

CITY OF WHITEWRIGHT, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2015

CITY OF WHITEWRIGHT, TEXAS
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September 30, 2015

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INDEPENDENT AUDITORS' 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, 2015, 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
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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, 2015, 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.

Emphasis of Matter

As discussed in Notes 9 and 14 to the financial statements, in 2015, the City adopted new accounting guidance prescribed by GASB #68 for its pension plan – a multiple employer, cost sharing, defined benefit pension plan. Because GASB #68 implements new measurement criteria and reporting provisions, significant information has been added to the Government-Wide Statements. Schedule 2 discloses the City's Net Pension Liability. Schedule 3 discloses the City's contributions to TMRS. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, the schedule of changes in net pension liability and the schedule of city contributions, 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
January 29, 2016

CITY OF WHITEWRIGHT, TEXAS
Statement of Net Position
September 30, 2015

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation	Community Development Corporation
ASSETS					
Cash and Cash Equivalents	\$ 171,599	\$ 75,025	\$ 246,624	\$ 75,671	\$ 33,960
Current Investments	52,691	55,529	108,220	52,233	-
Prepaid Assets	5,317	-	5,317	-	-
Property Taxes Receivable, Net	47,431	-	47,431	-	-
Sales Taxes Receivable, Net	26,829	-	26,829	13,414	13,414
Other Receivables, Net	201,995	71,980	273,975	172,474	-
Restricted Assets:					
Cash - Library	2,396	-	2,396	-	-
Deposits Held in Trust by GTUA	-	691,729	691,729	-	-
Capital Assets Not Being Depreciated:					
Land	156,737	-	156,737	-	-
Construction in Progress	38,544	-	38,544	-	-
Capital Assets, Net of Accumulated Depreciation:					
Land Improvements	40,462	-	40,462	-	-
Buildings and Improvements	123,837	-	123,837	158,839	-
Furniture, Equipment and Machinery	656,403	165,598	822,001	-	659
Public Infrastructure	301,141	1,828,187	2,129,328	-	-
Net Pension Asset	21,433	4,704	26,137	-	-
Total Assets	1,846,815	2,892,752	4,739,567	472,631	48,033
DEFERRED OUTFLOW OF RESOURCES					
Deferred Outflows Related to Pensions	26,346	6,379	32,725	-	-
LIABILITIES					
Accounts Payable	27,525	14,089	41,614	755	-
Wages Payable	5,029	934	5,963	-	-
Deferred Revenues	4,473	-	4,473	-	-
Customer Deposits Payable	-	61,090	61,090	-	-
Accrued Interest Payable	-	10,752	10,752	-	-
Noncurrent Liabilities:					
Portion Due or Payable Within One Year	14,204	68,960	83,164	35,912	-
Portion Due or Payable After One Year	13,064	1,077,327	1,090,391	123,827	-
Total Liabilities	64,295	1,233,152	1,297,447	160,494	-
DEFERRED INFLOW OF RESOURCES					
Deferred Inflows Related to Pensions	1,722	378	2,100	-	-
NET POSITION					
Net Investment in Capital Assets	1,289,856	847,498	2,137,354	-	-
Restricted for:					
Fiscal Agent	-	691,729	691,729	-	-
Library	7,713	-	7,713	-	-
Unrestricted	509,575	126,374	635,949	312,137	48,033
Total Net Position	\$ 1,807,144	\$ 1,665,601	\$ 3,472,745	\$ 312,137	\$ 48,033

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

CITY OF WHITEWRIGHT, TEXAS
Statement of Activities
Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-Type Activities	Total	Economic Development Corporation	Community Development Corporation
PRIMARY GOVERNMENT									
Governmental Activities:									
General Government	\$ 561,747	\$ 199,802	\$ -	\$ 4,000	\$ (357,945)	\$ -	\$ (357,945)	\$ -	\$ -
Emergency Medical Service	410,591	257,673	-	-	(152,918)	-	(152,918)	-	-
Police and Court	397,278	135,477	7,000	-	(254,801)	-	(254,801)	-	-
Fire Protection	69,610	29,798	-	-	(39,812)	-	(39,812)	-	-
Library	66,425	23,003	-	-	(43,422)	-	(43,422)	-	-
Interest on Long-Term Debt	1,477	-	-	-	(1,477)	-	(1,477)	-	-
Total Governmental Activities	<u>1,507,128</u>	<u>645,753</u>	<u>7,000</u>	<u>4,000</u>	<u>(850,375)</u>	<u>-</u>	<u>(850,375)</u>	<u>-</u>	<u>-</u>
Business-Type Activities:									
Water and Sewer	<u>565,210</u>	<u>647,788</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,578</u>	<u>82,578</u>	<u>-</u>	<u>-</u>
Total Business-Type Activities	<u>565,210</u>	<u>647,788</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,578</u>	<u>82,578</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 2,072,338</u>	<u>\$ 1,293,541</u>	<u>\$ 7,000</u>	<u>\$ 4,000</u>	<u>(850,375)</u>	<u>82,578</u>	<u>(767,797)</u>	<u>-</u>	<u>-</u>
COMPONENT UNITS									
Economic Development Corporation	\$ 99,488	\$ -	\$ -	\$ -				(99,488)	-
Community Development Corporation	<u>68,175</u>	<u>-</u>	<u>-</u>	<u>-</u>				<u>-</u>	<u>(68,175)</u>
Total Component Units	<u>\$ 167,663</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				<u>(99,488)</u>	<u>(68,175)</u>
GENERAL REVENUES									
Taxes:									
Property Taxes					436,528	-	436,528	-	-
General Sales and Use Taxes					159,553	-	159,553	77,208	77,208
Franchise Taxes					65,242	-	65,242	-	-
Investment Earnings					1,533	876	2,409	12,876	-
Miscellaneous					21,408	-	21,408	9,425	227
Transfers					<u>525,948</u>	<u>(525,948)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total General Revenues					<u>1,210,212</u>	<u>(525,072)</u>	<u>685,140</u>	<u>99,509</u>	<u>77,435</u>
Changes in Net Position					359,837	(442,494)	(82,657)	21	9,260
Net Position - Beginning					1,406,814	2,099,206	3,506,020	312,116	38,773
Prior Period Adjustment					40,493	8,889	49,382	-	-
Net Position - Ending					<u>\$ 1,807,144</u>	<u>\$ 1,665,601</u>	<u>\$ 3,472,745</u>	<u>\$ 312,137</u>	<u>\$ 48,033</u>

