

CITY OF WHITEWRIGHT, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
SEPTEMBER 30, 2016

City of Whitewright, Texas
Annual Financial Report
For the Year Ended September 30, 2016

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FINANCIAL SECTION



Susan LaFollett, CPA – Partner
Rod Abbott, CPA – Partner

Independent Auditor's Report

To the City Council
City of Whitewright, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Whitewright, Texas (City) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Whitewright, Texas as of and for the year ended September 30, 2016, 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 General Fund budgetary comparison and retirement system funding information on pages 38-40 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 Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for the placing of 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.

La Follette and Abbott PLLC

Tom Bean, Texas
December 4, 2018

City of Whitewright, Texas
Statement of Net Position
September 30, 2016

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation	Community Development Corporation
ASSETS					
Cash and cash equivalents	\$ 201,771	\$ 3,444	\$ 205,215	\$ 93,247	\$ 45,077
Certificates of deposit	53,012	55,932	108,944	52,796	-
Prepaid assets	5,317	-	5,317	-	-
Receivables, net	228,899	123,231	352,130	13,508	13,508
Notes Receivable, net	-	-	-	399,680	-
Restricted assets:					
Deposits held in trust by GTUA	-	628,908	628,908	-	-
Capital assets not being depreciated:					
Land	156,737	-	156,737	-	-
Construction in progress	-	77,989	77,989	-	-
Capital Assets net of accumulated depreciation:					
Land improvements	36,829	-	36,829	-	-
Buildings and improvements	102,361	-	102,361	147,285	-
Furniture, equipment, and machinery	555,058	135,773	690,831	-	420
Infrastructure	490,374	1,763,482	2,253,856	-	-
Total assets	<u>1,830,358</u>	<u>2,788,759</u>	<u>4,619,117</u>	<u>706,515</u>	<u>59,005</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension - investment experience	53,091	13,585	66,676	-	-
Pension - TMRS contributions	18,832	4,819	23,651	-	-
Pension - actual vs. assumption changes	14,198	3,633	17,831	-	-
Pension - expected vs. actual economic experience	11,641	2,979	14,620	-	-
Total deferred outflows of resources	<u>97,762</u>	<u>25,016</u>	<u>122,778</u>	<u>-</u>	<u>-</u>
LIABILITIES					
Accounts payable	90,565	73,899	164,464	-	3,751
Accrued liabilities	15,434	5,202	20,636	-	-
Accrued interest	-	10,752	10,752	-	-
Customer deposits	-	63,109	63,109	-	-
Long term liabilities:					
Due within one year:	18,069	98,199	116,268	53,536	-
Due in more than one year:					
Long term debt	28,203	917,144	945,347	335,134	-
Net pension liability	73,855	16,776	90,631	-	-
Total liabilities	<u>226,126</u>	<u>1,185,081</u>	<u>1,411,207</u>	<u>388,670</u>	<u>3,751</u>
NET POSITION					
Net investment in capital assets	1,295,087	951,149	2,246,236	147,285	-
Restricted for:					
Deposits held in trust by GTUA	-	628,908	628,908	-	-
Library	2,397	-	2,397	-	-
Court security and technology	9,935	-	9,935	-	-
Economic and Community	-	-	-	170,560	55,254
Unrestricted	394,575	48,637	443,212	-	-
Total net position	<u>\$ 1,701,994</u>	<u>\$ 1,628,694</u>	<u>\$ 3,330,688</u>	<u>\$ 317,845</u>	<u>\$ 55,254</u>

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

City of Whitewright, Texas
Statement of Activities
For the Year Ended September 30, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-Type Activities	Total	
Primary government:								
Governmental activities:								
Emergency medical services	\$ 489,825	\$ 291,106	\$ -	\$ -	\$ (198,718)		\$ (198,718)	
General government	422,537	48,240	71,822	23,295	(279,180)		(279,180)	
Police department and municipal court	416,869	183,674	-	-	(233,195)		(233,195)	
Solid waste	163,190	192,127	-	-	28,937		28,937	
Fire department	79,734	26,658	-	-	(53,076)		(53,076)	
Library	49,117	8,997	-	-	(40,120)		(40,120)	
Streets	19,204	-	-	160,000	140,796		140,796	
Interest	2,260	-	-	-	(2,260)		(2,260)	
Total governmental activities	<u>1,642,736</u>	<u>750,802</u>	<u>71,822</u>	<u>183,295</u>	<u>(636,817)</u>		<u>(636,817)</u>	
Business-type activities:								
Water, sewer, and sanitation	714,429	674,290	-	-	-	\$ (40,139)	(40,139)	
Total business-type activities	<u>714,429</u>	<u>674,290</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,139)</u>	<u>(40,139)</u>	
Total primary government	<u>\$ 2,357,165</u>	<u>\$ 1,425,092</u>	<u>\$ 71,822</u>	<u>\$ 183,295</u>	<u>(636,817)</u>	<u>(40,139)</u>	<u>(676,957)</u>	
Component units:								
Economic Development Corporation	\$ 100,021	\$ -	\$ -	\$ -		\$ (100,021)	\$ (100,021)	\$ (69,949)
Community Development Corporation	69,949	-	-	-				(69,949)
Total component units	<u>\$ 169,970</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
General revenues:								
Property taxes					458,956	-	458,956	-
General sales and use taxes					159,690	-	159,690	76,973
Franchise taxes					54,510	-	54,510	-
Gain on sale of assets					80	-	80	-
Miscellaneous					16,549	-	16,549	197
Investment earnings					1,632	1,403	3,035	-
Transfers in (out)					(1,829)		(0)	-
Total general revenues and transfers					689,588	3,232	692,820	-
Change in net position					52,771	(36,907)	15,864	77,170
Net position- beginning					1,807,144	1,665,601	3,472,745	7,221
Prior period adjustment					(157,921)	-	(157,921)	48,033
Net position - ending					\$ 1,701,994	\$ 1,628,694	\$ 3,330,688	\$ 55,254

