

CITY OF WHITEWRIGHT, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

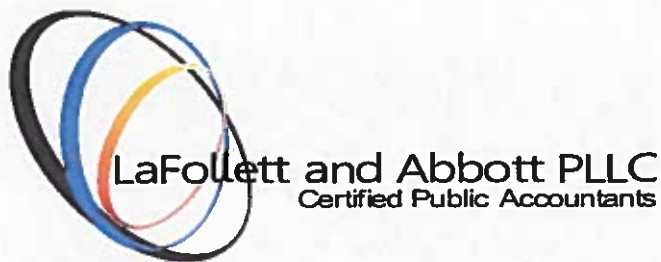
SEPTEMBER 30, 2017

City of Whitewright, Texas
Annual Financial Report
For the Year Ended September 30, 2017

TABLE OF CONTENTS

	PAGE
FINANCIAL SECTION	
Independent Auditor's Report.....	1-2
 <u>Basic Financial Statements</u>	
 <u>Government-Wide Financial Statements</u>	
Statement of Net Position.....	3
Statement of Activities.....	4
 <u>Fund Financial Statements</u>	
Balance Sheet - Governmental Fund.....	5
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position.....	6
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Fund.....	7
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	8
Statement of Net Position - Proprietary Fund.....	9
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund.....	10
Statement of Cash Flows - Proprietary Fund.....	11
Notes to the Financial Statements.....	12-38
 <u>Required Supplementary Information:</u>	
General Fund Budgetary Comparison - Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual.....	39
Schedule of Texas Municipal Retirement System Contributions - Last 10 Years.....	40
Schedule of Changes in Net Pension Liability and Related Ratios - Last 10 Years	41

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, 2017, 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, 2017, 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 39-41 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.

