

# **CITY OF WHITE OAK, TEXAS**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2024



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**CITY OF WHITE OAK, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

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## **INTRODUCTORY SECTION**

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**CITY OF WHITE OAK, TEXAS  
PRINCIPAL OFFICIALS  
SEPTEMBER 30, 2024**

Elected Officials

<u>Name</u>	<u>Office</u>
Kyle Kutch	Mayor
Kevin Hood	Mayor Pro-Tem
Denny Kienzle	Council Member
Joseph Stephens	Council Member
Thomas Cash	Council Member
John Frazier	Council Member

Appointed Officials

<u>Name</u>	<u>Position</u>
Jimmy Purcell	City Coordinator
Kristine Toon	City Secretary
Dana Mizell	City Judge
Blake Armstrong	City Attorney

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## **FINANCIAL SECTION**

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# **MAYS & ASSOCIATES** PLLC

## **CERTIFIED PUBLIC ACCOUNTANTS**

### **INDEPENDENT AUDITOR'S REPORT**

To the City Council  
City of White Oak, Texas

#### **Report on the Audit of the Financial Statements**

##### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of White Oak, Texas (the City), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2024, 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.

##### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

##### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

##### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and TMRS pension and OPEB schedules on pages 9 through 15 and 53 through 59 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

#### **Other Information**

Management is responsible for the other information included in the annual report. The introductory section does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

  
Mays & Associates, PLLC

**CITY OF WHITE OAK, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2024**

As management of White Oak, Texas (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2024.

**Financial Highlights**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$18,020,305 (*net position*).
- During the year, the City's revenues of \$8,683,536 exceeded expenses of \$7,801,451 by \$882,085, which represents the increase in net position for the current year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,117,008, which represents approximately 71% of total general fund expenditures.

**Overview of the Financial Statements**

*Management's discussion and analysis* is intended to serve as an introduction to the City's basic *financial statements*. The City's basic *financial statements* are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

**Government-wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources (if any), with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other nonfinancial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation).

The government-wide financial statements include not only the City itself (known as the primary government), but also the legally separate White Oak Economic Development Corporation (WOEDCO) for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The governmental-wide financial statements can be found as noted in the table of contents of this report.

**Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Traditional users of government financial statements will find the fund financial statement presentation more familiar. The fund financial statements provide more information about the most significant funds – not the City as a whole. The City has two types of funds:

*Governmental Funds* – Some of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flows in and out and (2) the balances left at each year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-

**CITY OF WHITE OAK, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2024**

term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's major programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, additional information is provided that explains the relationship/differences between them.

The City reports the General and Debt Service Funds for governmental financial reporting purposes. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for these funds, which are considered to be major funds as of September 30, 2024.

The basic governmental fund financial statements can be found as noted in the table of contents of this report.

*Proprietary Funds* – The City's proprietary fund includes a Water and Sewer Fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses this fund to account for its water and sewer operations and its solid waste operations.

The basic proprietary funds financial statements can be found as noted in the table of contents of this report.

### **Fund Balance**

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- *Nonspendable* – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- *Restricted* – includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* – includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council.
- *Assigned* – includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed.
- *Unassigned* – includes the residual fund balance for amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the *general fund*.

### **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as noted in the table of contents of this report.

### **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's General Fund budget, pension/OPEB liability and related ratios, and contributions. Required supplementary information can be found as noted in the table of contents of this report.

**CITY OF WHITE OAK, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2024**

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$18,020,305 at the close of the most recent fiscal year.

<b>COMPARATIVE SCHEDULE OF NET POSITION</b>						
<i>September 30, 2024 and 2023</i>						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 3,565,223	\$ 3,411,046	\$ 6,495,464	\$ 8,163,762	\$ 10,060,687	\$ 11,574,808
Capital assets	4,659,021	5,242,157	13,281,367	10,647,274	17,940,388	15,889,431
<b>Total assets</b>	<u>8,224,244</u>	<u>8,653,203</u>	<u>19,776,831</u>	<u>18,811,036</u>	<u>28,001,075</u>	<u>27,464,239</u>
<b>Deferred outflows of resources</b>	<u>1,114,670</u>	<u>1,398,473</u>	<u>278,668</u>	<u>407,367</u>	<u>1,393,338</u>	<u>1,805,840</u>
Other liabilities	182,948	166,019	292,544	325,776	475,492	491,795
Long-term liabilities	5,631,699	1,902,780	5,062,401	9,698,225	10,694,100	11,601,005
<b>Total liabilities</b>	<u>5,814,647</u>	<u>2,068,799</u>	<u>5,354,945</u>	<u>10,024,001</u>	<u>11,169,592</u>	<u>12,092,800</u>
<b>Deferred inflows of resources</b>	<u>102,143</u>	<u>31,248</u>	<u>25,536</u>	<u>7,811</u>	<u>127,679</u>	<u>39,059</u>
Net position:						
Net investment in capital assets	676,923	5,172,279	10,952,471	5,434,462	11,629,394	10,606,741
Restricted:						
Debt service	17,517	2,629	25,503	24,145	43,020	26,774
Other	205,416	185,991	-	-	205,416	185,991
Unrestricted	2,522,268	2,590,730	3,620,207	3,727,984	6,142,475	6,318,714
<b>Total net position</b>	<u>\$ 3,422,124</u>	<u>\$ 7,951,629</u>	<u>\$ 14,598,181</u>	<u>\$ 9,186,591</u>	<u>\$ 18,020,305</u>	<u>\$ 17,138,220</u>