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

City of Whitewright
Balance Sheet
Governmental Fund
September 30, 2016

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 201,771
Certificate of deposits	53,012
Prepaid assets	5,317
Receivables, net of allowances:	
Grants	21,663
Emergency medical services	55,618
Property taxes	43,032
Other	108,586
Total assets	<u>488,999</u>
 LIABILITIES	
Accounts payable	90,565
Accrued liabilities	15,434
Total liabilities	<u>105,999</u>
 DEFERRED INFLOWS OF RESOURCES	
Unavailable revenues:	
Court fines	40,089
Property taxes	38,342
Other	8,675
Total deferred inflows of resources	<u>87,106</u>
 FUND BALANCES	
Nonspendable	5,317
Restricted for:	
Library	2,397
Court security and technology	9,935
Unassigned	278,245
Total fund balances	<u>295,894</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 488,999</u>

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

City of Whitewright, Texas
Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Position
For the Year Ended September 30, 2016

Amounts reported for the governmental activities in the Statement of Net Position (pg. 3) are different because:

Total fund balances - governmental funds (pg. 5)	\$ 295,894
Capital assets used in governmental activities are not financial resources. Therefore, they are not reported in the governmental funds.	1,341,359
Delinquent property taxes, ambulance revenue, and court fines are not current financial resources. Therefore, they are deferred in the governmental funds.	87,106
Long term liabilities, including bonds payable and compensated absences, are not due and payable in the current period. Therefore, they are not reported in the governmental funds.	(46,272)
Net pension liability is not a current financial use; therefore, it is not reported in the governmental funds.	(73,855)
TMRS pension contributions after the December 31, 2016 measurement date are expensed in the governmental funds, but are recognized as deferred outflows of resources on the Statement of Net Position.	18,832
Unamortized pension investment gains and losses are not current resources/uses; therefore they are not reported in the governmental funds.	78,930
Net position of governmental activities (pg. 3)	<u>\$ 1,701,994</u>

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

City of Whitewright
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Fund
For the Year Ended September 30, 2016

	<u>General Fund</u>
REVENUES	
Taxes:	
Property	\$ 458,956
General sales and use	159,690
Franchise	54,510
Grants	255,117
Emergency medical services	286,904
Solid waste disposal	192,127
Police department and municipal court	143,585
Permits and fees	48,240
Fire department	26,658
Other revenue	16,549
Library	8,997
Interest	1,632
Total Revenues	<u>1,652,966</u>
EXPENDITURES	
Current:	
General government	400,858
Police department and municipal court	392,344
Emergency medical services	363,281
Solid waste	163,190
Fire department	56,117
Library	49,117
Debt Service:	
Principal	18,996
Interest	2,260
Capital Outlay:	
Streets	222,671
Fire department	38,000
Total expenditures	<u>1,706,834</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(53,868)</u>
OTHER FINANCING SOURCES(USES)	
Loan proceeds	38,000
Proceeds from the sale of capital assets	80
Transfers in (out)	<u>(1,829)</u>
Total other financing sources (uses)	<u>36,251</u>
Net change in fund balances	(17,618)
Fund balances - beginning	432,889
Prior period adjustment	<u>(119,377)</u>
Fund balances - ending	<u>\$ 295,894</u>

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

City of Whitewright, Texas
Reconciliation of the Governmental Fund Statement of Revenues,
Expenditures, and Changes in Fund Balances
to the Statement of Activities
For the Year Ended September 30, 2016

Amounts reported for the governmental activities in the Statement of Activities (pg. 4)
are different because:

Net change in fund balances - total governmental funds (pg. 7)	\$ (17,618)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation.	62,779
Governmental funds repayment of debt principal as an expenditure and proceeds of new debt as a financing source. However, in the Statement of Activities, these transactions are only considered changes in long-term debt balances.	
Long-term debt repaid in current year.	18,996
Loan proceeds	(38,000)
Governmental funds report some prior year tax, court, and ambulance revenues as income in the current year. However, in the Statement of Activities, the revenue is recognized in the year in which it is earned.	48,764
Full accrual based pension expense is not recorded in the governmental fund financials but the (increase) decrease from adjusting the City's contribution expense is realized on the government-wide financial statements.	(22,150)
Change in net position of governmental activities (pg. 4)	<u>\$ 52,771</u>

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

City of Whitewright
Statement of Net Position
Proprietary Fund
September 30, 2016