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

CITY OF WHITEWRIGHT, TEXAS
Governmental Fund
Balance Sheet
September 30, 2015

	General Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 171,599
Investments	52,691
Prepaid Assets	5,317
Receivables, Net	
Property Taxes	47,431
Other	227,324
Due From Other Governments	1,500
Total Current Assets	<u>505,862</u>
Restricted Assets:	
Cash - Library	2,396
Total Restricted Assets	<u>2,396</u>
Total Assets	<u><u>\$ 508,258</u></u>
LIABILITIES	
Wages Payable	\$ 5,029
Accounts Payable	27,525
Unearned Revenue	4,473
Total Liabilities	<u>37,027</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue - Property Taxes	38,342
Total Deferred Inflows of Resources	<u>38,342</u>
FUND BALANCES (DEFICITS)	
Nonspendable:	
Library	5,317
Restricted For:	
Library	2,396
Unassigned	425,176
Total Fund Balances (Deficits)	<u>432,889</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 508,258</u></u>
Fund Balances of Governmental Funds (above)	\$ 432,889
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 \$3,206,464 and the accumulated depreciation is \$1,889,340.	1,317,124
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in Governmental Funds.	(27,268)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	38,342
The recognition of the City's proportionate share of the net pension asset required by GASB 68 in the amount of \$21,433, a Deferred Outflow of Resources in the amount of \$26,346, and a Deferred Inflow of Resources of \$1,722.	<u>46,057</u>
Net Position of Governmental Activities	<u><u>\$ 1,807,144</u></u>

The notes to 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, 2015

	General Fund
<hr/>	
REVENUES	
Taxes:	
Property	\$ 438,048
General Sales and Use	159,553
Franchise	65,242
Emergency Medical Service	257,673
Solid Waste Disposal	182,149
Police Department and Court	135,477
Fire Department	29,798
Capital Contributions	7,000
Intergovernmental	4,000
Other Revenue	22,754
Permits and Fees	17,653
Library	23,003
Interest Revenue	1,533
Total Revenues	<hr/> 1,343,883 <hr/>
EXPENDITURES	
Current:	
General Government	469,887
Emergency Medical Service	361,494
Police Department and Court	386,028
Fire Department	47,886
Library	49,353
Debt Service:	
Principal Retirement	13,615
Interest and Fiscal Charges	1,477
Capital Outlay:	
General Government	17,088
Emergency Medical Service	30,808
Library	18,075
Total Expenditures	<hr/> 1,395,711 <hr/>
Excess (Deficiency) of Revenues over Expenditures	<hr/> (51,828) <hr/>
OTHER FINANCING SOURCES (USES)	
Operating Transfers In	525,948
Total Other Financing Sources (Uses)	<hr/> 525,948 <hr/>
Net Changes in Fund Balances	474,120
Fund Balances (Deficit) - Beginning of Year	<hr/> (41,231) <hr/>
Fund Balances (Deficit) - End of Year	<hr/> \$ 432,889 <hr/>

The notes to 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, 2015

Statement 4
(Continued)

Amounts reported for governmental activities in the statement of activities are different because:

Net Changes in Fund Balances - Total Governmental Funds	\$ 474,120
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 depreciation (\$196,568) exceeded capital outlays (\$65,971) in the current year.	(130,597)
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 repayment of long-term debt.	13,615
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.	(1,520)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(1,345)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as outflows of deferred resources. These contributions made after the measurement date of December 31, 2014 caused the change in the ending net position to increase in the amount of \$21,420. Contributions made before the measurement date but during the year ended September 30, 2015 were also de-expended and recorded as a reduction in the net pension liability for the City. This caused a decrease in the change in net position in the amount of \$14,532. The City's share of the unrecognized deferred inflows and outflows for TMRS as of the measurement date had to be amortized. This caused a decrease in the change in net position in the amount of \$1,324. The impact of all of these is to decrease the change in net position by \$5,564.	<u>5,564</u>
Change in Net Position - Governmental Activities	<u>\$ 359,837</u>

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

CITY OF WHITEWRIGHT, TEXAS
 Proprietary Fund
 Statement of Net Position
 September 30, 2015

	Proprietary Fund
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 75,025
Investments	55,529
Accounts Receivables (Net of Allowance for Uncollectibles)	71,980
Total Current Assets	<u>202,534</u>
Restricted Assets	
Deposit Held by GTUA	<u>691,729</u>
Noncurrent Assets	
Capital Assets, Net of Accumulated Depreciation	1,993,785
Net Pension Asset	4,704
Total Noncurrent Assets	<u>1,998,489</u>
Total Assets	<u>2,892,752</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions	<u>6,379</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	14,089
Wages Payable	934
Note Payable	49,465
Bonds Payable	5,000
Time Warrant Payable	14,495
Accrued Interest Payable	10,752
Customer Deposits Payable	61,090
Total Current Liabilities	<u>155,825</u>
Noncurrent Liabilities	
Note Payable	284,166
Bonds Payable	695,000
Time Warrant Payable	98,161
Total Noncurrent Liabilities	<u>1,077,327</u>
Total Liabilities	<u>1,233,152</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	<u>378</u>
NET POSITION	
Net Investment in Capital Assets	847,498
Restricted	691,729
Unrestricted	126,374
Total Net Position	<u>\$ 1,665,601</u>

The 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, 2015

	Proprietary Fund
OPERATING REVENUES	
Charges for Sales and Services	
Water	\$ 356,170
Sewer	252,175
Other Services and Fees	<u>39,443</u>
Total Operating Revenues	<u>647,788</u>
OPERATING EXPENSES	
Salaries and Related	152,824
Utilities	93,250
Depreciation	94,602
Sanitation Plant Expense	33,268
Other Operating Expenses	66,671
Employee Benefits	24,835
Maintenance and Repairs	22,279
Water Expense	19,089
Supplies	<u>31,883</u>
Total Operating Expenses	<u>538,701</u>
Operating Income	<u>109,087</u>
NONOPERATING REVENUES (EXPENSES)	
Interest Income	876
Interest Expense	(14,884)
Bond Fees	<u>(11,625)</u>
Total Nonoperating Revenues (Expenses)	<u>(25,633)</u>
Income Before Contributions and Transfers	83,454
Transfers Out	<u>(525,948)</u>
Change in Net Position	(442,494)
Net Position - Beginning of Year	2,099,206
Prior Period Adjustment	<u>8,889</u>
Net Position - End of Year	<u><u>\$ 1,665,601</u></u>

The 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, 2015

	Proprietary Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 663,615
Cash Payments to Employees	(179,475)
Cash Payments to Suppliers for Goods and Services	(260,899)
Net Cash Provided By (Used For) Operating Activities	<u>223,241</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers (to) from Other Funds	(525,948)
Net Cash Provided By (Used For) Noncapital Financing Activities	<u>(525,948)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additional Debt	62,394
Purchase of Capital Assets	(234,107)
Interest Paid and Fees to Agent	(8,195)
Principal Paid on Capital Debt	(18,952)
Net Cash Flows Provided By (Used For) Capital and Related Financing Activities	<u>(198,860)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	876
Purchase of Investments	(552)
Net Cash Provided By (Used For) Investing Activities	<u>324</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(501,243)
Cash and Cash Equivalents, September 30, 2014	<u>576,268</u>
Cash and Cash Equivalents, September 30, 2015	<u><u>\$ 75,025</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	
Operating Income (Loss)	\$ 109,087
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:	
Depreciation Expense	94,602
Decrease (Increase) in Accounts Receivable	1,882
Decrease (Increase) in Net Pension Asset	1,360
Decrease (Increase) in Deferred Outflows	(3,554)
Increase (Decrease) in Accounts Payable	5,541
Increase (Decrease) in Customer Deposits Payable	13,945
Increase (Decrease) in Deferred Inflows	378
Net Cash Provided By (Used For) Operating Activities	<u><u>\$ 223,241</u></u>

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

CITY OF WHITEWRIGHT, TEXAS
Notes to Financial Statements
September 30, 2015

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.

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 (Continued)
September 30, 2015

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 (Continued)
September 30, 2015

Note 1: Summary of Significant Accounting Policies (Continued)

C. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business type activities columns in the government-wide financial statements and in the fund financial statements for the proprietary fund. 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. Infrastructure assets acquired since October 1, 2003 are recorded at cost.

Assets capitalized have an original cost of \$5,000 or more and useful life in excess of one 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, 2015.

