

**CITY OF WHITEWRIGHT, TEXAS**

**ANNUAL FINANCIAL REPORT**

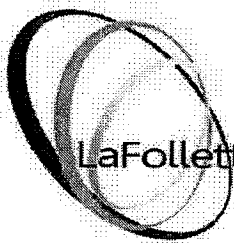
**FOR THE YEAR ENDED**

**SEPTEMBER 30, 2018**

City of Whitewright, Texas  
Annual Financial Report  
For the Year Ended September 30, 2018

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**LaFollett and Company PLLC**  
Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

To the City Council of the  
City of Whitewright, Texas

### **Report on the Financial Statements**

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, 2018, 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 City'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 City'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, 2018, 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 40-44 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 & Company PLLC*

Tom Bean, Texas  
November 5, 2019

City of Whitewright, Texas  
Statement of Net Position  
September 30, 2018

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation	Community Development Corporation
<b>ASSETS</b>					
Cash and cash equivalents	\$ 284,158	\$ 21,973	\$ 306,131	\$ 178,714	\$ 83,000
Certificates of deposit	53,483	55,932	109,415	53,944	-
Prepaid assets	5,317	-	5,317	-	-
Receivables, net	202,582	111,430	314,012	16,531	16,531
Notes receivable	-	-	-	164,743	-
Net pension asset	117,295	37,761	155,056	-	-
Restricted assets:					
Deposits held in trust by GTUA	-	155,052	155,052	-	-
Capital assets not being depreciated:					
Land	156,737	-	156,737	-	-
Capital assets net of accumulated depreciation:					
Land improvements	29,563	-	29,563	-	-
Buildings and improvements	59,409	-	59,409	124,177	-
Furniture and equipment	443,608	216,844	660,452	-	-
Infrastructure	428,885	2,163,692	2,592,577	-	-
Total assets	1,781,037	2,762,684	4,543,721	538,109	99,531
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows - pension	23,433	7,544	30,977	-	-
Deferred outflows - OPEB	2,693	852	3,545	-	-
Total deferred outflows of resources	26,126	8,396	34,522	-	-
<b>LIABILITIES</b>					
Accounts payable	39,976	67,681	107,657	50	1,681
Accrued liabilities	24,795	6,348	31,143	-	-
Accrued interest	-	6,541	6,541	-	-
Customer deposits	-	63,710	63,710	-	-
Long term liabilities:					
Due within one year:	11,200	120,387	131,587	25,374	-
Due in more than one year:					
Long term debt	37,168	960,900	998,068	109,349	-
Total OPEB liability	33,706	10,670	44,376	-	-
Total liabilities	146,845	1,236,237	1,383,082	134,773	1,681
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows - pension	111,551	35,913	147,464	-	-
Total deferred inflows of resources	111,551	35,913	147,464	-	-
<b>NET POSITION</b>					
Net investment in capital assets	1,069,834	1,299,249	2,369,083	(10,546)	-
Restricted for:					
Deposits held in trust by GTUA	-	155,052	155,052	-	-
Library	2,402	-	2,402	-	-
Court security and technology	11,409	-	11,409	-	-
Unrestricted	465,122	44,629	509,751	413,882	97,850
Total net position	\$ 1,548,767	\$ 1,498,930	\$ 3,047,697	\$ 403,336	\$ 97,850

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

Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Primary Government	Economic Development Corporation	Community Development Corporation
Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Expenses	Capital Grants and Contributions			

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

City of Whitewright  
Balance Sheet  
Governmental Fund  
September 30, 2018

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 284,158
Certificates of deposits	53,483
Prepaid assets	5,317
Receivables, net of allowances:	
Court	50,365
Emergency medical services	53,526
Property taxes	52,556
Other	46,135
Total assets	<u>545,540</u>
<b>LIABILITIES</b>	
Accounts payable	39,976
Accrued liabilities	24,795
Total liabilities	<u>64,771</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenues:	
Court fines	50,364
Property taxes	46,757
Other	7,340
Total deferred inflows of resources	<u>104,461</u>
<b>FUND BALANCES</b>	
Nonspendable	5,317
Restricted for:	
Library	2,402
Court security and technology	11,409
Unassigned	357,180
Total fund balances	<u>376,308</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 545,540</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, 2018

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

Total fund balances - governmental fund (pg. 5)	\$ 376,308
Capital assets used in governmental activities are not financial resources. Therefore, they are not reported in the governmental funds.	1,118,202
Delinquent property taxes, ambulance revenue, and court fines are not current financial resources. Therefore, they are deferred in the governmental funds.	104,461
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.	(48,368)
Net pension asset is not a current financial use; therefore, it is not reported in the governmental funds.	117,295
Total OPEB liability is not a current financial use; therefore, it is not reported in the governmental funds.	(33,706)
Deferred outflows (inflows) of resources represent a consumption (source) of net position that applies to a future period(s) and are not recognized as an outflow (inflow) of	
Pension amounts	(88,118)
OPEB amounts	2,693
Net position of governmental activities (pg. 3)	<u>\$ 1,548,767</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, 2018

