/13	Additions	Retirements	Balance 9/30/14
Total Capital Assets Being Depreciated, Net	186,639	( 14,071)	-	172,568
Component Unit Activities				
Total Capital Assets, Net	\$ 186,639	\$( 14,071)	\$ -	\$ 172,568

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

Governmental Activities:	
General Governmental	\$ 99,265
Emergency Medical Services	11,438
Police and Court	12,404
Fire Protection	21,724
Library	16,829
Total Depreciation Expense-Governmental Activities	\$ 161,660
Business-Type Activities:	
Water and Sewer	\$ 70,295
Component Units Activities:	
Economic Development Corporation	\$ 11,555
Community Development Corporation	2,516
Total Depreciation Expense-Component Unit Activities	\$ 14,071

Note 6: Delinquent Property Tax

Delinquent property taxes at September 30, 2014, are as follows:

<u>Tax Year</u>	<u>Amount</u>
2012 and Prior	\$ 31,757
2013	12,425
Total Delinquent Property Taxes	44,182
Less Allowance for Doubtful Accounts	( 2,209)
Total Delinquent Property Taxes, Net	\$ 41,973

Note 7: Property Tax Revenue

Property and personal taxes are billed and collected by the Grayson County Tax Assessor/Collector. For the year ended September 30, 2014, the tax rate was \$.740000 per \$100 assessed valuation.

CITY OF WHITEWRIGHT, TEXAS  
Notes to Financial Statements  
September 30, 2014

Note 8: Long-Term Debt

A summary of the City's long-term debt transactions for the year ended September 30, 2014, follows:

	<u>Balance</u> <u>9/30/13</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>9/30/14</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental Activities</u>					
Notes Payable	\$ 28,763	\$ 29,662	\$ ( 17,542)	\$ 40,883	\$ 13,615
Total Governmental Activities	<u>\$ 28,763</u>	<u>\$ 29,662</u>	<u>\$ ( 17,542)</u>	<u>\$ 40,883</u>	<u>\$ 13,615</u>
<u>Business-Type Activities</u>					
Notes Payable	\$ 210,034	\$ 271,236	\$ (18,426)	\$ 462,844	\$ 53,031
Total Business-Type Activities	<u>\$ 210,034</u>	<u>\$ 271,236</u>	<u>\$ (18,426)</u>	<u>\$ 462,844</u>	<u>\$ 53,031</u>
<u>Economic Development Corporation</u>					
Notes Payable	\$ 160,501	\$ 85,340	\$ ( 37,977)	\$ 207,864	\$ 46,937
Total Economic Development Corporation	<u>\$ 160,501</u>	<u>\$ 85,340</u>	<u>\$ ( 37,977)</u>	<u>\$ 207,864</u>	<u>\$ 46,937</u>

This section intentionally left blank.



CITY OF WHITEWRIGHT, TEXAS  
Notes to Financial Statements  
September 30, 2014

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>
\$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%.	\$ -	\$ 65,000	\$ -
\$154,004, Time Warrant issued August 16, 2012, due in monthly installments of \$1,548.26 through August 2022, bearing an interest rate of 3.85%.	-	126,608	-
\$271,236, Government Capital Loan, issued June 3, 2014, due in monthly installments of \$3,608.27 through October 1, 2021, bearing an interest rate of 5.00%.	-	271,236	-
\$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.	-	-	12,591
\$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%.	-	-	27,337
\$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%.	-	-	22,341
\$80,100, Note Payable issued April 1, 2013, due in monthly installments of \$1,125.43 through April 1, 2020, bearing an interest rate of 4.75%.	-	-	65,879
\$85,000, Note Payable issued March 26, 2014, due in monthly installments of \$1,196.28 through March 28, 2021, bearing an interest rate of 4.75%.	-	-	79,716
\$20,480, Note Payable issued October 10, 2012, due in monthly installments of \$379 through September 18, 2017, bearing an interest rate of 4.25%.	12,772	-	-
\$29,662, Note Payable issued July 9, 2014, due in monthly installments of \$879.15 through July 10, 2017, bearing an interest rate of 4.25%.	<u>28,111</u>	<u>-</u>	<u>-</u>
Total Long-Term Debt	<u>\$ 40,883</u>	<u>\$ 462,844</u>	<u>\$ 207,864</u>

CITY OF WHITEWRIGHT, TEXAS  
Notes to Financial Statements  
September 30, 2014

Note 8: Long-Term Debt (Continued)

Annual requirements to retire debt obligations are as follows:

Fiscal Year Due	Governmental Activities		Total Debt
	Principal	Interest	Requirement
2015	\$ 13,615	\$ 1,476	\$ 15,091
2016	14,204	888	15,092
2017	13,064	274	13,338
Total	<u>\$ 40,883</u>	<u>\$ 2,638</u>	<u>\$ 43,521</u>

Fiscal Year Due	Business-Type Activities		Total Debt
	Principal	Interest	Requirement
2015	\$ 53,031	\$ 17,166	\$ 70,197
2016	56,465	13,489	69,954
2017	58,027	11,681	69,708
2018	59,627	9,828	69,455
2019	61,280	7,919	69,199
2020-2024	164,414	13,831	178,245
2025	10,000	282	10,282
Total	<u>\$ 462,844</u>	<u>\$ 74,196</u>	<u>\$ 537,040</u>

Fiscal Year Due	Component Units Activities		Total Debt
	Principal	Interest	Requirement
2015	\$ 46,937	\$ 8,475	\$ 55,412
2016	35,912	6,604	42,516
2017	37,549	4,966	42,515
2018	33,624	3,287	36,911
2019	25,788	1,965	27,753
2020-2021	28,054	878	28,932
Total	<u>\$ 207,864</u>	<u>\$ 26,175</u>	<u>\$ 234,039</u>

Note 9: Number of Water and Sewer System Customers

At year end, 857 customers were connected to the water system and 846 to the sewer system.