LaFollett and Albright PLLC

Tom Bean, Texas
December 4, 2018

City of Whitewright, Texas
Statement of Net Position
September 30, 2017

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation	Community Development Corporation
ASSETS					
Cash and cash equivalents	\$ 29,494	\$ 132,467	\$ 161,961	\$ 142,412	\$ 42,394
Certificates of deposit	53,484	55,932	109,416	53,366	-
Prepaid assets	5,317	-	5,317	-	-
Receivables, net	246,832	77,536	324,368	12,844	12,844
Notes receivable, net	-	-	-	332,608	-
Restricted assets:					
Deposits held in trust by GTUA	-	291,240	291,240	-	-
Capital assets not being depreciated:					
Land	156,737	-	156,737	-	-
Construction in progress	-	433,412	433,412	-	-
Capital Assets net of accumulated depreciation:					
Land improvements	33,196	-	33,196	-	-
Buildings and improvements	80,885	-	80,885	135,731	-
Furniture, equipment, and machinery	487,451	108,631	596,082	-	180
Infrastructure	456,937	1,692,385	2,149,322	-	-
Total assets	<u>1,550,333</u>	<u>2,791,603</u>	<u>4,341,936</u>	<u>676,961</u>	<u>55,418</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension - investment experience	39,705	9,561	49,266	-	-
Pension - TMRS contributions	23,844	5,739	29,583	-	-
Pension - actual vs. assumption changes	10,883	2,620	13,503	-	-
Total deferred outflows of resources	<u>74,432</u>	<u>17,920</u>	<u>92,352</u>	<u>-</u>	<u>-</u>
LIABILITIES					
Accounts payable	91,684	73,637	165,322	(5)	3,749
Accrued liabilities	24,482	16,662	41,145	-	-
Accrued interest	-	6,541	6,541	-	-
Customer deposits	-	66,574	66,574	-	-
Long term liabilities:					
Due within one year:	5,201	99,278	104,479	46,097	-
Due in more than one year:			-	-	-
Long term debt	23,017	855,792	878,809	284,418	-
Net pension liability	24,935	6,390	31,325	-	-
Total liabilities	<u>169,320</u>	<u>1,124,875</u>	<u>1,294,195</u>	<u>330,510</u>	<u>3,749</u>
DEFERRED INFLOWS OF RESOURCES					
Pension - expected vs. actual economic experience	35,071	8,445	43,516	-	-
Total deferred inflows of resources	<u>35,071</u>	<u>8,445</u>	<u>43,516</u>	<u>-</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	1,186,988	1,279,357	2,466,345	135,731	180
Restricted for:					
Deposits held in trust by GTUA	-	291,240	291,240	-	-
Library	2,402	-	2,402	-	-
Court security and technology	11,409	-	11,409	-	-
Unrestricted	219,575	105,606	325,181	210,720	51,489
Total net position	<u>\$ 1,420,374</u>	<u>\$ 1,676,203</u>	<u>3,096,577</u>	<u>\$ 346,451</u>	<u>\$ 51,669</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, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Units Economic Development Corporation
Primary government:								
Governmental activities:								
General government	\$ 518,782	\$ 19,076	\$ 101,283	\$ -	\$ (398,423)		\$ (398,423)	
Police department and municipal court	476,432	212,271	-	-	(264,161)		(264,161)	
Emergency medical services	461,325	265,294	-	-	(196,031)		(196,031)	
Solid waste	222,659	249,254	-	-	26,596		26,596	
Library	76,127	12,959	-	-	(63,168)		(63,168)	
Fire department	67,171	25,142	-	-	(42,029)		(42,029)	
Interest	1,486	-	-	-	(1,486)		(1,486)	
Total governmental activities	1,823,981	783,995	101,283	-	(938,703)		(938,703)	
Business-type activities:								
Water, sewer, and sanitation	672,518	681,574	-	-	-	\$ 9,056	9,056	
Total business-type activities	672,518	681,574	-	-	-	9,056	9,056	
Total primary government	\$ 2,496,500	\$ 1,465,570	\$ 101,283	\$ -	(938,703)	9,056	(929,647)	
Component units:								
Economic Development Corporation	\$ 72,593	\$ -	\$ -	\$ -				\$ (72,593)
Community Development Corporation	82,439	-	-	-				(82,439)
Total component units	\$ 155,032	\$ -	\$ -	\$ -				(155,032)
General revenues:								
Property taxes					458,100		458,100	
General sales and use taxes					162,973		162,973	78,854
Franchise taxes					54,562		54,562	-
Miscellaneous					14,240		14,240	5,963
Investment earnings					2,004	3,656	5,660	16,382
Transfers in (out)					(34,796)	34,796	-	-
Total general revenues and transfers					657,083	38,452	695,535	101,199
Change in net position					(281,620)	47,508	(234,112)	28,606
Net position- beginning					1,701,994	1,628,694	3,330,688	317,845
Net position - ending					\$ 1,420,374	\$ 1,676,202	\$ 3,096,576	\$ 346,451
								\$ 51,669

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

City of Whitewright
Balance Sheet
Governmental Fund
September 30, 2017

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 29,494
Certificates of deposits	53,484
Prepaid assets	5,317
Receivables, net of allowances:	
Court	68,882
Emergency medical services	55,405
Property taxes	49,656
Other	72,890
Total assets	<u>335,127</u>
LIABILITIES	
Accounts payable	91,684
Accrued liabilities	24,482
Total liabilities	<u>116,167</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenues:	
Court fines	68,882
Property taxes	48,529
Other	10,737
Total deferred inflows of resources	<u>128,148</u>
FUND BALANCES	
Nonspendable	5,317
Restricted for:	
Library	2,402
Court security and technology	11,409
Unassigned	71,685
Total fund balances	<u>90,812</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$335,127</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, 2017

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

Total fund balances - governmental fund (pg. 5)	\$ 90,812
Capital assets used in governmental activities are not financial resources. Therefore, they are not reported in the governmental funds.	1,215,206
Delinquent property taxes, ambulance revenue, and court fines are not current financial resources. Therefore, they are deferred in the governmental funds.	128,148
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.	(28,218)
Net pension liability is not a current financial use; therefore, it is not reported in the governmental funds.	(24,935)
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.	23,844
Unamortized pension investment gains and losses are not current resources/uses; therefore they are not reported in the governmental funds.	15,517
Net position of governmental activities (pg. 3)	<u><u>\$ 1,420,374</u></u>

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

City of Whitewright, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Fund
For the Year Ended September 30, 2017