	Water and Sewer Fund
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 3,444
Certificates of deposit	55,932
Receivables, net	123,231
Total current assets	<u>182,607</u>
Noncurrent Assets:	
Restricted deposits held by GTUA	628,908
Total noncurrent assets	<u>628,908</u>
Capital Assets:	
Capital assets, net of accumulated depreciation	1,977,244
Total capital assets	<u>1,977,244</u>
Total assets	<u>2,788,759</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension - investment experience	13,585
Pension - TMRS contributions	4,819
Pension - actual vs. assumption changes	3,633
Pension - expected vs. actual economic experience	2,979
Total deferred outflows of resources	<u>25,016</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	73,899
Accrued liabilities	5,202
Accrued interest payable	10,752
Customer deposits payable	63,109
Notes payable - current	53,128
Bonds payable - current	30,000
Time warrants payable - current	15,071
Total current liabilities	<u>251,161</u>
Noncurrent Liabilities:	
Notes payable	194,022
Bonds payable	640,000
Time warrants payable	83,122
Net pension liability	16,776
Total noncurrent liabilities	<u>933,920</u>
Total liabilities	<u>1,185,081</u>
NET POSITION	
Net investment in capital assets	951,149
Restricted deposits held by GTUA	628,908
Unrestricted	48,637
Total net position	<u>\$ 1,628,694</u>

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

City of Whitewright, Texas
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended September 30, 2016

	Water & Sewer Fund
OPERATING REVENUES	
Water	\$ 369,885
Sewer	265,641
Other services and fees	38,763
Total operating revenues	<u>674,290</u>
OPERATING EXPENSES	
Salaries and benefits	206,485
Contractual services and other operating expenses	117,878
Depreciation	100,371
Utilities	95,555
Sanitation plant	46,875
Materials and supplies	43,646
Maintenance and repairs	43,576
Water expense	14,559
Total operating expenses	<u>668,945</u>
Operating income	<u>5,345</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	1,403
Interest expense	(25,028)
Fiscal agent fees	(20,456)
Total nonoperating revenue (expenses)	<u>(44,081)</u>
Income before capital contributions and transfers	(38,736)
Transfers in (out)	<u>1,829</u>
Change in net position	(36,907)
Net position - beginning	<u>1,665,601</u>
Net position - ending	<u><u>\$ 1,628,694</u></u>

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

City of Whitewright, Texas
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2016

	Water & Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers and users	\$ 725,541
Cash paid to employees	(207,949)
Cash paid to suppliers	(400,945)
Net cash provided by operating activities	<u>116,647</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in (out) to other funds	1,829
Net cash provided by noncapital financing activities	<u>1,829</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Cash paid for acquisition and construction of capital assets	(83,830)
Cash from GTUA restricted deposits	62,821
Cash paid for fiscal agent fees	(20,456)
Interest paid on long-term debt	(19,050)
Principal payments on long-term debt	(130,946)
Net cash provided by (used for) capital and related financing activities	<u>(191,460)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	1,403
Net cash provided by investing activities	<u>1,403</u>
Net increase (decrease) in cash and cash equivalents	(71,581)
Cash and cash equivalents, October 1, 2015	<u>75,025</u>
Cash and cash equivalents, September 30, 2016	<u><u>3,444</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	5,345
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation	100,371
(Increase) decrease in accounts receivable	(51,251)
(Increase) decrease in deferred outflows - pension balances	(25,016)
Increase (decrease) in accounts payable	59,810
Increase (decrease) in accrued liabilities	4,268
Increase (decrease) in customer deposits	2,019
Increase (decrease) in deferred inflows - pension balances	(378)
Increase (decrease) in net pension liability	21,480
Net cash provided by operating activities	<u>\$ 116,647</u>
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Capital contributions	<u>\$ -</u>

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

City of Whitewright
Notes to the Financial Statements
September 30, 2016

Note 1: Summary of Significant Accounting Policies

A. Description of Government-wide Financial Statements

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

B. Reporting Entity

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

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

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

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2016

Note 1: Summary of Significant Accounting Policies (continued)

B. Reporting Entity (continued)

The Whitewright Economic Development Corporation (EDC) and the Whitewright Community Development Corporation (CDC) are discretely presented component units of the City. The discrete presentation is required because governing boards are essentially the same as the City and a financial benefit or burden relationship exists between the EDC, CDC and the City. The EDC and CDC are non-profit organizations established on behalf of the City under the Development Act of 1979. The transactions of the EDC and CDC are maintained in separate funds and are discretely presented in separate columns in the financial statements. The discretely presented methodology was selected after evaluation of the circumstances and standards, as noted above. The EDC and CDC do not issue separate financial statements.

C. Basis of Presentation – Government-wide Financial Statements

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

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

D. Basis of Presentation – Fund Financial Statements

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

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2016

Note 1: Summary of Significant Accounting Policies (continued)

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

Governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as current assets. Reimbursement basis grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. Gross receipts and sales taxes are considered measurable and recognizable when in the control of the intermediary collecting government that presents information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

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

The City reports the following major governmental funds:

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

The City reports the following major enterprise funds:

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

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2016

Note 1: Summary of Significant Accounting Policies (continued)

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

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

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

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

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

Cash and Cash Equivalents

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

Inter-fund Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year is recorded as “Amounts Due To” and “Amounts Due From” other funds appropriately. There are no amounts due to or from other funds outstanding at September 30, 2016.