CITY OF WHITEWRIGHT, TEXAS  
Notes to Financial Statements  
September 30, 2014

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](http://www.TMRS.com).

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 2012</u>	<u>Plan Year 2013</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 Entry Age Normal 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  
September 30, 2014

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>
9/30/12	\$ 19,865	100%	-
9/30/13	18,347	100%	-
9/30/14	21,843	100%	-

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

<u>Valuation Date</u>	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortized Period	25.4 yrs; closed period	24.8 yrs; closed period	30.0 yrs; closed period
Amortization Period for New Gains/Losses	25 years	25 years	25 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.0%	7.0%	7.0%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
*Includes Inflation at	3.00%	3.00%	3.00%
Cost of Living Adjustments	0.0%	0.0%	0.0%

CITY OF WHITEWRIGHT, TEXAS  
Notes to Financial Statements  
September 30, 2014

Note 10: Pension Plan (Continued)

Contributions (Continued)

The funded status as of December 31, 2013, the most recent actuarial valuation date, 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
12/31/13	\$953,919	\$ 978,436	97.5%	\$ 24,517	\$ 619,191	4.0%

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.

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

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

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

The City's contributions to the TMRS SDBF for the years ended 2014, 2013, and 2012 were \$1,361, \$838, and \$932, respectively, which equaled the required contributions each year.

Note 11: Transfers

The transfers were for operating purposes. Interfund transfers for the year ended September 30, 2014, consisted of the following amounts:

Transfers to the General Fund from:

Water and Sewer Fund \$ 18,661

CITY OF WHITEWRIGHT, TEXAS  
Notes to Financial Statements  
September 30, 2014

Note 12: Contingent Liabilities

Litigation

A lawsuit is pending against the City. In the opinion of City Management, the potential uninsured loss will not be material to the City's basis financial statements.

Note 13: Prior Period Adjustments

Fund balances were adjusted for the following:

General Fund	\$ 8,538
Proprietary Fund	37,822

Prior period adjustments were posted to decrease various liabilities in the General Fund and Meter Deposits Payable in the Proprietary Fund.

Note 14: Subsequent Events

Management has evaluated subsequent events through June 29, 2015, the date on which the financial statements were available to be issued. There are no events that occurred after September 30, 2014, that require disclosure in the notes to financial statements.

CITY OF WHITEWRIGHT, TEXAS  
 Budgetary Comparison Schedule  
 General Fund  
 Year Ended September 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenue				
Property Taxes	\$ 420,000	\$ 420,000	\$ 430,872	\$ 10,872
General Sales and Use Taxes	155,000	155,000	140,811	(14,189)
Franchise Taxes	60,080	60,080	65,367	5,287
Emergency Medical Service	257,900	257,900	253,674	(4,226)
Solid Waste Disposal	155,600	155,600	159,669	4,069
Police Department and Court	74,200	74,200	86,135	11,935
Fire Department	-	-	22,507	22,507
Capital Contributions	-	-	11,236	11,236
Other Revenue	46,086	46,086	14,978	(31,108)
Permits and Fees	11,500	11,500	14,453	2,953
Library	13,680	13,680	19,968	6,288
Grants	-	-	-	-
Interest Revenue	50	50	1,095	1,045
Total Revenue	<u>1,194,096</u>	<u>1,194,096</u>	<u>1,220,765</u>	<u>26,669</u>
Expenditures				
General Government	633,685	633,685	478,016	155,669
Emergency Medical Services	527,703	527,703	354,363	173,340
Police and Court	326,708	326,708	363,935	(37,227)
Library	11,730	11,730	3,796	7,934
Fire	2,500	2,500	98,612	(96,112)
Debt Service				
Principal Retirement	-	-	17,542	(17,542)
Interest	-	-	1,173	(1,173)
Capital Outlay	-	-	227,081	(227,081)
Total Expenditures	<u>1,502,326</u>	<u>1,502,326</u>	<u>1,544,518</u>	<u>(42,192)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(308,230)</u>	<u>(308,230)</u>	<u>(323,753)</u>	<u>(15,523)</u>
Other Financing Sources (Uses)				
Operating Transfers In	310,180	310,180	18,661	(291,519)
Operating Transfers Out	-	-	-	-
Capital Financing	-	-	29,662	29,662
Total Other Financing Sources (Uses)	<u>310,180</u>	<u>310,180</u>	<u>48,323</u>	<u>(261,857)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	1,950	1,950	(275,430)	(277,380)
Fund Balances - Beginning of Year	161,783	161,783	225,661	63,878
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>8,538</u>	<u>8,538</u>
Fund Balances - End of Year	<u>\$ 163,733</u>	<u>\$ 163,733</u>	<u>\$ (41,231)</u>	<u>\$ (204,964)</u>

CITY OF WHITEWRIGHT, TEXAS  
Texas Municipal Retirement System  
Schedule of Funding Progress  
September 30, 2014

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

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
	(1)	(2)	(3)	(4)	(5)	(6)
			(1) / (2)	(2) - (1)		(4) / (5)
12/31/2010	\$ 750,826	\$ 731,531	102.6 %	\$ (19,295)	\$ 573,062	(3.4) %
12/31/2011	822,564	811,961	101.3	(10,603)	559,524	(1.9)
12/31/2012	873,127	843,976	103.5	(29,151)	558,387	(5.2)
12/31/2013	953,919	978,436	97.5	24,517	619,191	4.0



CITY OF WHITEWRIGHT, TEXAS  
Notes to Required Supplementary Information  
September 30, 2014

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.