	<u>General Fund</u>
REVENUES	
Taxes:	
Property	\$ 447,912
General sales and use	162,973
Franchise	54,562
Emergency medical services	263,232
Solid waste disposal	249,254
Police department and municipal court	183,478
Grants	101,283
Fire department	25,142
Permits and fees	19,076
Library	14,240
Other revenue	12,959
Interest	2,004
Total Revenues	<u>1,536,115</u>
EXPENDITURES	
Current:	
General government	468,030
Police department and municipal court	446,292
Emergency medical services	383,775
Solid waste	222,659
Library	59,571
Fire department	58,256
Debt Service:	
Principal	18,054
Interest	1,486
Capital Outlay:	
Police department and municipal court	22,140
Emergency medical services	26,139
Total expenditures	<u>1,706,401</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(170,286)</u>
OTHER FINANCING SOURCES(USES)	
Transfers in (out)	<u>(34,796)</u>
Total other financing sources (uses)	<u>(34,796)</u>
Net change in fund balances	(205,082)
Fund balances - beginning	295,894
Fund balances - ending	<u><u>\$ 90,812</u></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, 2017

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)	\$ (205,082)
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.	(126,153)
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.	18,054
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.	41,042
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.	(9,481)
Change in net position of governmental activities (pg. 4)	<u><u>\$ (281,620)</u></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, 2017

	Water and Sewer Fund
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 132,467
Certificates of deposit	55,932
Receivables, net	77,536
Total current assets	<u>265,935</u>
Noncurrent Assets:	
Restricted Deposits Held by GTUA	291,240
Total noncurrent assets	<u>291,240</u>
Capital assets:	
Capital assets, net of accumulated depreciation	2,234,428
Total capital assets	<u>2,234,428</u>
Total assets	<u><u>2,791,603</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension - TMRS contributions	5,739
Pension - actual vs. assumption changes	2,620
Pension - investment experience	9,561
Total deferred outflows related to pensions	<u>17,920</u>
LIABILITIES	
Current Liabilities	
Accounts payable	73,637
Accrued liabilities	16,662
Accrued interest payable	6,541
Customer deposits payable	66,574
Notes payable - current	53,621
Bonds payable - current	30,000
Time warrants payable - current	15,657
Total current liabilities	<u>262,693</u>
Noncurrent Liabilities	
Notes payable	178,357
Bonds payable	610,000
Time warrants payable	67,435
Net pension liability	6,390
Total noncurrent liabilities	<u>862,182</u>
Total liabilities	<u>1,124,875</u>
DEFERRED INFLOWS OF RESOURCES	
Pension - expected vs. actual economic experience	8,445
Total deferred outflows of resources	<u>8,445</u>
NET POSITION	
Net investment in capital assets	1,279,357
Restricted deposits with GTUA	291,240
Unrestricted	105,606
Total net position	<u><u>\$ 1,676,203</u></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, 2017

	Water & Sewer Fund
OPERATING REVENUES	
Water	\$ 363,381
Sewer	272,610
Other services and fees	45,583
Total operating revenues	<u>681,574</u>
OPERATING EXPENSES	
Salaries and benefits	220,892
Depreciation	98,240
Contractual services and other operating expenses	78,257
Maintenance and repairs	75,781
Utilities	72,787
Sanitation plant	64,366
Materials and supplies	50,582
Total operating expenses	<u>660,906</u>
Operating income	<u>20,669</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	3,656
Interest expense	(11,612)
Total nonoperating revenue (expenses)	<u>(7,956)</u>
Income before capital contributions and transfers	12,713
Transfers in (out)	<u>34,796</u>
Change in net position	47,509
Net position - beginning	<u>1,628,694</u>
Net position - ending	<u><u>\$ 1,676,203</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, 2017