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2016

Note 1: Summary of Significant Accounting Policies (continued)

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

Receivables

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

Prepaid Items

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

Inventory

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

Capital Assets

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

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

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

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2016

Note 1: Summary of Significant Accounting Policies (continued)

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

Pensions

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

Deferred Inflows and Outflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate financial statement element, *deferred outflows of resources* that represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. As a component of implementing GASB Statement No. 68, the City has several items that qualify in this category that are recorded as deferred outflow of resources in the government-wide Statement of Net Position and the fund level financial statements for the proprietary fund Statement of Net Position. The deferred outflow is the difference in projected and actual experience in the actuarial measurement of the total pension asset/liability not recognized in the current year. The amount is deferred and amortized over a period of years determined by the Plan actuary.

In addition to liabilities, the financial statements will sometimes report a separate financial statement element, *deferred inflows of resources* that represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources are described as *unavailable revenues* under a modified accrual basis of accounting. Accordingly, the items labeled *unavailable revenues* are reported in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes, court fines, and ambulance services. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources may also occur at the government-wide level as a component of GASB Statement No. 68. The deferred inflow is the difference in projected and actual experience in the actuarial measurement of the total pension asset/liability not recognized in the current year. The amount is deferred and amortized over a period of years determined by the Plan actuary.

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2016

Note 1: Summary of Significant Accounting Policies (continued)

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

Long-Term Debt

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

Compensated Absences

It is the City's policy to not carryover any unused employee vacation time as of each fiscal year-end unless granted by the Mayor for special situations. 40 hours of unused vacation time was carried over but the liability was not recorded in the financial statements as it was insignificant.

Net Position

Net position invested in net capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At September 30, 2016, the governmental activities had restricted net position of \$9,935 for court security and technology and \$2,397 for library. At September 30, 2016, the Water Fund had restricted net position in the amount of \$628,908. This amount includes funds held at Greater Texoma Utility Authority (GTUA) to be used exclusively for water and sewer system capital projects and repayment of contractual obligations.

Fund Balances

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

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2016

Note 1: Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

F. Revenues and Expenditures/Expenses

Program Revenues

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

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2016

Note 1: Summary of Significant Accounting Policies (continued)

F. Revenues and Expenditures/Expenses (continued)

Property Taxes

Property taxes attach as an enforceable lien on real property and are levied as of October 1st each year and become delinquent on February 1st. Delinquent real property taxes are expected to be collected, as the delinquent amounts are a lien against the related property until paid. Revenue from property taxes not collected during the current period is deferred until such collection is made. Property subject to taxation consists of real property and certain personal property situated in the City. Certain properties of religion, education and charitable organizations, as well as the Federal government and the State of Texas are exempt from taxation. Additionally, certain exemptions are granted to property owners in arriving at the net assessed valuation of property subject to City taxation. The effective property ad valorem tax rate for property tax year 2016 was .7400000 per \$100 of assessed value for General Fund operations and debt service.

Sales Taxes

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

Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2016

Note 1: Summary of Significant Accounting Policies (continued)

H. Budget and Budgetary Accounting

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

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

I. Stewardship, Compliance and Accountability

Excess of Expenditures over Appropriations

For the year ended September 30, 2016, General Fund expenditures exceeded appropriations at the legal level of control by an amount of \$316,351, as shown on page 38. This is considered a violation as the City spent more than budgeted. However, \$255,117 of the expenditures for capital outlays and planning were paid for with grant revenue. The net deficiency of revenues under expenditures is \$7,141 for the year ended September 30, 2016.

J. Whitewright Economic Development Corporation – 4A

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

K. Whitewright Community Development Corporation – 4B

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

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2016

Note 2: Deposits

At September 30, 2016, the primary government had total cash and cash equivalents and certificates of deposit held by depository banks with a carrying amount of \$260,922 and \$110,171, respectively. At September 30, 2016, the City's deposits held by depository banks are insured for \$360,171 by the Federal Depository Insurance Corporation (FDIC) and \$10,922 in securities pledged in the City's name by the depository bank to collateralize 100% of all remaining deposits.

At September 30, 2016, the EDC had total cash and cash equivalents and certificates of deposit held by depository banks with a carrying amount of \$93,945 and \$52,939, respectively. At September 30, 2016, the EDC's deposits held by depository banks are fully insured by the FDIC.

At September 30, 2016, the CDC had total cash and cash equivalents held by depository banks with a carrying amount of \$45,905. At September 30, 2016, the CDC's deposits held by depository banks are fully insured by the FDIC.

Note 3: Receivables

Government-wide receivables as of September 30, 2016, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Water and Sewer Fund	Total	Component Units	
				EDC	CDC
Emergency medical services	\$ 168,337	\$ -	\$ 168,337	\$ -	\$ -
Accounts	17,433	140,079	157,512	-	-
Municipal court	80,179	-	80,179	-	-
Sales taxes	27,016	-	27,016	13,508	13,508
Ad valorem	45,528	-	45,528	-	-
Franchise & other	24,048	-	24,048	-	-
Grants	21,663	-	21,663	-	-
Notes receivable	-	-	-	399,680	-
	<u>384,204</u>	<u>140,079</u>	<u>524,283</u>	<u>413,188</u>	<u>13,508</u>
Less: allowance for doubtful accounts	(155,305)	(16,848)	(172,153)	-	-
Net	<u>\$ 228,899</u>	<u>\$ 123,231</u>	<u>\$ 352,130</u>	<u>\$ 413,188</u>	<u>\$ 13,508</u>

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2016

Note 3: Receivables (continued)