	General Fund
<b>REVENUES</b>	
Taxes:	
Property	\$ 501,316
General sales and use	175,759
Franchise	57,622
Emergency medical services	267,847
Police department and municipal court	164,247
Grants	99,734
Permits and fees	29,360
Fire department	22,411
Library	13,654
Solid waste disposal	12,853
Other revenue	5,786
Interest	2,433
Total Revenues	<u>1,353,022</u>
<b>EXPENDITURES</b>	
Current:	
Emergency medical services	409,176
Police department and municipal court	404,808
General government	337,393
Library	58,774
Fire department	56,275
Debt Service:	
Principal	5,201
Interest	1,116
Capital Outlay:	
Police department and municipal court	25,400
General government	54,250
Total expenditures	<u>1,352,393</u>
Excess (deficiency) of revenues over (under) expenditures	<u>629</u>
<b>OTHER FINANCING SOURCES(USES)</b>	
Transfers in (out) from water and sewer fund	259,516
Proceeds from issuance of debt	25,351
Total other financing sources (uses)	<u>284,867</u>
Net change in fund balances	285,496
Fund balances - beginning	90,812
Fund balances - ending	<u>\$ 376,308</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, 2018

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)	\$ 285,496
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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.

Capital outlays	79,650
Depreciation expense	(176,654)

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 principal repaid in current year	5,201
Proceeds from issuance of new debt	(25,351)

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.

(23,687)

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.

14,751

Full accrual based OPEB 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.

6,813

Change in net position of governmental activities (pg. 4)	<div style="border-top: 1px solid black; border-bottom: 3px double black; padding: 2px 0;">\$ 166,219</div>
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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, 2018

	Water and Sewer Fund
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 21,973
Certificates of deposit	55,932
Receivables, net	111,430
Total current assets	<u>189,335</u>
Noncurrent Assets:	
Restricted deposits held by GTUA	155,052
Net pension asset	37,761
Total noncurrent assets	<u>192,813</u>
Capital assets:	
Capital assets, net of accumulated depreciation	2,380,536
Total capital assets	<u>2,380,536</u>
Total assets	<u>2,762,684</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows - pension	7,544
Deferred outflows - OPEB	852
Total deferred outflows of resources	<u>8,396</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	67,681
Accrued liabilities	6,348
Accrued interest payable	6,541
Customer deposits payable	63,710
Notes payable - current	74,116
Bonds payable - current	30,000
Time warrants payable - current	16,271
Total current liabilities	<u>264,667</u>
Noncurrent Liabilities	
Notes payable	329,689
Bonds payable	580,000
Time warrants payable	51,211
Total OPEB liability	10,670
Total noncurrent liabilities	<u>971,570</u>
Total liabilities	<u>1,236,237</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows - pension	35,913
Total deferred inflows of resources	<u>35,913</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,299,249
Restricted deposits with GTUA	155,052
Unrestricted	44,629
Total net position	<u>\$ 1,498,930</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, 2018

	Water & Sewer Fund
<b>OPERATING REVENUES</b>	
Water	\$ 439,482
Sewer	293,444
Solid waste	226,322
Other services and fees	70,120
Total operating revenues	<u>1,029,368</u>
<b>OPERATING EXPENSES</b>	
Salaries and benefits	257,464
Depreciation	114,322
Contractual services and other operating expenses	327,888
Maintenance and repairs	68,816
Utilities	80,159
Sanitation plant	40,984
Materials and supplies	29,607
Total operating expenses	<u>919,240</u>
Operating income	<u>110,128</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	2,952
Interest expense	<u>(18,948)</u>
Total nonoperating revenue (expenses)	<u>(15,996)</u>
Income before transfers	94,132
Transfers in (out) to general fund	<u>(259,516)</u>
Change in net position	(165,384)
Net position - beginning	1,676,203
Cumulative effect of change in accounting principle	<u>(11,889)</u>
Net position - ending	<u><u>\$ 1,498,930</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, 2018