	Water & Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers and users	\$ 727,269
Cash paid to employees	(232,352)
Cash paid to suppliers	(316,453)
Net cash provided by operating activities	<u>178,464</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in (out) to other funds	<u>34,796</u>
Net cash provided by noncapital financing activities	<u>34,796</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Cash paid for acquisition and construction of capital assets	(355,424)
Cash from GTUA restricted deposits	337,668
Interest paid on long-term debt	(9,865)
Principal payments on debt	(60,272)
Net cash provided by (used for) capital and related financing activities	<u>(87,894)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>3,656</u>
Net cash provided by investing activities	<u>3,656</u>
Net increase (decrease) in cash and cash equivalents	129,023
Cash and cash equivalents, October 1, 2016	<u>3,444</u>
Cash and cash equivalents, September 30, 2017	<u><u>132,467</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	20,669
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation	98,240
(Increase) decrease in accounts receivable	45,695
(Increase) decrease in deferred outflows - pension balances	4,117
Increase (decrease) in accounts payable	(261)
Increase (decrease) in accrued liabilities	11,460
Increase (decrease) in customer deposits	3,465
Increase (decrease) in deferred inflows - pension balances	5,466
Increase (decrease) in net pension liability	(10,386)
Net cash provided by operating activities	<u>\$ 178,464</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, 2017

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, 2017

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, 2017

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, 2017

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.

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, 2017.

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2017

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, 2017

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, 2017

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, 2017, the governmental activities had restricted net position of \$11,409 for court security and technology and \$2,402 for library. At September 30, 2017, the Water Fund had restricted net position in the amount of \$291,240. 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, 2017

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, 2017

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 2017 was 0.690573 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, 2017

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, 2017, General Fund expenditures exceeded appropriations at the legal level of control by an amount of \$359,327, as shown on page 39. This is considered a violation as the City spent more than budgeted. The net deficiency of revenues under expenditures is \$74,715 for the year ended September 30, 2017.

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.

Note 2: Deposits

At September 30, 2017, the primary government had total cash and cash equivalents and certificates of deposit held by depository banks with a carrying amount of \$172,815 and \$110,085, respectively. At September 30, 2017, the City's deposits held by depository banks are fully insured for \$282,900 by the Federal Depository Insurance Corporation (FDIC).

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2017

Note 2: Deposits (continued)

At September 30, 2017, the EDC had total cash and cash equivalents and certificates of deposit held by depository banks with a carrying amount of \$141,246 and \$53,511, respectively. At September 30, 2017, the EDC's deposits held by depository banks are fully insured by the FDIC.

At September 30, 2017, the CDC had total cash and cash equivalents held by depository banks with a carrying amount of \$42,334. At September 30, 2017, the CDC's deposits held by depository banks are fully insured by the FDIC.

Note 3: Receivables

Government-wide receivables as of September 30, 2017, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Water and Sewer Fund	Total	Component Units	
				EDC	CDC
Emergency medical services	\$ 245,276	\$ -	\$ 245,276	\$ -	\$ -
Municipal court	137,765	-	137,765	-	-
Accounts	20,524	94,361	114,885	-	-
Ad valorem	52,152	-	52,152	-	-
Franchise & other	26,679	23	26,702	-	-
Sales taxes	25,687	-	25,687	12,844	12,844
Notes receivable	-	-	-	332,608	-
	<u>508,083</u>	<u>94,384</u>	<u>602,467</u>	<u>345,452</u>	<u>12,844</u>
Less: allowance for doubtful accounts	<u>(261,251)</u>	<u>(16,848)</u>	<u>(278,099)</u>	<u>-</u>	<u>-</u>
Net	<u>\$ 246,832</u>	<u>\$ 77,536</u>	<u>\$ 324,368</u>	<u>\$ 345,452</u>	<u>\$ 12,844</u>

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2017

Note 3: Receivables (continued)

At September 30, 2017, the EDC has notes receivable in the amount of \$322,608 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, 2017 at a rate of 5.5%. The note is secured by inventory and equipment and matures on April 26, 2018.	\$ 5,064
\$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, 2017 at a rate of 5.5%. This note is secured by inventory and matures on May 25, 2018.	488
\$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, 2017 at a rate of 5.5%. The note is secured by inventory and equipment and matures on March 26, 2021.	46,568
\$200,000 note from RJZCRWZ632, LLC (Grand Café) was entered into on October 2, 2015. The note is payable in monthly installments of \$2,171 including interest as of September 30, 2017 at a rate of 5.5%. This note matures on October 1, 2025. Subsequent to year end, this note was paid off earlier than scheduled. See footnote 10 below.	167,483
\$135,000 note from BLZBSZ855, LLC (Odeum Theatre) was entered into on October 2, 2015. The note is payable in monthly installments of \$1,465 including interest as of September 30, 2017 at a rate of 5.5%. The note matures on September 1, 2025.	<u>113,005</u>
Total	<u><u>\$ 332,608</u></u>