At September 30, 2016, the EDC has notes receivable in the amount of \$399,680 which are 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, 2016, of 5.5%. The note is secured by inventory and equipment and matures on April 26, 2018.	\$ 15,654
\$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, 2016, of 5.5%. This note is secured by inventory and matures on May 25, 2018.	14,354
\$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, 2016, of 5.5%. The note is secured by inventory and equipment and matures on March 26, 2021.	58,311
\$200,000 note from RJZCRWZ632, LLC (Grande Café) was entered into on October 2, 2015. The note is payable in monthly installments of \$2,170 including interest as of September 30, 2016, of 5.5%. This note matures on October 1, 2025. Subsequent to year end, this note was paid off earlier than scheduled. See footnote 11 below.	185,887
\$135,000 note from BLZBSZ855, LLC (Odeum Theater) was entered into on October 2, 2015. The note is payable in monthly installments of \$1,465 including interest as of September 30, 2016 of 5.5%. The note matures on September 1, 2025.	125,474
Total	<u>\$ 399,680</u>

The following is a schedule of future receivables for notes receivable of the EDC at September 30, 2016:

Year	Principal	Interest	Total
2017	\$ 56,773	\$ 20,481	\$ 77,253
2018	52,749	17,338	70,086
2019	43,496	14,789	58,285
2020	45,949	12,336	58,285
2021	41,128	9,828	50,956
2022-2026	159,585	18,618	178,204
	<u>\$ 399,680</u>	<u>\$93,390</u>	<u>\$493,070</u>

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2016

Note 4: Capital Assets

The following is a summary of changes in capital assets for the year ended September 30, 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements & Reclasses</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 156,737	\$ -	\$ -	\$ 156,737
Construction in progress	38,544	-	(38,544)	-
Depreciable capital assets:				
Land improvements	54,500	-	-	54,500
Buildings and improvements	738,804	-	-	738,804
Furniture, equipment, and machinery	1,771,806	38,000	-	1,809,806
Infrastructure	446,073	222,671	-	668,744
Totals	3,206,464	260,671	(38,544)	3,428,591
Less accumulated depreciation	(1,889,342)	(197,891)	-	(2,087,233)
Capital assets, net	<u>\$ 1,317,122</u>	<u>\$ 62,780</u>	<u>\$ (38,544)</u>	<u>\$ 1,341,358</u>
Business-Type Activities				
Capital assets not being depreciated:				
Construction in progress	\$ 6,188	\$ 76,739	\$ (4,938)	\$ 77,989
Depreciable capital assets:				
Sewer system	1,379,676	12,029	-	1,391,705
Sewer system improvements	1,212,548	-	-	1,212,548
Water system	586,238	-	-	586,238
Furniture, equipment, and machinery	286,942	-	-	286,942
Totals	3,471,592	88,768	(4,938)	3,555,422
Less accumulated depreciation	(1,477,807)	(100,371)	-	(1,578,178)
Capital assets, net	<u>\$ 1,993,785</u>	<u>\$ (11,603)</u>	<u>\$ (4,938)</u>	<u>\$ 1,977,244</u>
Component Unit Activities - EDC				
Depreciable capital assets:				
Buildings	\$ 231,083	\$ -	\$ -	\$ 231,083
Totals	231,083	-	-	231,083
Less accumulated depreciation	(72,244)	(11,554)	-	(83,798)
EDC activities capital assets, net	<u>\$ 158,839</u>	<u>\$ (11,554)</u>	<u>\$ -</u>	<u>\$ 147,285</u>
Component Unit Activities - CDC				
Depreciable capital assets:				
Furniture, equipment, and machinery	\$ 16,779	\$ -	\$ -	\$ 16,779
Totals	16,779	-	-	16,779
Less accumulated depreciation	(16,119)	(240)	-	(16,359)
CDC activities capital assets, net	<u>\$ 660</u>	<u>\$ (240)</u>	<u>\$ -</u>	<u>\$ 420</u>

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2016

Note 4: Capital Assets (continued)

Depreciation expense for the year ended September 30, 2016 was charged to functions of the primary government, business-type activities, and component units as follows:

Governmental Activities:	
General government	\$ 127,618
Fire department	23,024
Library	18,040
Ambulance	16,199
Police department	13,011
	<u>\$ 197,892</u>
Business-Type Activities:	
Water and sewer	\$ 100,371
	<u>\$ 100,371</u>
Component Units:	
EDC	\$ 11,554
CDC	240
	<u>\$ 11,794</u>

Note 5: Long-term Liabilities

The following is a summary of the changes in long-term liabilities for the primary government for the year ended September 30, 2016:

	Balance 9/30/2015	Additions	Retirements	Balance 9/30/2016	Due within one year
Governmental Activities					
<u>Notes payable:</u>					
Government Capital Loan-pumper truck	\$ -	\$ 38,000	\$ (4,796)	\$ 33,204	\$ 5,001
Cendera Bank-phone system	8,693	-	(4,270)	4,423	4,423
Cendera Bank-police truck	18,575	-	(9,930)	8,645	8,645
Total	<u>\$ 27,268</u>	<u>\$ 38,000</u>	<u>\$ (18,996)</u>	<u>\$ 46,272</u>	<u>\$ 18,069</u>
Business-Type Activities					
<u>Contractual obligations and notes payable:</u>					
Cendera Bank-time warrant 2012-1A	\$ 112,656	\$ -	\$ (14,464)	98,192	\$ 15,070
Government Capital Loan-auger	271,237	-	(71,049)	200,188	37,957
Government Capital Loan-trucks	62,394	-	(15,431)	46,963	15,172
GTUA, Series 2004	60,000	-	(5,000)	55,000	5,000
GTUA, Series 2015	640,000	-	(25,000)	615,000	25,000
Total	<u>\$ 1,146,287</u>	<u>\$ -</u>	<u>\$ (130,944)</u>	<u>\$ 1,015,343</u>	<u>\$ 98,199</u>