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 (Continued)
September 30, 2015

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, 2015, 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 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 financial 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.

CITY OF WHITEWRIGHT, TEXAS
Notes to Financial Statements (Continued)
September 30, 2015

Note 1: Summary of Significant Accounting Policies (Continued)

L. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial 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. 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.

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, 2015, the Governmental Activities' restricted portion of net position was \$7,713 for the library. The Water Fund's restricted portion of net position totaled \$691,729. This amount represents funds held at GTUA to be used exclusively for water and sewer system capital projects and repayment of contractual obligations.

N. Fund Balance

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, 2015, 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 (Continued)
September 30, 2015

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 (Continued)
September 30, 2015

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, 2015, 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 Appropriations</u>
Police and Court	\$ 6,889
Capital Outlay	65,971
Debt Service	15,092

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, 2015, 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. The City's carrying amount of deposits was \$357,240 and the bank's balances were \$508,235.

Certificates of Deposit in the amount of \$108,220 are considered deposits for this footnote but are classified as investments on the face of the financial statements.

Discretely Presented Component Units

Whitewright Economic Development Corporation and Whitewright Community Development Corporation

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Corporations deposits may not be returned or the Corporations will not be able to recover collateral securities in the possession of an outside party. The Corporations' policies 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. As of September 30, 2015, the Corporations were not exposed to custodial credit risk since deposits are insured or collateralized with securities pledged held in the name of the Corporations. The Corporations' carrying amount of deposits was \$161,864 and the bank's balances were \$163,433.

Certificates of Deposit in the amount of \$52,233 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, 2015

Note 4: Disaggregation of Receivables and Payables

Government-wide receivables as of September 30, 2015, 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	\$ 49,928	\$ -	\$ -	\$ 49,928	\$ 32,220
Sales Taxes	26,829	-	26,828	53,657	-
Fines and Forfeitures-Court	94,705	-	-	94,705	-
Ambulance Services	221,558	-	-	221,558	-
Other	20,420	23	172,474	192,917	-
Accounts	<u>28,120</u>	<u>88,804</u>	<u>-</u>	<u>116,924</u>	<u>-</u>
Gross Receivables	441,560	88,827	199,302	729,689	32,220
Less: Uncollectible Allowance	<u>(165,305)</u>	<u>(16,847)</u>	<u>-</u>	<u>(182,152)</u>	<u>-</u>
Net Total Receivables	<u>\$ 276,255</u>	<u>\$ 71,980</u>	<u>\$ 199,302</u>	<u>\$ 547,537</u>	<u>\$ 32,220</u>

The Component Unit receivable of \$172,474 is comprised of the following:

\$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, 2015, of 5.5%. The note is secured by inventory and equipment and matures April 26, 2018. \$ 24,863

\$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, 2015, of 5.5%. The note is secured by inventory and matures May 25, 2018. 21,958

\$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, 2015, of 6.25%. The note is personally guaranteed and further secured by equipment and matures March 29, 2020. 56,224

\$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, 2015, of 5.5%. The note is secured by inventory and equipment and matures March 26, 2021. 69,429

Total 172,474
Less: Current Portion 38,921

Total Due After One Year \$ 133,553

CITY OF WHITEWRIGHT, TEXAS
Notes to Financial Statements (Continued)
September 30, 2015

Note 4: Disaggregation of Receivables and Payables (Continued)

There is no accrued interest receivable on Notes Receivable at September 30, 2015.

The following is a schedule of the future receivables for the notes receivable at September 30, 2015:

Fiscal Year Ending	Principal	Interest	Totals
2016	\$ 38,921	\$ 8,844	\$ 47,765
2017	41,204	6,562	47,766
2018	37,105	4,194	41,299
2019	26,358	2,439	28,797
2020	21,673	940	22,613
2021	<u>7,213</u>	<u>116</u>	<u>7,329</u>
Totals	<u>\$ 172,474</u>	<u>\$ 23,095</u>	<u>\$ 195,569</u>

Payables at September 30, 2015 were as follows:

	Accounts	Wages	Total Payables
Governmental Activities:			
General Fund	<u>\$ 27,525</u>	<u>\$ 5,029</u>	<u>\$ 32,554</u>
Total – Governmental Activities	<u>\$ 27,525</u>	<u>\$ 5,029</u>	<u>\$ 32,554</u>
Business-Type Activities:			
Water and Sewer Fund	<u>\$ 14,089</u>	<u>\$ 934</u>	<u>\$ 15,023</u>
Total – Business-Type Activities	<u>\$ 14,089</u>	<u>\$ 934</u>	<u>\$ 15,023</u>

Note 5: Capital Assets

A summary of changes in fixed assets for the year ended September 30, 2015, follows:

	Balance 9/30/14	Additions	Retirements	Balance 9/30/15
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 156,737	\$ -	\$ -	\$ 156,737
Construction in Progress	<u>33,606</u>	<u>4,938</u>	<u>-</u>	<u>38,544</u>
Total Capital Assets Not Being Depreciated	<u>190,343</u>	<u>4,938</u>	<u>-</u>	<u>195,281</u>
Capital Assets Being Depreciated:				
Land Improvements	54,500	-	-	54,500
Buildings	738,804	-	-	738,804
Infrastructure	433,923	12,150	-	446,073
Furniture and Equipment	<u>2,071,788</u>	<u>48,883</u>	<u>(348,865)</u>	<u>1,771,806</u>
Total Capital Assets Being Depreciated	<u>3,299,015</u>	<u>61,033</u>	<u>(348,865)</u>	<u>3,011,183</u>

CITY OF WHITEWRIGHT, TEXAS
Notes to Financial Statements (Continued)
September 30, 2015

Note 5: Capital Assets (Continued)

	<u>Balance</u> <u>9/30/14</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>9/30/15</u>
Less Accumulated				
Depreciation for:				
Land Improvements	(10,405)	(3,633)	-	(14,038)
Buildings	(593,491)	(21,476)	-	(614,967)
Infrastructure	(122,983)	(21,949)	-	(144,932)
Furniture and Equipment	(1,313,413)	(149,510)	347,520	(1,115,403)
Total Accumulated				
Depreciation	(2,040,292)	(196,568)	347,520	(1,889,340)
Total Capital Assets Being				
Depreciated, Net	<u>1,258,723</u>	<u>(135,535)</u>	<u>(1,345)</u>	<u>1,121,843</u>
Governmental Activities				
Total Capital Assets, Net	<u>\$ 1,449,066</u>	<u>\$ (130,597)</u>	<u>\$ (1,345)</u>	<u>\$ 1,317,124</u>
Business-Type Activities:				
Capital Assets Not Being				
Depreciated:				
Construction in Progress	\$ -	\$ 6,188	\$ -	\$ 6,188
Total Capital Assets Not				
Being Depreciated	<u>-</u>	<u>6,188</u>	<u>-</u>	<u>6,188</u>
Capital Assets Being				
Depreciated:				
Sewer System	1,300,034	79,642	-	1,379,676
Sewer System Improvements	1,212,548	-	-	1,212,548
Water Tower	586,238	-	-	586,238
Furniture and Equipment	<u>143,665</u>	<u>149,527</u>	<u>(6,250)</u>	<u>286,942</u>
Total Capital Assets				
Being Depreciated	<u>3,242,485</u>	<u>229,169</u>	<u>(6,250)</u>	<u>3,465,404</u>
Less Accumulated				
Depreciation for:				
Sewer System	(722,210)	(28,722)	-	(750,932)
Sewer System Improvements	(434,214)	(24,251)	-	(458,465)
Water Tower	(132,912)	(14,154)	-	(147,066)
Furniture and Equipment	(98,869)	(27,475)	5,000	(121,344)
Total Accumulated				
Depreciation	(1,388,205)	(94,602)	5,000	(1,477,807)
Total Capital Assets Being				
Depreciated, Net	<u>1,854,280</u>	<u>134,567</u>	<u>(1,250)</u>	<u>1,987,597</u>
Business-Type Activities				
Total Capital Assets, Net	<u>\$ 1,854,280</u>	<u>\$ 140,755</u>	<u>\$ (1,250)</u>	<u>\$ 1,993,785</u>

CITY OF WHITEWRIGHT, TEXAS
Notes to Financial Statements (Continued)
September 30, 2015

Note 5: Capital Assets (Continued)

	<u>Balance 9/30/14</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 9/30/15</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	(60,690)	(11,555)	-	(72,245)
Equipment	<u>(14,604)</u>	<u>(1,515)</u>	<u>-</u>	<u>(16,119)</u>
Total Accumulated Depreciation	<u>(75,294)</u>	<u>(13,070)</u>	<u>-</u>	<u>(88,364)</u>
Total Capital Assets Being Depreciated, Net	<u>172,568</u>	<u>(13,070)</u>	<u>-</u>	<u>159,498</u>
Component Unit Activities				
Total Capital Assets, Net	<u>\$ 172,568</u>	<u>\$(13,070)</u>	<u>\$ -</u>	<u>\$ 159,498</u>

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

Governmental Activities:	
General Governmental	\$ 97,425
Emergency Medical Services	49,097
Police and Court	11,250
Fire Protection	21,724
Library	<u>17,072</u>
Total Depreciation Expense-Governmental Activities	<u>\$ 196,568</u>
Component Units Activities:	
Economic Development Corporation	\$ 11,555
Community Development Corporation	<u>1,515</u>
Total Depreciation Expense-Component Unit Activities	<u>\$ 13,070</u>

CITY OF WHITEWRIGHT, TEXAS
Notes to Financial Statements (Continued)
September 30, 2015

Note 6: Delinquent Property Tax

Delinquent property taxes at September 30, 2015, are as follows:

<u>Tax Year</u>	<u>Amount</u>
2013 and Prior	\$ 33,916
2014	<u>16,012</u>
Total Delinquent Property Taxes	49,928
Less Allowance for Doubtful Accounts	<u>(2,497)</u>
Total Delinquent Property Taxes, Net	<u>\$ 47,431</u>

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, 2015, the tax rate was \$.740000 per \$100 assessed valuation. The 2014 net taxable assessed valuation was \$60,750,313.