The largest portion of the City's net position reflects its investment in capital assets (e.g. land, buildings, vehicles, furniture, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to the citizens; consequently, these assets are not available for future spending.

Additionally, a portion of the City's net position represents restricted financial resources to be used for debt service.

Governments providing defined benefit pension plans and other post-employment benefits were required to recognize their long-term obligation for pension and OPEB benefits as a liability on their accrual-based, government-wide statement of net position. This provides citizens and other users of these financial reports with a clearer picture of the size and nature of the financial obligations to current and former employees. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

The implementation of these standards clearly depicts the government's financial position. While this information will, in some cases, give the appearance that a government is financially weaker than it was previously, the financial reality of the government's situation will not have changed. Reporting the net pension liability and net OPEB liability on the face of the financial statements will more clearly portray the government's financial status because the pension and OPEB liabilities will be placed on an equal footing with other long-term obligations.

**CITY OF WHITE OAK, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2024**

At September 30, 2024, the City reported a combined net pension liability(asset) of \$1,901,109 and net OPEB liability of \$160,893 for its share of liabilities. At September 30, 2023, the City's combined net pension liability and OPEB liability was \$2,140,006 and \$151,121, respectively.

Net position of the City, which relates to governmental and business-type activities, increased by \$882,085. Key elements of the increase are as follows:

<b>COMPARATIVE SCHEDULE OF CHANGES IN NET POSITION</b>						
<i>For the Years Ended September 30, 2024 and 2023</i>						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
<b>Revenues</b>						
<b>Program revenues:</b>						
Charges for services	\$ 170,078	\$ 208,679	\$ 3,413,289	\$ 3,176,694	\$ 3,583,367	\$ 3,385,373
Operating grants & contributions	5,415	342,378	-	784,799	5,415	1,127,177
Capital grants & contributions	-	-	-	-	-	-
<b>General revenues:</b>						
Taxes	4,232,565	3,789,301	-	-	4,232,565	3,789,301
Franchise Fees	289,795	475,043			289,795	475,043
Investment Income	195,932	162,171	304,045	293,417	499,977	455,588
Contributions	-	-	-	-	-	-
Miscellaneous	72,417	16,273	-	-	72,417	16,273
<b>Total revenues</b>	<b>4,966,202</b>	<b>4,993,845</b>	<b>3,717,334</b>	<b>4,254,910</b>	<b>8,683,536</b>	<b>9,248,755</b>
<b>Expenses:</b>						
General Government	1,229,999	1,134,063	-	-	1,229,999	1,134,063
Public Safety	2,924,258	3,334,032	-	-	2,924,258	3,334,032
Public Works	670,645	1,435,904	-	-	670,645	1,435,904
Development Services	-	-	-	-	-	-
Parks & Recreation	293,622	280,519	-	-	293,622	280,519
Debt service	2,183	3,233	-	-	2,183	3,233
Water Utilities	-	-	2,680,744	2,661,864	2,680,744	2,661,864
<b>Total expenses</b>	<b>5,120,707</b>	<b>6,187,751</b>	<b>2,680,744</b>	<b>2,661,864</b>	<b>7,801,451</b>	<b>8,849,615</b>
Increase (decrease) in net position before transfers and capital contribution	(154,505)	(1,193,906)	1,036,590	1,593,046	882,085	399,140
Transfers in (out)	(4,375,000)	420,807	4,375,000	(420,807)	-	-
<b>Change in net position</b>	<b>(4,529,505)</b>	<b>(773,099)</b>	<b>5,411,590</b>	<b>1,172,239</b>	<b>882,085</b>	<b>399,140</b>
<b>Net position, beginning</b>	<b>7,951,629</b>	<b>8,724,728</b>	<b>9,186,591</b>	<b>8,014,352</b>	<b>17,138,220</b>	<b>16,739,080</b>
Prior period adjustment	-	-	-	-	-	-
<b>Net position, ending</b>	<b>\$ 3,422,124</b>	<b>\$ 7,951,629</b>	<b>\$ 14,598,181</b>	<b>\$ 9,186,591</b>	<b>\$ 18,020,305</b>	<b>\$ 17,138,220</b>