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2017

Note 3: Receivables (continued)

The following is a schedule of future receivables for notes receivable of the EDC at September 30, 2017:

Year	Principal	Interest	Total
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	35,828	7,799	43,628
2023-2026	113,458	10,819	124,277
	<u>\$ 332,608</u>	<u>\$ 72,909</u>	<u>\$ 405,517</u>

Note 4: Capital Assets

The following is a summary of changes in capital assets for the year ended September 30, 2017:

	Beginning Balance 9/30/2016	Additions	Retirements & Reclasses	Ending Balance 9/30/2017
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 156,737	\$ -	\$ -	\$ 156,737
Depreciable capital assets:				
Land Improvements	54,500	-	-	54,500
Buildings	738,804	-	-	738,804
Furniture and Equipment	1,809,806	48,281	(30,157)	1,827,930
Infrastructure	668,744	-	-	668,744
Totals	<u>3,428,591</u>	<u>48,281</u>	<u>(30,157)</u>	<u>3,446,715</u>
Less accumulated depreciation	<u>(2,087,233)</u>	<u>(174,433)</u>	<u>30,157</u>	<u>(2,231,509)</u>
Governmental activities capital assets, net	<u>\$ 1,341,358</u>	<u>\$ (126,152)</u>	<u>\$ -</u>	<u>\$ 1,215,206</u>
Business-Type Activities				
Capital assets not being depreciated:				
Construction in progress	\$ 77,989	\$ 355,424	\$ -	\$ 433,413
Depreciable capital assets:				
Sewer System	1,391,705	-	-	1,391,705
Sewer System Improvements	1,212,548	-	-	1,212,548
Water System	586,238	-	-	586,238
Furniture and Equipment	286,942	-	-	286,942
Totals	<u>3,555,422</u>	<u>355,424</u>	<u>-</u>	<u>3,910,846</u>
Less accumulated depreciation	<u>(1,578,178)</u>	<u>(98,240)</u>	<u>-</u>	<u>(1,676,418)</u>
Business-type activities capital assets, net	<u>\$ 1,977,244</u>	<u>\$ 257,184</u>	<u>\$ -</u>	<u>\$ 2,234,428</u>

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2017

Note 4: Capital Assets (continued)

	Beginning Balance 9/30/2016	Additions	Retirements & Reclasses	Ending Balance 9/30/2017
Component Unit Activities - EDC				
Depreciable capital assets:				
Buildings	\$ 231,083	\$ -	\$ -	\$ 231,083
Totals	231,083	-	-	231,083
Less accumulated depreciation	(83,798)	(11,554)	-	(95,352)
EDC activities capital assets, net	<u>\$ 147,285</u>	<u>\$ (11,554)</u>	<u>\$ -</u>	<u>\$ 135,731</u>
Component Unit Activities - CDC				
Depreciable capital assets:				
Furniture and Equipment	\$ 16,779	\$ -	\$ -	\$ 16,779
Totals	16,779	-	-	16,779
Less accumulated depreciation	(16,359)	(240)	-	(16,599)
CDC activities capital assets, net	<u>\$ 420</u>	<u>\$ (240)</u>	<u>\$ -</u>	<u>\$ 180</u>

Depreciation expense for the year ended September 30, 2017 was charged to functions of the primary government, business-type activities, and component units as follows:

Governmental Activities:	
General government	\$ 133,535
Fire department	7,600
Library	17,456
Ambulance	11,438
Police department	4,404
	<u>\$ 174,433</u>
Business-Type Activities:	
Water and sewer	\$ 98,240
	<u>\$ 98,240</u>
Component Units:	
EDC	\$ 11,554
CDC	240
	<u>\$ 11,794</u>