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2016

Note 5: Long-term Liabilities (continued)

Long-term liabilities for the primary government are comprised of the following at September 30, 2016:

	<u>Governmental Activities</u>	<u>Business- Type</u>
\$110,000, GTUA Water Supply and Sewer Service Contract Obligation Series 2004, due in annual installments of \$5,000 maturing in 2025, interest from 2.79% to 5.64%.		\$ 55,000
\$154,004, Cendera Bank 2012-1A Time Warrant issued August 16, 2012, due in monthly installments of \$1,548 maturing in August 2022, bearing an interest rate of 3.85%.		98,192
\$271,236, Government Capital Loan issued June 3, 2014, due in annual installments of \$43,299 maturing October 1, 2021, bearing an interest rate of 5.00%.		200,188
\$62,394, Governmental Capital Loan, issued February 3, 2015, due in annual installments of \$16,698 maturing in October 2018, bearing an interest rate of 3.24%.		46,963
\$640,000, GTUA Contract Revenue Bonds, Series 2015, (City of Whitewright Project) due in annual installments of \$25,000 to \$40,000 maturing October 2035, interest from 0.09% to 2.59%.		615,000
\$20,480, Cendera Bank note payable issued October 10, 2012, due in monthly installments of \$379 maturing on September 18, 2017, bearing an interest rate of 4.25%.	\$ 4,423	
\$29,662, Cendera Bank note payable issued July 9, 2014, due in monthly installments of \$879.15 through July 10, 2017, bearing an interest rate of 4.25%.	8,645	
\$38,000, Government Capital Loan issued September 9, 2015, due in annual installments of \$6,324, through September 2022, bearing an interest rate of 3.987%.	33,204	
Total Long-Term Debt	<u>\$ 46,272</u>	<u>\$ 1,015,343</u>

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2016

Note 5: Long-term Liabilities (continued)

The principal and interest requirements related to the notes payable for the governmental activities at September 30, 2016 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 18,069	\$ 1,593	\$ 19,662
2018	5,201	1,123	6,324
2019	5,409	915	6,324
2020	5,624	700	6,324
2021	5,848	476	6,324
2022	6,121	243	6,364
	<u>\$ 46,272</u>	<u>\$ 5,050</u>	<u>\$ 51,322</u>

The principal and interest requirements related to the contractual obligations and notes payable for the business-type activities at September 30, 2016 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 98,199	\$ 23,153	\$ 121,352
2018	100,291	22,216	122,507
2019	102,408	19,798	122,206
2020	92,984	17,170	110,154
2021	94,747	14,913	109,660
2022-2026	196,714	53,095	249,809
2027-2031	170,000	32,950	202,950
2032-2035	160,000	12,170	172,170
	<u>\$ 1,015,343</u>	<u>\$ 195,464</u>	<u>\$ 1,210,807</u>

GTUA Certification of Obligation

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

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

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2016

Note 5: Long-term Liabilities (continued)

Long term debt of the component unit, EDC, is comprised of the following at September 30, 2016:

Notes payable:	Balance 9/30/2015	Additions	Retirements	Balance 9/30/2016	Due within one year
Independent Bank-Hardware Mart	\$ 19,971	\$ -	\$ (7,533)	\$ 12,438	\$ 7,815
Independent Bank-Crossroads Learning Center	16,480	-	(6,006)	10,474	6,252
Texas Star Bank-The Loft	54,272	-	(54,272)	-	-
Texas Star Bank-Furniture Mart	69,016	-	(11,223)	57,793	11,872
Cendera Bank-Odeum	-	135,000	(10,897)	124,103	11,040
Cendera Bank-Grand Café	-	200,000	(16,137)	183,862	16,557
Total	\$ 159,739	\$335,000	\$ (106,068)	\$ 388,670	\$ 53,536

Long-term liabilities for the EDC are comprised of the following at September 30, 2016:

	<u>Component Units</u>
\$50,000, Cendera Bank note payable issued April 27, 2011, due in monthly installments of \$684 maturing April 27, 2018, bearing an interest rate of 4.00%.	\$ 12,438
\$40,000, Independent Bank note payable issued May 25, 2011, due in monthly installments of \$547 maturing on May 25, 2018, bearing an interest rate of 4.00%.	10,474
\$80,100, Texas Star Bank note payable issued April 1, 2013, due in monthly installments of \$1,125.43 maturing on April 1, 2020, bearing an interest rate of 4.75%. This note was paid	-
\$85,000, Texas Star Bank note payable issued March 26, 2014, due in monthly installments of \$1,196 maturing on March 28, 2021, bearing an interest rate of 4.75%.	57,793
\$135,000, Cendera Bank note payable issued October 1, 2015, due in monthly installments of \$1,465 maturing in September 2025, bearing an interest rate of 5.50%.	124,103
\$200,000, Cendera Bank note payable issued October 2, 2015, due in installments of \$2,121 maturing in October 2025, bearing an interest rate of 5.00%. Subsequent to year end, this note was paid off earlier than scheduled. See note 11 below.	183,862
Total Long-Term Debt	\$ 388,670

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2016

Note 5: Long-term Liabilities (continued)

The principal and interest requirements related to the notes payable of the EDC at September 30, 2016 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 53,536	\$ 18,619	\$ 72,155
2018	51,207	16,024	67,231
2019	43,667	13,726	57,393
2020	45,931	11,461	57,392
2021	40,570	9,162	49,732
2022-2026	153,759	17,218	170,977
	<u>\$ 388,670</u>	<u>\$ 86,210</u>	<u>\$ 474,880</u>

Notes 6: Transfers

During the year ended September 30, 2016, interfund transfers from the General Fund to the Water and Sewer Fund in the amount of \$1,829 were made for operating purposes.