The City's revenue from governmental activities totaled \$4,966,202 and expenses totaled \$5,120,707. The governmental net position decreased \$4,529,505 as compared to a decrease of \$773,099 in the prior year. The decrease in net position is due to a transfer to the utility fund. Departments worked diligently to decrease expenses where possible. This helped with the effects of inflation that we have experienced in our economy.

The City's revenue from business-type activities totaled \$3,717,334 and expenses totaled \$2,680,744. The business-type net position increased \$5,411,590 as compared to an increase of \$1,172,239 in the prior year. The increase in activity during the year was caused by a shift in reporting of its sanitation activity in the general fund to the utility fund.



**CITY OF WHITE OAK, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2024**

**Financial Analysis of the City's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City's governmental funds are discussed as follows:

*Governmental Funds* – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, fund balances may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported an ending fund balance of \$3,330,493, which is a increase of \$126,250 over last year's total of \$3,204,243. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents approximately 6.5 months of operating expenditures.

*Proprietary Funds* – The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. See discussion above regarding the City's only business-type activity.

**General Fund Budgetary Highlights**

During the year, there were no increases in appropriations between the original and final amended budget for revenues and expenditures of the General Fund.

	<b>BUDGET</b>	
	<b>Original</b>	<b>Final</b>
Total revenues	\$ 4,104,629	\$ 4,415,556
Total expenditures & transfers	4,130,841	4,207,919
Net change in fund balance	\$ (26,212)	\$ 207,637

The City adopted a surplus budget in for the General Fund; however, fund balance resulted in a decrease of \$86,643 for the fiscal year. This negative variance resulted from the following:

	<b>Final</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
Total revenues	\$ 4,415,556	\$ 4,474,810	\$ 59,254
Total expenditures	4,207,919	4,387,148	(179,229)
Total transfers in (out)	-	33,332	33,332
Net change in fund balance	\$ 207,637	\$ 120,994	\$ (86,643)

Overall, the General Fund balance increased \$120,994 from the prior year, which increased unassigned fund balance by the same amount. The increase in fund balance primarily resulted from an increase in property tax in intergovernmental revenues.

**CITY OF WHITE OAK, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2024**

**Capital Assets and Debt Administration**

*Capital Assets* – The City's investment in capital assets as of September 30, 2024, totals to \$17,940,388 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, equipment and infrastructure as follows:

<b>SCHEDULE OF CAPITAL ASSETS</b> <b>(Net of Accumulated Depreciation)</b> <i>September 30, 2024 and 2023</i>						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
<b>Non-Depreciable Assets</b>						
Land	\$ 378,854	\$ 378,854	\$ 96,823	\$ 96,823	\$ 475,677	\$ 475,677
Construction in Progress	20,100	20,100	298,720	137,720	318,820	157,820
<b>Other Capital Assets</b>						
Building and improvements	1,435,867	1,345,867	255,590	255,590	1,691,457	1,601,457
Machinery and equipment	3,049,629	2,871,403	1,115,937	1,115,937	4,165,566	3,987,340
Infrastructure	10,669,347	10,669,347	-	-	10,669,347	10,669,347
Water and sewer system	-	-	27,293,884	24,223,115	27,293,884	24,223,115
	15,553,797	15,285,571	29,060,954	25,829,185	44,614,751	41,114,756
<b>Less: Accumulated Depreciation</b>	<u>(10,894,776)</u>	<u>(10,043,414)</u>	<u>(15,779,587)</u>	<u>(15,181,911)</u>	<u>(26,674,363)</u>	<u>(25,225,325)</u>
<b>Capital Assets, net</b>	<u>\$ 4,659,021</u>	<u>\$ 5,242,157</u>	<u>\$ 13,281,367</u>	<u>\$ 10,647,274</u>	<u>\$ 17,940,388</u>	<u>\$ 15,889,431</u>

Additional information about the City's capital assets can be found in notes to the financial statements.

**Long-term Debt**

At the end of the current fiscal year, the City had \$10,779,959 in long-term debt outstanding.