	Water & Sewer Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash receipts from customers and users	\$ 992,610
Cash paid to employees	(238,774)
Cash paid to suppliers	(590,790)
Net cash provided by operating activities	<u>163,046</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers in (out) to other funds to general fund	(259,516)
Net cash provided by noncapital financing activities	<u>(259,516)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Cash paid for acquisition and construction of capital assets	(260,431)
Cash from GTUA restricted deposits	136,188
Proceeds from debt issuance	225,448
Interest paid on long-term debt	(18,948)
Principal payments on debt	(99,231)
Net cash provided by (used for) capital and related financing activities	<u>(16,974)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	2,950
Net cash provided by investing activities	<u>2,950</u>
Net increase (decrease) in cash and cash equivalents	(110,494)
Cash and cash equivalents, October 1, 2017	<u>132,467</u>
Cash and cash equivalents, September 30, 2018	<u><u>21,973</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>	
Operating income (loss)	110,128
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation	114,322
(Increase) decrease in accounts receivable	(33,894)
(Increase) decrease in deferred outflows - pension balances	10,376
(Increase) decrease in deferred outflows - OPEB balances	(621)
(Increase) decrease in net pension asset	(44,151)
Increase (decrease) in accounts payable	(5,956)
Increase (decrease) in accrued liabilities	(10,314)
Increase (decrease) in customer deposits	(2,864)
Increase (decrease) in deferred inflows - pension balances	27,468
Increase (decrease) in total OPEB liability	(1,448)
Net cash provided by operating activities	<u><u>\$ 163,046</u></u>
<b>NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>	
Capital contributions	<u><u>\$ -</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, 2018

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, 2018

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, 2018

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; however, there are no non-major funds for the year ended September 30, 2018.

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, 2018

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, 2018.

City of Whitewright, Texas  
Notes to the Financial Statements (continued)  
September 30, 2018

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

Note 1: Summary of Significant Accounting Policies (continued)

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

*Pension and Other Post-Employment Benefits (OPEB)*

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about the Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's 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 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.

Information regarding the City's Total Pension Liability and Total OPEB Liability is obtained from the TMRS through reports prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions and GASB No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

*Deferred Inflows and Outflows of Resources*

In addition to assets and liabilities, the Statement of Financial Position and/or Balance Sheet will sometimes report a separate section for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources 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.

The City has several items that qualify for reporting as deferred outflows of resources. These deferred outflows result from pension and OPEB contributions after the measurement date (deferred and recognized in the following year) and differences in pension and OPEB assumption changes.

The City has several items that qualify for reporting as deferred inflows of resources. Deferred inflows of resources described as unavailable revenues only arise under modified accrual basis of accounting and are reported in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from property taxes, court fines, and ambulance billing. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Also, the City reports deferred inflows of resources for pension amounts that relate to the differences in expected and actual economic experience and projected and actual investment earnings.

City of Whitewright, Texas  
Notes to the Financial Statements (continued)  
September 30, 2018

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. No amounts were carried forward at September 30, 2018.

*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, 2018, the governmental activities had restricted net position of \$11,409 for court security and technology and \$2,402 for library. At September 30, 2018, the Water Fund had restricted net position in the amount of \$155,052. 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.

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, 2018

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 2018 was 0.661114 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 EDC 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, 2018

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. 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 twenty five percent of City sales taxes.

J. 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 twenty five percent of City sales taxes.

Note 2: Deposits

At September 30, 2018, the primary government had total cash and cash equivalents and certificates of deposit held by depository banks with a carrying amount of \$324,166 and \$111,196, respectively. At September 30, 2018, the City's deposits held by depository banks are fully insured for \$362,154 by the Federal Depository Insurance Corporation (FDIC) and the remaining \$73,208 is insured by pledged collateral.

At September 30, 2018, the EDC had total cash and cash equivalents and certificates of deposit held by depository banks with a carrying amount of \$179,383 and \$54,533, respectively. At September 30, 2018, the EDC's deposits held by depository banks are fully insured by the FDIC.

At September 30, 2018, the CDC had total cash and cash equivalents held by depository banks with a carrying amount of \$81,858. At September 30, 2018, the CDC's deposits held by depository banks are fully insured by the FDIC.

City of Whitewright, Texas  
Notes to the Financial Statements (continued)  
September 30, 2018

**Note 3: Receivables**

Government-wide receivables as of September 30, 2018, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Water and Sewer Fund	Total	Component Units EDC	CDC
Emergency medical services	\$ 309,069	\$ -	\$ 309,069	\$ -	\$ -
Municipal court	285,261	-	285,261	-	-
Customer accounts	-	95,587	95,587	-	-
Ad valorem	55,322	-	55,322	-	-
Franchise & other	13,072	19,801	32,873	-	-
Sales taxes	33,063	-	33,063	16,531	16,531
Notes receivable	-	-	-	164,743	-
	<u>695,787</u>	<u>115,388</u>	<u>811,175</u>	<u>181,274</u>	<u>16,531</u>
Less: allowance for doubtful accounts	(493,205)	(3,958)	(497,163)	-	-
Net	<u>\$ 202,582</u>	<u>\$ 111,430</u>	<u>\$ 314,012</u>	<u>\$ 181,274</u>	<u>\$ 16,531</u>

At September 30, 2018, the EDC has notes receivable in the amount of \$163,735 which are comprised of the following:

\$60,000 note from Whitewright Hardware, LLC 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 of 5.5%. The note is secured by inventory and equipment and was paid off during the fiscal year.