Note 8: Long-Term Debt

A summary of the City's long-term debt transactions for the year ended September 30, 2015, follows:

	<u>Balance</u> <u>9/30/14</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>9/30/15</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental Activities</u>					
Notes Payable	\$ 40,883	\$ -	\$ (13,615)	\$ 27,268	\$ 14,204
Total Governmental Activities	<u>\$ 40,883</u>	<u>\$ -</u>	<u>\$ (13,615)</u>	<u>\$ 27,268</u>	<u>\$ 14,204</u>
<u>Business-Type Activities</u>					
Notes Payable	\$ 462,844	\$ 702,394	\$ (18,951)	\$ 1,146,287	\$ 68,960
Total Business-Type Activities	<u>\$ 462,844</u>	<u>\$ 702,394</u>	<u>\$ (18,951)</u>	<u>\$ 1,146,287</u>	<u>\$ 68,960</u>
<u>Economic Development Corporation</u>					
Notes Payable	\$ 207,864	\$ -	\$ (48,125)	\$ 159,739	\$ 35,912
Total Economic Development Corporation	<u>\$ 207,864</u>	<u>\$ -</u>	<u>\$ (48,125)</u>	<u>\$ 159,739</u>	<u>\$ 35,912</u>

CITY OF WHITEWRIGHT, TEXAS
Notes to Financial Statements (Continued)
September 30, 2015

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%.	\$ -	\$ 60,000	\$ -
\$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%.	-	112,656	-
\$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%.	-	271,237	-
\$62,394, Government Capital Loan, issued February 3, 2015, due in annual installments of \$16,697.60 through October 2018, bearing an interest rate of 3.24%.	-	62,394	-
\$640,000 GTUA Contract Revenue Bonds, Series 2015, (City of Whitewright Project) due in annual installments of \$25,000 to \$40,000 through October 2035, interest from 0.09% to 2.59%.	-	640,000	-
\$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%.	-	-	19,971
\$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%.	-	-	16,480
\$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%.	-	-	54,272
\$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%.	-	-	69,016
\$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%.	8,693	-	-
\$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>18,575</u>	<u>-</u>	<u>-</u>
Total Long-Term Debt	<u>\$ 27,268</u>	<u>\$ 1,146,287</u>	<u>\$ 159,739</u>

CITY OF WHITEWRIGHT, TEXAS
Notes to Financial Statements (Continued)
September 30, 2015

Note 8: Long-Term Debt (Continued)

Annual requirements to retire debt obligations are as follows:

Fiscal Year Due	<u>Governmental Activities</u>		Total Debt Requirement
	<u>Principal</u>	<u>Interest</u>	
2016	\$ 14,204	\$ 886	\$ 15,090
2017	<u>13,064</u>	<u>271</u>	<u>13,335</u>
Total	<u>\$ 27,268</u>	<u>\$ 1,157</u>	<u>\$ 28,425</u>

Fiscal Year Due	<u>Business-Type Activities</u>		Total Debt Requirement
	<u>Principal</u>	<u>Interest</u>	
2016	\$ 68,960	\$ 23,404	\$ 92,364
2017	97,211	25,492	122,703
2018	99,278	23,161	122,439
2019	101,413	20,710	122,123
2020	91,917	18,107	110,024
2021-2025	302,508	60,658	363,166
2026-2030	165,000	36,499	201,499
2031-2035	180,000	16,709	196,709
2036	<u>40,000</u>	<u>518</u>	<u>40,518</u>
Total	<u>\$1,146,287</u>	<u>\$ 225,258</u>	<u>\$ 1,371,545</u>

Fiscal Year Due	<u>Component Units Activities</u>		Total Debt Requirement
	<u>Principal</u>	<u>Interest</u>	
2016	\$ 35,912	\$ 6,604	\$ 42,516
2017	37,549	4,966	42,515
2018	33,409	3,287	36,696
2019	25,788	1,965	27,753
2020	20,096	780	20,876
2021	<u>6,985</u>	<u>98</u>	<u>7,083</u>
Total	<u>\$ 159,739</u>	<u>\$ 17,700</u>	<u>\$ 177,439</u>

Note 9: Number of Water and Sewer System Customers

At year end, 845 customers were connected to the water system and 832 to the sewer system.