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2017

Note 5: Long-term Liabilities

The following is a summary of the changes in long-term liabilities for the primary government the year ended September 30, 2017:

	Balance 9/30/2016	Additions	Retirements	Balance 9/30/2017	Due within one year
Governmental Activities					
Notes payable:					
Government Capital Loan - Pumper Truck	\$ 33,204	\$ -	\$ (4,986)	\$ 28,218	\$ 5,201
Cendera Bank - phone system	4,423	-	(4,423)	-	-
Cendera Bank - police truck	8,645	-	(8,645)	-	-
Total:	<u>\$ 46,272</u>	<u>\$ -</u>	<u>\$ (18,054)</u>	<u>\$ 28,218</u>	<u>\$ 5,201</u>
Business-Type Activities					
Contractual obligations and bonds payable:					
Cendera Bank - time warrant 2012-1A	\$ 98,192	\$ -	\$ (15,100)	\$ 83,092	\$ 15,657
Government Capital Loan - Auger	200,188	-	-	200,188	37,957
Government Capital Loan - trucks	46,963	-	(15,172)	31,791	15,664
GTUA, Series 2004	55,000	-	(5,000)	50,000	5,000
GTUA, Series 2015	615,000	-	(25,000)	590,000	25,000
Total:	<u>\$ 1,015,343</u>	<u>\$ -</u>	<u>\$ (60,272)</u>	<u>\$ 955,071</u>	<u>\$ 99,278</u>

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2017

Note 5: Long-term Liabilities (continued)

Long-term liabilities for the primary government are comprised of the following at September 30, 2017:

	<u>Governmental Activities</u>	<u>Business Type Activities</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%.		\$ 50,000
\$154,004 Time Warrant issued August 16, 2012, due in monthly installments of \$1,548 through August 2022, bearing an interest rate of 3.85%.		83,092
\$271,236 Government Capital Loan issued June 3, 2014, due in annual installments of \$43,299 through 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 through October 2018, bearing an interest rate of 3.24%.		31,791
\$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		590,000
\$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%. This note was paid off.	\$ -	
\$29,662, Note Payable issued July 9, 2014, due in monthly installments of \$879 through July 10, 2017, bearing an interest rate of 4.25%. This note was paid off.	-	
\$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%	28,218	
Total Long Term Debt	<u>\$ 28,218</u>	<u>\$ 955,071</u>

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2017

Note 5: Long-term Liabilities (continued)

The principal and interest requirements related to the notes payable for the governmental activities at September 30, 2017 are as follows:

	Principal	Interest	Total
2018	\$ 5,201	\$ 1,123	\$ 6,324
2019	5,409	916	6,324
2020	5,624	700	6,324
2021	5,848	476	6,324
2022	6,136	243	6,378
	<u>\$ 28,218</u>	<u>\$ 3,456</u>	<u>\$ 31,674</u>

The principal and interest requirements related to the contractual obligations and notes payable for the business-type activities at September 30, 2017 are as follows:

	Principal	Interest	Total
2018	\$ 99,278	\$ 23,228	\$ 122,506
2019	101,368	20,839	122,207
2020	91,916	18,238	110,154
2021	93,649	16,009	109,658
2022	93,860	13,631	107,491
2023 - 2027	175,000	48,620	223,620
2028 - 2032	175,000	29,148	204,148
2033 - 2036	125,000	7,941	132,941
	<u>\$ 955,071</u>	<u>\$ 177,653</u>	<u>\$ 1,132,725</u>

GTUA Certification of Obligation

The City entered into a 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, 2017

Note 5: Long-term Liabilities (continued)

Long term debt of the component unit, EDC, is comprised of the following at September 30, 2017:

Economic Development Corporation	Balance 9/30/2016	Additions	Retirements	Balance 9/30/2017	Due within one year
Notes payable:					
Independent Bank - Hardware Mart	\$ 12,438	\$ -	\$ (7,854)	\$ 4,584	\$ 4,583
Independent Bank - Crossroads Learning Center	10,474	-	(10,474)	-	-
Cendera Bank - Odeum	124,103	-	(11,239)	112,864	11,663
Cendera Bank - Grand Café	183,863	-	(16,760)	167,103	17,402
Texas Star Bank - Furniture Mart	57,793	-	(11,829)	45,964	12,449
Total:	\$ 388,671	\$ -	\$ (58,156)	\$ 330,515	\$ 46,097