\$ -

\$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 of 5.5%. This note is secured by inventory and was paid of during the fiscal year.

-

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

62,827

\$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 of 5.50%. The note matures on September 1, 2025.

100,908

\$13,600 note from Whitewright Abbingtion Commons, LP was entered into on January 26, 2018. The note is payable in monthly installments of \$93 including interest of 3.00%. The note matures on February 1, 2032.

1,008

Total

\$ 164,743



City of Whitewright, Texas  
Notes to the Financial Statements (continued)  
September 30, 2018

**Note 3: Receivables (continued)**

The following is a schedule of future receivables for notes receivable of the EDC at September 30, 2018:

Year	Principal	Interest	Total
2019	\$ 75,170	\$ 6,497	\$ 81,667
2020	13,038	4,637	17,675
2021	13,772	3,903	17,675
2022	14,546	3,128	17,674
2023	15,365	2,309	17,674
2024-2028	32,565	2,016	34,581
2029-2032	287	19	306
	<u>\$ 164,743</u>	<u>\$ 22,509</u>	<u>\$ 187,252</u>

**Note 4: Capital Assets**

The following is a summary of changes in capital assets for the year ended September 30, 2018:

	Beginning Balance 9/30/2017	Additions	Retirements & Reclasses	Ending Balance 9/30/2018
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 156,737	\$ -	\$ -	\$ 156,737
Depreciable capital assets:				
Land Improvements	54,500	-	-	54,500
Buildings and Improvements	738,804	-	-	738,804
Furniture and Equipment	1,827,930	74,150	-	1,902,080
Infrastructure	668,744	5,500	-	674,244
Totals	3,446,715	79,650	-	3,526,365
Less accumulated depreciation	(2,231,509)	(176,654)	-	(2,408,163)
Governmental activities capital assets, net	<u>\$ 1,215,206</u>	<u>\$ (97,004)</u>	<u>\$ -</u>	<u>\$ 1,118,202</u>
<b>Business-Type Activities</b>				
Capital assets not being depreciated:				
Construction in progress	\$ 433,413	\$ -	\$ (433,413)	\$ -
Depreciable capital assets:				
Sewer System	1,391,705	-	-	1,391,705
Sewer System Improvements	1,212,548	120,062	433,413	1,766,023
Water System	586,238	-	-	586,238
Furniture and Equipment	286,942	140,368	-	427,310
Totals	3,910,846	260,430	-	4,171,276
Less accumulated depreciation	(1,676,418)	(114,322)	-	(1,790,740)
Business-type activities capital assets, net	<u>\$ 2,234,428</u>	<u>\$ 146,108</u>	<u>\$ -</u>	<u>\$ 2,380,536</u>

City of Whitewright, Texas  
Notes to the Financial Statements (continued)  
September 30, 2018

**Note 4: Capital Assets (continued)**

	Beginning Balance 9/30/2017	Additions	Retirements & Reclasses	Ending Balance 9/30/2018
<b>Component Unit - EDC</b>				
Depreciable capital assets:				
Buildings	\$ 231,083	\$ -	\$ -	\$ 231,083
Totals	231,083	-	-	231,083
Less accumulated depreciation	(95,352)	(11,554)	-	(106,906)
EDC capital assets, net	<u>\$ 135,731</u>	<u>\$ (11,554)</u>	<u>\$ -</u>	<u>\$ 124,177</u>
<b>Component Unit - CDC</b>				
Depreciable capital assets:				
Furniture and Equipment	\$ 16,779	\$ -	\$ -	\$ 16,779
Totals	16,779	-	-	16,779
Less accumulated depreciation	(16,599)	(180)	-	(16,779)
CDC capital assets, net	<u>\$ 180</u>	<u>\$ (180)</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense for the year ended September 30, 2018 was charged to functions of the primary government, business-type activities, and component units as follows:

<b>Governmental Activities:</b>	
General Government	\$ 133,228
Library	16,863
Ambulance	11,438
Fire Department	7,600
Police Department	7,525
	<u>\$ 176,654</u>
<b>Business-Type Activities:</b>	
Water and Sewer	\$ 114,322
	<u>\$ 114,322</u>
<b>Component Units:</b>	
EDC	\$ 11,554
CDC	180
	<u>\$ 11,734</u>

City of Whitewright, Texas  
Notes to the Financial Statements (continued)  
September 30, 2018