CITY OF WHITEWRIGHT, TEXAS
Notes to Financial Statements (Continued)
September 30, 2015

Note 10: Defined Benefit Pension Plan

Plan Description

The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Upon retirement, benefits depend on the sum of the employee's contributions, with interest, and the City-financed monetary credits, with interest. City-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits. At the inception of the plan, the City granted monetary credits for service rendered before the plan began (or prior service credits) of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began (or current service credits) are 150% of the employee's accumulated contributions. In addition, the City can grant, either annually or on an annually repeating basis, another type of monetary credit referred to as Updated Service Credit. This monetary credit is determined by hypothetically recomputing the member's account balance by assuming that the current member deposit rate of the City has always been in effect. The computation also assumes that the member's salary has always been the member's average salary – using a salary calculation based on the 36-month period ending a year before the effective date of calculation. This hypothetical account balance is increased by 3% each year, not the actual interest credited to member accounts in previous years, and increased by the City match currently in effect. The resulting sum is then compared to the member's actual account balance increased by the actual City match and actual interest credited. If the hypothetical calculation exceeds the actual calculation, the member is granted a monetary credit (or Updated Service Credit) equal to the difference between the hypothetical calculation and the actual calculation times the percentage adopted. At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits, with interest, were used to purchase an annuity.

CITY OF WHITEWRIGHT, TEXAS
Notes to Financial Statements (Continued)
Year Ended September 30, 2015

Note 10: Defined Benefit Pension Plans (Continued)

Benefits Provided

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 2015</u>
Employee Deposit Rate	5%
Matching Ratio (City to Employee):	1.5 to 1
Years Required for Vesting	5
Service Retirement Eligibility (Expressed as Age/Years of Service)	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers
Annuity Increase (to Retirees)	0% of CPI

Employees Covered by Benefit Terms

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	6
Inactive Employees Entitled to but not yet Receiving Benefits	13
Active Employees	<u>20</u>
Total	<u>39</u>

Contributions

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

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 4.19% and 4.35% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2015, after adoption and recording of GASB Statement No. 68- *Accounting and Financial Reporting for Pensions*, were \$21,401 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

CITY OF WHITEWRIGHT, TEXAS
Notes to Financial Statements (Continued)
Year Ended September 30, 2015

Note 10: Defined Benefit Pension Plans (Continued)

Actuarial Assumptions

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the city, rates are multiplied by a factor of 100%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.00%	

CITY OF WHITEWRIGHT, TEXAS
Notes to Financial Statements (Continued)
Year Ended September 30, 2015

Note 10: Defined Benefit Pension Plans (Continued)

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 12/31/2013	\$ 978,436	\$ 1,012,126	\$ (33,690)
Changes for the year:			
Service Cost	58,482	-	58,482
Interest	68,648	-	68,648
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(3,114)	-	(3,114)
Changes of Assumptions	-	-	-
Contributions – Employer	-	21,401	(21,401)
Contributions – Employee	-	37,813	(37,813)
Net Investment Income	-	57,904	(57,904)
Benefit Payments, Including Refunds of Employee Contributions	(53,995)	(53,995)	-
Administrative Expense	-	(605)	605
Other Changes	-	(50)	50
Net Changes	70,021	62,468	7,553
Balance 12/31/2014	\$ 1,048,457	\$1,074,594	\$ (26,137)

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's Net Pension Liability	\$142,639	\$(26,137)	\$(162,501)

CITY OF WHITEWRIGHT, TEXAS
Notes to Financial Statements (Continued)
Year Ended September 30, 2015

Note 10: Defined Benefit Pension Plans (Continued)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2015, the City recognized pension expense of \$21,155.

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 2,557
Changes in Actuarial Assumptions	-	-
Difference Between Projected and Actual Investment Earnings	10,356	-
Contributions Subsequent to the Measurement Date	24,440	-
	<hr/> 34,796	<hr/> 2,557
Less: Amortization	(2,071)	(457)
Total	<hr/> \$ 32,725	<hr/> \$ 2,100

\$24,440 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2015	\$ 2,032
2016	2,032
2017	2,032
2018	2,032
2019	(329)
2020	-
Thereafter	-

Note 11: Other Post Employment Benefit (OPEB) Obligations

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.

CITY OF WHITEWRIGHT, TEXAS
Notes to Financial Statements (Continued)
Year Ended September 30, 2015

Note 11: Other Post Employment Benefit (OPEB) Obligations (Continued)

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 2015, 2014, and 2013 were \$1,335, \$1,361, and \$838, respectively, which equaled the required contributions each year.

Note 12: Transfers

The transfers were for operating purposes. Interfund transfers for the year ended September 30, 2015, consisted of the following amounts:

Transfers to the General Fund from:	
Water and Sewer Fund	<u>\$525,948</u>

Note 13: Commitments/Contingent Liabilities

Litigation

The lawsuit that was pending against the City as of September 30, 2014 was settled during the year ended September 30, 2015.

Construction Contracts

The City had outstanding at September 30, 2015 contract commitments totaling approximately \$211,700 related to street projects.

Note 14: Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The City purchases insurance coverage through the Texas Municipal League Intergovernmental Risk Pool to limit the risk of loss in these areas. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

Note 15: Prior Period Adjustment

During fiscal year 2015, the City adopted GASB Statement No. 68 for Accounting and Reporting for Pensions. With GASB 68, the City must assume their proportionate share of the Net Pension Liability of the Texas Municipal Retirement System of Texas. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively. The amount of the prior period adjustment for governmental activities and business type activities is \$40,493 and \$8,889, respectively. The restated beginning net position of governmental activities and business type activities is \$1,447,307 and \$2,108,095, respectively.