Long-term liabilities for the EDC are comprised of the following at September 30, 2017:

	<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%.	\$ 4,584
\$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%. This was paid off.	-
\$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%.	45,964
\$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%.	112,864
\$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%. This note was paid off early subsequent to year end. See note 10 below.	167,103
Total Long Term Debt	\$ 330,515

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2017

Note 5: Long-term Liabilities (continued)

The principal and interest requirements related to the notes payable of the EDC at September 30, 2017 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018 \$	46,097	\$ 15,959	\$ 62,057
2019	43,667	13,726	57,392
2020	45,931	11,461	57,392
2021	40,570	9,162	49,732
2022	35,772	7,265	43,037
2023 - 2026	118,478	9,953	128,431
	<u>\$ 330,515</u>	<u>\$ 67,526</u>	<u>\$ 398,040</u>

Notes 6: Transfers

During the year ended September 30, 2017, interfund transfers from the General Fund to the Water and Sewer Fund in the amount of \$34,796 were made for operating purposes.

Notes 7: Commitments/Contingent Liabilities

At September 30, 2017, the City had outstanding contract commitments totaling approximately \$27,000 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, 2016 to September 30, 2017 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	

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2017

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. 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 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

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2017

Note 9: Pension Plan (continued)

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.

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)	1.86% of CP

Employees covered by benefit terms

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	14
<u>Active employees</u>	<u>21</u>
Total:	44

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 4.12% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2017 were \$32,981, and were equal to the required contributions.

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2017

Note 9: Pension Plan (continued)

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

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	2.6%
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, 2016, 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 2016 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.

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2017

Note 9: Pension Plan (continued)

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:

Asset Class	Target Allocation	Long-Term expected Real Rate of Return
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
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, 2017

Note 9: Pension Plan (continued)

Changes in the Net Pension Liability

	<u>Increase (Decrease)</u>		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2015	\$ 1,195,891	\$ 1,105,260	\$ 90,631
Changes for the year:			
Service cost	70,928	-	70,928
Interest	78,880	-	78,880
Change of benefit terms	-	-	-
Difference between expected and actual experience	(65,472)	-	(65,472)
Changes of assumptions	-	-	-
Contributions - employer	-	32,981	(32,981)
Contributions - employee	-	36,827	(36,827)
Net investment income	-	74,723	(74,723)
Benefit payments, including refunds of employee contributions	(125,531)	(125,531)	-
Administrative expense	-	(844)	844
Other changes	-	(45)	45
Net changes	(41,195)	18,111	(59,306)
Balance at 12/31/2016	<u>\$ 1,154,696</u>	<u>\$ 1,123,371</u>	<u>\$ 31,325</u>

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 Liability to Changes in the Discount Rate		
1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$216,327	\$31,325	(\$118,101)

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.

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2017

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, 2017, the City recognized pension expense of \$58,628. The calculation and amount is provided in the GRS Reporting Package. At September 30, 2017, 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	\$ (43,516)
Changes in actuarial assumptions	13,503
Difference between projected and actual investment earnings	49,266
Contributions subsequent to the measurement date	29,583
Total	<u>\$ 48,836</u>

\$29,583 reported as deferred inflows 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, 2018. 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
2017	\$ 14,274
2018	14,274
2019	11,914
2020	(9,842)
2021	(10,823)
Thereafter	(544)
Total	<u>\$ 19,253</u>

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2017

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 2017, 2016, 2015, and 2014 were \$1,220, \$1,181, \$1,335, and \$1,361 respectively, which equaled required contributions each year.

Note 10: 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.