**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, 2018:

	Balance 9/30/2017	Additions	Retirements	Balance 9/30/2018	Due within one year
<b>Governmental Activities</b>					
Notes payable:					
Government Capital Loan - Pumper Truck	\$ 28,218	\$ -	\$ (5,201)	\$ 23,017	\$ 5,409
Government Capital Loan - 2018 Dodge Charger	-	25,351	-	25,351	5,791
Total:	<u>\$ 28,218</u>	<u>\$ 25,351</u>	<u>\$ (5,201)</u>	<u>\$ 48,368</u>	<u>\$ 11,200</u>
<b>Business-Type Activities</b>					
Contractual obligations and bonds payable:					
Cendera Bank - Time Warrant 2012-1A	\$ 83,092	\$ -	\$ (15,610)	\$ 67,482	\$ 16,271
Government Capital Loan - Auger	200,188	-	(37,958)	162,230	38,970
Government Capital Loan - Trucks	31,791	-	(15,664)	16,127	16,127
Government Capital Loan - Dump Truck	-	225,448	-	225,448	19,019
GTUA, Series 2004	50,000	-	(5,000)	45,000	5,000
GTUA, Series 2015	590,000	-	(25,000)	565,000	25,000
Total:	<u>\$ 955,071</u>	<u>\$ 225,448</u>	<u>\$ (99,232)</u>	<u>\$1,081,287</u>	<u>\$ 120,387</u>

City of Whitewright, Texas  
Notes to the Financial Statements (continued)  
September 30, 2018

Note 5: Long-term Liabilities (continued)

Long-term liabilities for the primary government are comprised of the following at September 30, 2018:

	<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%.		\$ 45,000
\$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%.		67,482
\$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%.		162,230
\$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%.		16,127
\$640,000 GTUA Contract Revenue Bonds, Series 2015, (City of Whitewright Project) due in annual installments of \$25,000 to \$40,000 through October 2035, interest from 0.09% to 2.59%.		565,000
\$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%	\$ 23,017	
\$225,449, Governmental Capital Loan, issued September 1, 2017, due in annual installments of \$27,079 through November 2027, bearing an interest rate of 3.46%.		225,448
\$25,351, Government Capital Loan issued May 29, 2018, due in annual installments of \$7,214, through July 2022, bearing an interest rate of 5.23%	25,351	
Total Long Term Debt	<u>\$ 48,368</u>	<u>\$ 1,081,287</u>

City of Whitewright, Texas  
Notes to the Financial Statements (continued)  
September 30, 2018

Note 5: Long-term Liabilities (continued)

The principal and interest requirements related to the notes payable for the governmental activities at September 30, 2018 are as follows:

	Principal	Interest	Total
2019	\$ 11,200	\$ 2,339	\$ 13,538
2020	11,815	1,723	13,538
2021	12,362	1,175	13,537
2022	12,991	602	13,592
	<u>\$ 48,368</u>	<u>\$ 5,838</u>	<u>\$ 54,205</u>

The principal and interest requirements related to the contractual obligations and notes payable for the business-type activities at September 30, 2018 are as follows:

	Principal	Interest	Total
2019	\$ 120,387	\$ 28,900	\$ 149,287
2020	109,071	25,066	134,137
2021	114,284	22,455	136,739
2022	118,044	19,363	137,407
2023	57,085	16,498	73,583
2024-2028	272,416	57,466	329,882
2029-2033	175,000	25,152	200,152
2034-2036	115,000	4,567	119,567
	<u>\$ 1,081,287</u>	<u>\$ 199,467</u>	<u>\$ 1,280,754</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, 2018

**Note 5: Long-term Liabilities (continued)**

Long term debt of the component unit, EDC, is comprised of the following at September 30, 2018:

<b>Economic Development Corporation</b>	<b>Balance 9/30/2017</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance 9/30/2018</b>	<b>Due within one year</b>
Notes payable:					
Independent Bank - Hardware Mart	\$ 4,584	\$ -	\$ (4,584)	\$ -	\$ -
Cendera Bank - Odeum	112,864	-	(11,674)	101,190	12,321
Cendera Bank - Grand Café	167,103	-	(167,103)	-	-
Texas Star Bank - Furniture Mart	45,964	-	(12,431)	33,533	13,053
<b>Total:</b>	<b>\$ 330,515</b>	<b>\$ -</b>	<b>\$ (195,792)</b>	<b>\$ 134,723</b>	<b>\$ 25,374</b>

Long-term liabilities for the EDC are comprised of the following at September 30, 2018:

	<u>Component Unit</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%. This note 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%.	33,533
\$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%.	101,190
<b>Total Long Term Debt</b>	<b>\$ 134,723</b>

The principal and interest requirements related to the notes payable of the EDC at September 30, 2018 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 25,374	\$ 6,562	\$ 31,937
2020	26,703	11,461	38,164
2021	20,358	3,918	24,276
2022	14,526	3,055	17,581
2023	15,345	2,236	17,581
2024-2025	32,417	1,826	34,243
	<b>\$ 134,723</b>	<b>\$ 29,059</b>	<b>\$ 163,782</b>

City of Whitewright, Texas  
Notes to the Financial Statements (continued)  
September 30, 2018

Notes 6: Transfers

During the year ended September 30, 2018, interfund transfers from the Water and Sewer Fund to the General Fund in the amount of \$259,516 were made for operating purposes, debt payments, and the acquisition of capital assets.