CITY OF WHITEWRIGHT, TEXAS
Notes to Financial Statements (Continued)
Year Ended September 30, 2015

Note 16: Subsequent Events

- A. On October 1, 2015 the City borrowed \$38,000 to purchase a Pumper Truck.
- B. On October 2, 2015, the Whitewright Economic Development Corporation took out two loans in the amount of \$200,000 and \$135,000, and, in turn, made two loans to customers for the same amounts.
- C. The City guaranteed two loans for the Whitewright Economic Development Corporation related to Note 16. B. above on October 2, 2015.

CITY OF WHITEWRIGHT, TEXAS
 Budgetary Comparison Schedule
 General Fund
 Year Ended September 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Property Taxes	\$ 410,000	\$ 410,000	\$ 438,048	\$ 28,048
General Sales and Use Taxes	138,400	138,400	159,553	21,153
Franchise Taxes	67,180	67,180	65,242	(1,938)
Emergency Medical Service	450,300	450,300	257,673	(192,627)
Solid Waste Disposal	155,650	155,650	182,149	26,499
Police Department and Court	93,290	93,290	135,477	42,187
Fire Department	33,114	33,114	29,798	(3,316)
Capital Contributions	-	-	7,000	7,000
Intergovernmental	-	-	4,000	4,000
Other Revenue	44,250	44,250	22,754	(21,496)
Permits and Fees	10,000	10,000	17,653	7,653
Library	13,430	13,430	23,003	9,573
Interest Revenue	150	150	1,533	1,383
Total Revenues	<u>1,415,764</u>	<u>1,415,764</u>	<u>1,343,883</u>	<u>(71,881)</u>
EXPENDITURES				
General Government	683,773	683,773	469,887	213,886
Emergency Medical Services	592,789	592,789	361,494	231,295
Police and Court	379,139	379,139	386,028	(6,889)
Library	59,569	59,569	49,353	10,216
Fire	87,463	87,463	47,886	39,577
Debt Service				
Principal Retirement	-	-	13,615	(13,615)
Interest	-	-	1,477	(1,477)
Capital Outlay	-	-	65,971	(65,971)
Total Expenditures	<u>1,802,733</u>	<u>1,802,733</u>	<u>1,395,711</u>	<u>407,022</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(386,969)</u>	<u>(386,969)</u>	<u>(51,828)</u>	<u>335,141</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	<u>253,969</u>	<u>253,969</u>	<u>525,948</u>	<u>271,979</u>
Total Other Financing Sources (Uses)	<u>253,969</u>	<u>253,969</u>	<u>525,948</u>	<u>271,979</u>
Net Changes in Fund Balances	(133,000)	(133,000)	474,120	607,120
Fund Balances - Beginning of Year	<u>(41,231)</u>	<u>(41,231)</u>	<u>(41,231)</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ (174,231)</u>	<u>\$ (174,231)</u>	<u>\$ 432,889</u>	<u>\$ 607,120</u>

CITY OF WHITEWRIGHT, TEXAS
 Required Supplementary Information
 Texas Municipal Retirement System -
 Schedule of Changes in Net Pension Liability
 September 30, 2015

Total Pension Liability	
Service Cost	\$ 58,482
Interest	68,648
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	(3,114)
Changes of Assumptions	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(53,995)</u>
Net Change in Total Pension Liability	70,021
Total Pension Liability - Beginning	<u>978,436</u>
Total Pension Liability - Ending	<u><u>\$ 1,048,457</u></u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 21,401
Contributions - Employee	37,813
Net Investment Income	57,904
Benefit Payments, Including Refunds of Employee Contributions	(53,995)
Administrative Expense	(605)
Other	<u>(50)</u>
Net Change in Plan Fiduciary Net Position	62,468
Plan Fiduciary Net Position - Beginning	<u>1,012,126</u>
Plan Fiduciary Net Position - Ending	<u><u>\$ 1,074,594</u></u>
City's Net Pension Liability - Ending	\$ (26,137)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	102.49%
Covered-Employee Payroll	\$ 756,260
City's Net Pension Liability as a Percentage of Covered-Employee Payroll	(3.46%)

CITY OF WHITEWRIGHT, TEXAS
Required Supplementary Information
Texas Municipal Retirement System -
Schedule of City Contributions
September 30, 2015

Contractually Required Contribution	\$ 21,401
Contribution in Relation to the Contractually Required Contribution	<u>21,401</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 756,260
Contributions as a Percentage of Covered-Employee Payroll	3%

CITY OF WHITEWRIGHT, TEXAS
Notes to Required Supplementary Information
September 30, 2015

Note 1: 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.

Note 2: Excess of Expenditures over Appropriations

<u>Object Category</u>	<u>Expenditures Exceeding Appropriations</u>
Police and Court	\$ 6,889
Capital Outlay	65,971
Debt Service	15,092