Notes 7: Commitments/Contingent Liabilities

At September 30, 2016, the City had outstanding contract commitments totaling approximately \$149,000 related to grant projects in the governmental fund.

Note 8: Insurance Coverage

The Texas Municipal League Inter-Governmental Risk Pool provides insurance coverage for the City. For the period October 1, 2015 to September 30, 2016 the City maintained insurance coverage as follows:

Types of Coverage

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

Note 9: Pension Plan

Plan Description

The City of Whitewright 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.

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2016

Note 9: Pension Plan (continued)

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.tmr.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 payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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 re-computing 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 the member account in previous years, and increased by the City match currently in effect. The resulting sum is then compared to the members 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 the Financial Statements (continued)
September 30, 2016

Note 9: Pension Plan (continued)

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

Employee deposit rate	5%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	Minimum age 60 with 5 years of service Any age with 20 years of service
Updated service credits	100% repeating transfers
Annuity increases (to retirees)	0% of CPI

Employees covered by benefit terms

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	9
Active employees	21
Total:	38

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 4.36% and 4.51% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2016 were \$32,739, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, 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 the Financial Statements (continued)
September 30, 2016

Note 9: Pension Plan (continued)

Actuarial Assumptions

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5%
Salary Increases	3.5%
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%.

Based on the size of the City, rates are multiplied by a factor of 100%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

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

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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.

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2016

Note 9: Pension Plan (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term expected Real Rate of Return
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total:	100.0%	

Discount Rate

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

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2016

Note 9: Pension Plan (continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at 12/31/2014	\$ 1,048,457	\$ 1,074,594	\$ (26,137)
Changes for the year:			
Service Cost	72,871	-	72,871
Interest	74,448	-	74,448
Change of benefit terms	-	-	-
Difference between expected and actual experience	20,654	-	20,654
Changes of assumptions	22,159	-	22,159
Contributions - employer	-	33,188	(33,188)
Contributions - employee	-	39,604	(39,604)
Net investment income	-	1,586	(1,586)
Benefit payments, including refunds of employee contributions	(42,698)	(42,698)	-
Administrative expense	-	(966)	966
Other Changes	-	(48)	48
Net Changes	147,434	30,666	116,768
Balance at 12/31/2015	\$ 1,195,891	\$ 1,105,260	\$ 90,631

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

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

Sensitivity of the Net Pension (Asset) Liability to Changes in the Discount Rate		
1 % Decrease 5.75%	Current Single Rate assumption 6.75%	1 % Increase 7.75%
\$287,923	\$90,631	(\$68,934)

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.tmrs.com.

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2016

Note 9: Pension Plan (continued)

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

For the year ended September 30, 2016, the City recognized pension expense of \$58,628. The calculation and amount is provided in the GRS Reporting Package. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred (Inflows) Outflows in Future Expense
Differences between expected and actual economic experience	\$ 14,620
Changes in actuarial assumptions	17,831
Difference between projected and actual investment earnings	66,676
Contributions subsequent to the measurement date	23,651
Total	<u>\$ 122,778</u>

\$23,651 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year	Net deferred outflows (inflows) of resources
2016	\$ 25,121
2017	25,121
2018	25,121
2019	22,761
2020	1,003
<u>Thereafter</u>	<u>-</u>
Total	<u>\$ 99,127</u>

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2016

Note 9: Pension Plan (continued)

Supplemental Death Benefits Fund

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefit 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 the employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2016, 2015, and 2014 were \$1,181, \$1,335, and \$1,361 respectively, which equaled required contributions each year.

Note 10: Prior Period Adjustments

For the year ended September 30, 2016, the following prior period adjustments were made for revenues and expenses recorded in the incorrect period:

	Governmental
<u>General Fund</u>	<u>Activities</u>
Fund balances - beginning	\$ 432,889
Prior period adjustment - deferred revenue-municipal court	(48,637)
Prior period adjustment - deferred revenue - EMS	(70,740)
Fund balances - beginning, as restated	<u>\$ 313,512</u>
 <u>Government-wide effects</u>	
Net position - beginning	\$ 1,807,144
Prior period adjustment - deferred revenue-municipal court	(48,637)
Prior period adjustment - deferred revenue - EMS	(70,740)
Prior period adjustment - capital items	(38,544)
Net position - beginning, as restated	<u>\$ 1,649,223</u>

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2016

Note 11: Subsequent Events

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

On October 23, 2017, the City entered into a note payable agreement with the Government Capital Corporation in the original principal amount of \$225,449 for the purchase of street equipment. The note agreement has a stated interest rate of 3.456% and requires annual payments of principal and interest in the amount of \$27,079. The note will mature on November 1, 2027.