Note 7: Insurance Coverage

The Texas Municipal League Inter-Governmental Risk Pool provides insurance coverage for the City. For the period October 1, 2017 to September 30, 2018 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 8: Pension Plan

Plan Description

The City of Whitewright participates as one of 883 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](http://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.

City of Whitewright, Texas  
Notes to the Financial Statements (continued)  
September 30, 2018

**Note 8: Pension Plan (continued)**

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.

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, 2017 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	21
Active employees	21
	<hr/> 51

**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 4.12% and 3.63% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2018 were \$31,703, and were equal to the required contributions.



City of Whitewright, Texas  
Notes to the Financial Statements (continued)  
September 30, 2018

Note 8: Pension Plan (continued)

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, 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	2.50% per year
Overall payroll growth	3.5-10.5% per year, including inflation
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, 2018

**Note 8: 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
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%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
<b>Total</b>	<b>100.0%</b>	

**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, 2018

Note 8: 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 12/31/2016	\$ 1,154,686	\$ 1,123,371	\$ 31,315
Changes for the year:			
Service cost	64,676	-	64,676
Interest	78,328	-	78,328
Change of benefit terms	-	-	-
Difference between expected and actual experience	(97,845)	-	(97,845)
Changes of assumptions	-	-	-
Contributions - employer	-	38,874	(38,874)
Contributions - employee	-	37,778	(37,778)
Net investment income	-	155,726	(155,726)
Benefit payments, including refunds of employee contributions	(53,220)	(53,220)	-
Administrative expense	-	(807)	807
Other changes	-	(41)	41
Net changes	(8,061)	178,310	(186,371)
Balance at 12/31/2017	\$ 1,146,625	\$ 1,301,681	\$ (155,056)

**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%
\$19,019	(\$155,056)	(\$294,710)

**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](http://www.tmrs.com).

City of Whitewright, Texas  
Notes to the Financial Statements (continued)  
September 30, 2018

Note 8: Pension Plan (continued)

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

For the year ended September 30, 2018, the City recognized pension expense of \$30,959. The calculation and amount is provided in the GRS Reporting Package. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ (115,519)
Changes in actuarial assumptions	9,175	-
Difference between projected and actual investment earnings	-	(31,945)
Contributions subsequent to the measurement date	21,802	-
Total	<u>\$ 30,977</u>	<u>\$ (147,464)</u>

\$21,802 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	<u>Net Deferred (Inflows) Outflows of Resources</u>
2019	\$ (20,201)
2020	(22,561)
2021	(44,317)
2022	(45,301)
2023	(5,909)
Thereafter	-
Total	<u>\$ (138,289)</u>

**Note 9: Other Post-Employment Benefits (OPEB) Plan**

**Plan Description**

Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers 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 City has elected to participate in the SDBF for its active members including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded single-employer other postemployment benefit plan (OPEB) (i.e. no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75) for City reporting.

**Benefits Provided**

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). The death benefit for retirees is considered another post-employment benefit ("OPEB") and is a fixed amount of \$7,500.

**Employees Covered by Benefit Terms**

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	4
Active employees	21
Total:	32

**Contributions**

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

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city.

City of Whitewright, Texas  
Notes to the Financial Statements (continued)  
September 30, 2018

**Note 9: Other Post-Employment Benefits (OPEB) Plan (continued)**

There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year.

The City's contributions to the SDBF for the year ended September 30, 2018 were \$971, and were equal to the required contributions. The contribution rates to the SDBF for the City are as follows:

Plan/Calendar Year	Total SDB Contribution (Rate)	Retiree Portion of SDB Contribution (Rate)
2017	0.13%	0.04%
2018	0.12%	0.06%

**Total OPEB Liability**

The City's Total OPEB Liability (TOL) was measured as of December 31, 2017 and was determined by an actuarial valuation as of that date.

**Actuarial Assumptions:**

The Total OPEB Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Actuarial cost method:	Entry Age Normal
Inflation:	2.5% per year
Salary increases:	3.5% to 10.5%, including inflation
Discount rate:	3.31%
Retiree's share of benefit-related costs:	0.00%
Health care cost trend rates:	Not disclosed as the plan only provides SDB.
Administrative expenses:	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality:	
Service Retirees	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.
Disabled Retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

City of Whitewright, Texas  
Notes to the Financial Statements (continued)  
September 30, 2018

**Note 9: Other Post-Employment Benefits (OPEB) Plan (continued)**

The actuarial assumptions used in the December 31, 2017, valuation were developed primarily from an actuarial experience study of the four-year period from December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, TMRS adopted the Entry Age Normal actuarial cost method. Salary increases were based on a service-related table.