City of Whitewright, Texas
Notes to the Financial Statements (continued)
September 30, 2017

Note 10: Subsequent Events (continued)

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 \$167,483 from RJZCRWZ632, LLC for the Grande Café due to the EDC was subsequently collected ahead of the required schedule, as noted above in note 3. Also, the related note payable to Cendera Bank due from the EDC in the amount of \$167,103 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, 2017

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes:				
Property	\$ 450,000	\$ 450,000	\$ 447,912	\$ (2,088)
General sales and use	395,600	135,600	162,973	27,373
Franchise	68,649	68,649	54,562	(14,087)
Emergency medical services	231,000	231,000	263,232	32,232
Solid waste disposal	190,300	190,300	249,254	58,954
Police department and municipal court	159,101	95,650	183,478	87,828
Grants	-	-	101,283	101,283
Fire department	34,537	34,537	25,142	(9,395)
Permits and fees	25,000	25,000	19,076	(5,924)
Library	46,445	14,867	14,240	(627)
Other revenue	9,200	4,600	12,959	8,359
Interest	1,300	1,300	2,004	704
Total Revenues	1,611,132	1,251,503	1,536,115	284,612
EXPENDITURES				
Current:				
Police department and municipal court	387,820	387,820	446,292	(58,472)
Emergency medical services	399,908	399,908	383,775	16,134
General government	280,807	280,807	468,030	(187,223)
Solid waste	-	-	222,659	(222,659)
Fire department	89,179	89,179	58,256	30,923
Library	59,360	59,360	59,571	(211)
Debt Service:				
Principal	45,000	45,000	18,054	26,946
Interest	-	-	1,486	(1,486)
Capital Outlay:				
General government	80,000	80,000	-	80,000
Police department and municipal court	-	-	22,140	(22,140)
Emergency medical services	-	-	26,139	(26,139)
Fire department	5,000	5,000	-	5,000
Total expenditures	1,347,075	1,347,075	1,706,401	(359,327)
Excess (deficiency) of revenues over (under) expenditures	264,057	(95,572)	(170,286)	(74,715)
OTHER FINANCING SOURCES (USES)				
Transfers in	242,050	242,050	-	242,050
Transfers (out)	(142,000)	(142,000)	(34,796)	(107,204)
Total Other financing Sources (Uses)	100,050	100,050	(34,796)	134,846
Net change in fund balances	\$ 364,107	\$ 4,478	\$ (205,082)	\$ 60,131

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

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

	2017	2016	2015
Actuarially Determined Contribution	\$ 32,981	\$ 33,188	\$ 21,401
Contributions in relation to the actuarially determined contribution	\$ 32,981	\$ 33,188	\$ 21,401
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 736,537	\$ 738,229	\$ 756,260
Contributions as a percentage of covered employee payroll	4.48%	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	27 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 generational basis with scale BB.

Other Information:

Notes

There were no benefit changes during the year.

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

	2016	2015	2014
Total pension liability			
Service Cost	\$ 70,928	\$ 72,871	\$ 58,482
Interest (on the Total Pension Liability)	78,880	74,448	68,648
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(65,482)	20,654	(3,114)
Change of assumptions	-	22,159	-
Benefit payments, including refunds of employee contributions	(125,531)	(42,698)	(53,995)
Net Change in Total Pension Liability	(41,205)	147,434	70,021
Total Pension Liability - Beginning	1,195,891	1,048,457	978,436
Total Pension Liability - Ending (a)	\$ 1,154,686	\$ 1,195,891	\$ 1,048,457
Plan Fiduciary Net Position			
Contributions - Employer	\$ 32,981	\$ 33,188	\$ 21,401
Contributions - Employee	36,827	39,604	37,813
Net Investment Income	74,723	1,586	57,904
Benefit payments, including refunds of employee contributions	(125,531)	(42,698)	(53,995)
Administrative Expense	(844)	(966)	(605)
Other	(55)	(48)	(50)
Net Change in Plan Fiduciary Net Position	18,101	30,666	62,468
Plan Fiduciary Net Position - Beginning	1,105,260	1,074,594	1,012,126
Plan Fiduciary Net Position - Ending (b)	\$ 1,123,361	\$ 1,105,260	\$ 1,074,594
Net Pension Liability - Ending (a) - (b)	\$ 31,325	\$ 90,631	\$ (26,137)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	97.29%	92.42%	102.49%
Covered Employee Payroll	\$ 736,537	\$ 792,075	\$ 756,260
Net Pension Liability as a Percentage of Covered Employee Payroll	4.25%	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.