On March 19, 2018, the City entered into a 36 month capital lease agreement with U.S. Bank Equipment Finance in the original principal amount of \$37,277 for the purchase of a cardiac monitor. The lease requires monthly payments of principal and interest in the amount of \$1,126.

On May 29, 2018, the City entered into a note payable agreement with the Government Capital Corporation in the original principal amount of \$24,601 for the purchase of a police car. The note agreement has a stated interest rate of 5.23% and requires annual payments of principal and interest in the amount of \$7,193. The note will mature on July 15, 2022.

On September 25, 2018, the note receivable in the amount of \$185,887 from RJZCRWZ632, LLC for the Grande Café due to the EDC was subsequently collected ahead of the required schedule, as noted above in footnote 3. Also, the related note payable to Cendera Bank due from the EDC in the amount of \$183,162 was paid off ahead of the required schedule, as noted in footnote 5 above.

REQUIRED SUPPLEMENTARY INFORMATION

City of Whitewright, Texas
General Fund Budgetary Comparison
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2016

	Original & Final Budget	Actual Amounts	Variance with Final Budget
REVENUES			
Taxes:			
Property	\$ 460,000	\$ 458,956	\$ (1,044)
General sales and use	155,400	159,690	4,290
Franchise	67,500	54,510	(12,990)
Grants	35,376	255,117	219,741
Emergency medical services	259,271	286,904	27,633
Solid waste disposal	190,100	192,127	2,027
Police department and municipal court	114,000	143,585	29,585
Permits and fees	16,000	48,240	32,240
Fire department	26,114	26,658	544
Other revenue	9,800	16,549	6,749
Library	9,195	8,997	(198)
Interest	1,000	1,632	632
Total Revenues	1,343,756	1,652,966	309,210
EXPENDITURES			
Current:			
General government	356,426	400,858	(44,432)
Police department and municipal court	378,328	392,344	(14,016)
Emergency medical services	344,938	363,281	(18,343)
Solid waste	168,802	163,190	5,612
Fire department	57,615	56,117	1,498
Library	59,174	49,117	10,057
Debt Service:			
Principal	10,000	18,996	(8,996)
Interest	200	2,260	(2,060)
Capital Outlay:			
Streets	-	222,671	(222,671)
Fire department	15,000	38,000	(23,000)
Total expenditures	1,390,483	1,706,834	(316,351)
Excess (deficiency) of revenues over (under) expenditures	(46,727)	(53,868)	(7,141)
OTHER FINANCING SOURCES (USES)			
Loan proceeds	-	38,000	38,000
Proceeds from the sale of general capital assets	-	80	80
Transfers in	253,803	-	(253,803)
Transfers in (out)	(167,000)	(1,829)	165,171
Total Other financing Sources (Uses)	86,803	36,251	(50,552)
Net change in fund balances	\$ 40,076	\$ (17,618)	\$ (57,694)

City of Whitewright
Schedule of Texas Municipal Retirement System Contributions
Last 10 Fiscal Years (will ultimately be displayed)

	2016	2015
Actuarially Determined Contribution	\$ 33,188	\$ 21,401
Contributions in relation to the actuarially determined	<u>\$ 33,188</u>	<u>\$ 21,401</u>
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 738,229	\$ 756,260
Contributions as a percentage of covered employee payroll	4.50%	3%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully

Other Information:

Notes

There were no benefit changes during the year.

City of Whitewright
Texas Municipal Retirement System
Schedules of Changes in Net Pension Liability and Related Ratios
Last 10 Years (will ultimately be displayed)

	2015	2014
Total pension liability		
Service Cost	\$ 72,871	\$ 58,482
Interest (on the total pension liability)	74,448	68,648
Changes of benefit terms	-	-
Difference between expected and actual experience	20,654	(3,114)
Change of assumptions	22,159	-
Benefit payments, including refunds of employee contributions	(42,698)	(53,995)
Net Change in Total Pension Liability	147,434	70,021
Total Pension Liability - Beginning	1,048,457	978,436
Total Pension Liability - Ending (a)	<u>\$ 1,195,891</u>	<u>\$ 1,048,457</u>
Plan Fiduciary Net Position		
Contributions - Employer	\$ 33,188	\$ 21,401
Contributions - Employee	39,604	37,813
Net Investment Income	1,586	57,904
Benefit payments, including refunds of employee contributions	(42,698)	(53,995)
Administrative Expense	(966)	(605)
Other	(48)	(50)
Net Change in Plan Fiduciary Net Position	30,666	62,468
Plan Fiduciary Net Position - Beginning	1,074,594	1,012,126
Plan Fiduciary Net Position - Ending (b)	<u>\$ 1,105,260</u>	<u>\$ 1,074,594</u>
Net Pension Liability - Ending (a) - (b)	\$ 90,631	\$ (26,137)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	92.42%	102.49%
Covered Employee Payroll	\$ 792,075	\$ 756,260
Net Pension Liability as a Percentage of Covered Employee Payroll	11.44%	-3.46%

Notes to Schedule: N/A

Note to City: The schedule above reflects the changes in the net pension liability for the current year. GASB 68 requires 10 fiscal years of data to be provided in this schedule. The employer/city will be required to build this schedule over the 10 year period; as such, the employer should retain the annual GASB packages to utilize in building this schedule.