**Discount Rate:**

A single discount rate of 3.31% was used to measure the Total OPEB Liability and was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

**Changes in Total OPEB Liability:**

	Total OPEB Liability
Balance at 12/31/2016	\$ 38,558
Changes for the year:	
Service cost	1,284
Interest on Total OPEB Liability	1,476
Change of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions or other inputs	3,360
Benefit payments	(302)
Net changes	5,818
Balance at 12/31/2017	\$ 44,376

City of Whitewright, Texas  
Notes to the Financial Statements (continued)  
September 30, 2018

Note 9: Other Post-Employment Benefits (OPEB) Plan (continued)

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.31%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.31%) or 1 percentage-point higher (4.31%) than the current rate:

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate		
1% Decrease	Current Discount Rate	1% Increase
2.31%	3.31%	4.31%
\$53,115	\$44,376	\$37,742

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended September 30, 2018, the City recognized OPEB expense of \$8,862. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Changes of assumptions	\$ 2,824	\$ -
Contributions made subsequent to measurement date	721	-
	<u>\$ 3,545</u>	<u>\$ -</u>

The \$721 contributions made after the measurement date of the total OPEB liability but before the end of the City's reporting period will be recognized as a reduction of the total OPEB liability in the subsequent fiscal period. The other amount reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:	Deferred outflows (inflows) of resources
2019	\$ 536
2020	536
2021	536
2022	536
2023	536
Thereafter	144
Total	<u>\$ 2,824</u>



City of Whitewright, Texas  
Notes to the Financial Statements (continued)  
September 30, 2018

Note 10: Cumulative Effect of Change in Accounting Principle

As a result of the implementation of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)" an adjustment has been made to record the City's total OPEB liability as of October 1, 2017. As a result, beginning net position of the governmental activities has been decreased by \$37,826 and the beginning net position of the proprietary fund has been decreased by \$11,888.

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 subsequent event was identified that requires disclosure:

On July 15, 2019, the City entered into a bond payable agreement with the Greater Texoma Utility Authority (GTUA) in the original principal amount of \$325,000. The bond agreement has a stated interest rate of 5.75%. The first principal payment is due on October 1, 2020 in the amount of \$25,000 and interest on the bond is payable in October and April beginning October 1, 2019. The bond will mature on October 1, 2029.

## 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, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<b>REVENUES</b>				
Taxes:				
Property	\$ 460,000	\$ 460,000	\$ 501,316	\$ 41,316
General sales and use	285,500	285,500	175,759	(109,741)
Franchise	56,400	56,400	57,622	1,222
Emergency medical services	312,475	310,000	267,847	(42,153)
Police department and municipal court	149,215	165,215	164,247	(968)
Grants	-	25,000	99,734	74,734
Permits and fees	35,300	35,300	29,360	(5,940)
Fire department	29,264	29,264	22,411	(6,853)
Library	8,680	8,680	13,654	4,974
Solid waste disposal	-	-	12,853	12,853
Other revenue	7,300	7,300	5,786	(1,514)
Interest	1,500	1,500	2,433	933
Total revenues	1,345,634	1,384,159	1,353,022	(31,137)
<b>EXPENDITURES</b>				
Current:				
Emergency medical services	419,465	419,765	409,176	10,589
Police department and municipal court	424,859	424,859	404,808	20,051
General government	421,720	471,084	337,393	133,691
Library	64,705	64,705	58,774	5,931
Fire department	98,685	98,685	56,275	42,410
Debt Service:				
Principal	-	-	5,201	(5,201)
Interest	-	-	1,116	(1,116)
Capital Outlay:				
General government	1,000	16,000	25,400	(9,400)
Police department and municipal court	20,000	20,000	54,250	(34,250)
Emergency medical services	25,500	25,500	-	25,500
Fire department	3,500	3,500	-	3,500
Total expenditures	1,479,434	1,544,098	1,352,393	191,705
Excess (deficiency) of revenues over (under) expenditures	(133,800)	(159,939)	629	160,568
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in from water and sewer fund	25,000	51,139	259,516	(208,377)
Proceeds from the issuance of debt	-	-	25,351	(25,351)
Total other financing sources (uses)	25,000	51,139	284,867	(233,728)
Net change in fund balances	\$ (108,800)	\$ (108,800)	\$ 285,496	\$ (73,160)

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

City of Whitewright  
Schedules of Changes in Net Pension Liability and Related Ratios <sup>1</sup>  
Texas Municipal Retirement System  
Last Ten Measured Years

	2017	2016	2015	2014
Total pension liability				
Service Cost	\$ 64,676	\$ 70,928	\$ 72,871	\$ 58,482
Interest (on the Total Pension Liability)	78,328	78,880	74,448	68,648
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(97,845)	(65,482)	20,654	(3,114)
Change of assumptions	-	-	22,159	-
Benefit payments, including refunds of employee contributions	(53,220)	(125,531)	(42,698)	(53,995)
Net Change in Total Pension Liability	(8,061)	(41,205)	147,434	70,021
Total Pension Liability - Beginning	1,154,686	1,195,891	1,048,457	978,436
Total Pension Liability - Ending (a)	\$ 1,146,625	\$ 1,154,686	\$ 1,195,891	\$ 1,048,457
Plan Fiduciary Net Position				
Contributions - Employer	\$ 38,874	\$ 32,981	\$ 33,188	\$ 21,401
Contributions - Employee	37,778	36,827	39,604	37,813
Net Investment Income	155,726	74,723	1,586	57,904
Benefit payments, including refunds of employee contributions	(53,220)	(125,531)	(42,698)	(53,995)
Administrative Expense	(807)	(844)	(966)	(605)
Other	(41)	(55)	(48)	(50)
Net Change in Plan Fiduciary Net Position	178,310	18,101	30,666	62,468
Plan Fiduciary Net Position - Beginning	1,123,371	1,105,260	1,074,594	1,012,126
Plan Fiduciary Net Position - Ending (b)	\$ 1,301,681	\$ 1,123,361	\$ 1,105,260	\$ 1,074,594
Net Pension Liability - Ending (a) - (b)	\$ (155,056)	\$ 31,325	\$ 90,631	\$ (26,137)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	113.52%	97.29%	92.42%	102.49%
Covered Payroll	\$ 755,557	\$ 736,537	\$ 792,075	\$ 756,260
Net Pension Liability as a Percentage of Covered Payroll	-20.52%	4.25%	11.44%	-3.46%

**Notes to Schedule of Net Pension Liability**

<sup>1</sup> 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. However, until a full ten-year trend is compiled, only available information is shown.

City of Whitewright  
Schedule of Pension Contributions <sup>1</sup>  
Texas Municipal Retirement System  
Last Ten Fiscal Years

	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 38,874	\$ 32,981	\$ 33,188	\$ 21,401
Contributions in relation to the actuarially determined contribution	\$ 38,874	\$ 32,981	\$ 33,188	\$ 21,401
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 846,750	\$ 736,537	\$ 738,229	\$ 756,260
Contributions as a percentage of covered payroll	4.59%	4.48%	4.50%	2.83%

**Notes to Schedule of Contributions to Pension Plan**

<sup>1</sup> This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

**Valuation Date:**

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	25 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
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  
Schedule of Changes in Total OPEB Liability and Related Ratios <sup>1</sup>  
Texas Municipal Retirement System  
Last Ten Measured Years

	<u>2017</u>
<b>Total OPEB Liability</b>	
Service Cost	\$ 1,284
Interest (on the Total OPEB Liability)	1,476
Effect of plan changes	3,360
Effect of assumption changes or inputs	-
Effect of economic/demographic (gains) or losses	-
Benefit payments	<u>(302)</u>
Net Change in Total OPEB Liability	<u>5,818</u>
Total OPEB Liability - Beginning	<u>38,558</u>
<b>Total OPEB Liability - Ending (a)</b>	<u><u>\$ 44,376</u></u>
 Covered Payroll	 \$ 755,557
Total OPEB Liability as a Percentage of Covered Payroll	5.87%

**NOTES TO SCHEDULE OF TOTAL OPEB LIABILITY**

<sup>1</sup> This schedule is presented to illustrate the requirement to show information for ten years. However, recalculations of prior years are not reported in accordance with the standards of GASB 74/75 and should not be shown here. Therefore, only years for which the new GASB statements have been implemented have been shown and ultimately ten years will be presented.

City of Whitewright  
Schedule of OPEB Contributions <sup>1</sup>  
Texas Municipal Retirement System  
Last Ten Fiscal Years

	2018
Actuarially Determined Contribution	\$ 971
Contributions in relation to the actuarially determined contribution	971
Contribution deficiency (excess)	-
Covered payroll	\$ 846,750
Contributions as a percentage of covered payroll	0.1%

**NOTES TO SCHEDULE OF OPEB CONTRIBUTIONS**

<sup>1</sup> This schedule is presented to illustrate the requirement to show for ten years. However, recalculations of prior years are not reported in accordance with the standards of GASB 74/75 and should not be shown here. Therefore, only years for which the new GASB statements have been implemented will be shown and ultimately ten years will be presented.

**Valuation Timing:** Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Inflation	2.50%
Salary Increases	3.5% to 10.5% including inflation
Discount Rate	3.31%
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

**Mortality:**

Service Retirees 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.

**Disabled Retirees**

RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

**Other Information:**

**Notes**

There were no benefit changes during the year.