<b>SCHEDULE OF LONG-TERM DEBT</b> <i>September 30, 2024 and 2023</i>						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Certificates of obligation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State infrastructure loans	37,098	69,878	4,650,000	4,890,000	4,687,098	4,959,878
Premium on issuance debt-	-	-	-	-	-	-
2013 Certificate of Obligation						
Refunding bonds	3,945,000	-	-	4,350,000	3,945,000	4,350,000
Net pension liability	1,520,887	1,712,005	380,222	428,001	1,901,109	2,140,006
OPED liability	128,714	120,897	32,179	30,224	160,893	151,121
Compensated absences	<u>85,859</u>	<u>74,074</u>	<u>-</u>	<u>-</u>	<u>85,859</u>	<u>74,074</u>
<b>Totals</b>	<u>\$ 5,717,558</u>	<u>\$ 1,976,854</u>	<u>\$ 5,062,401</u>	<u>\$ 9,698,225</u>	<u>\$ 10,779,959</u>	<u>\$ 11,675,079</u>

During 2024, the City's debt decreased by approximately \$900 thousand over the prior year offset by regularly scheduled debt service requirements during the year. Additional information on the City's long-term debt can be found in the notes to the financial statements.

**CITY OF WHITE OAK, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2024**

**Economic Factors and Next Year's Budget**

The City continues to see increase projections in its sales tax revenue collections. We remain hopeful but realistic as we head into 2024-2025.

As a result, the adopted budget for the fiscal year 2024-2025 is again lean. A conservative approach was taken with revenue projections. A tax rate of \$0.64204 was adopted, which is lower than last year. New legislation concerning tax rates will likely negatively affect the City's ability to raise the rate in the future. This is certainly going to be a challenge as we have seen property tax values increase and the "No New Revenue" rate will not be enough to maintain city costs. As inflation continues to rise, there may come a time in the near future when we have no choice but to adopt the effective tax rate.

The City has adopted a surplus budget for both the General and Debt Service Funds for 2024-2025.

**Request for Information**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the city's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's Office at 906 S. White Oak Road, White Oak, TX 75693 or call (903) 759-3936 Ext. 7024.

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**CITY OF WHITE OAK, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2024**

A-1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	WOEDCO
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 385,291	\$ 496,802	\$ 882,093	\$ 396,830
Temporary investments	2,818,722	2,912,122	5,730,844	-
Restricted temporary investments	-	2,321,104	2,321,104	-
Receivables				-
Property taxes, net	137,641	-	137,641	-
Accounts receivables, net	-	765,436	765,436	163,043
Due from other governments	217,903	-	217,903	95,596
Due from others	2,476	-	2,476	-
Internal balances	627	-	627	-
Prepays	2,563	-	2,563	-
Capital assets, net of accumulated depreciation	4,659,021	13,281,367	17,940,388	-
<b>Total Assets</b>	<b>8,224,244</b>	<b>19,776,831</b>	<b>28,001,075</b>	<b>655,469</b>
<b><u>Deferred Outflows of Resources</u></b>				
Deferred outflows - pension	1,111,024	277,756	1,388,780	-
Deferred outflows - OPEB	3,646	912	4,558	-
<b>Total Deferred Outflows of Resources</b>	<b>1,114,670</b>	<b>278,668</b>	<b>1,393,338</b>	<b>-</b>
Accrued interest payable				
<b><u>Liabilities</u></b>				
Accounts payable	34,236	3,435	37,671	1,590
Accrued wages	50,769	13,281	64,050	-
Accrued interest payable	-	24,366	24,366	-
Customer deposits	-	228,700	228,700	-
Compensated absences	85,859	22,135	107,994	-
Internal balances	-	627	627	-
Other liabilities	12,084	-	12,084	-
Noncurrent liabilities:				
Due within one year	444,094	250,000	694,094	-
Due in more than one year	3,538,004	4,400,000	7,938,004	-
Total Pension liability	1,520,887	380,222	1,901,109	-
Total OPEB liability	128,714	32,179	160,893	-
<b>Total Liabilities</b>	<b>5,814,647</b>	<b>5,354,945</b>	<b>11,169,592</b>	<b>1,590</b>
<b><u>Deferred Inflows of Resources</u></b>				
Deferred inflows - pension	79,442	19,860	99,302	-
Deferred inflows - OPEB	22,701	5,676	28,377	-
<b>Total Deferred Inflows of Resources</b>	<b>102,143</b>	<b>25,536</b>	<b>127,679</b>	<b>-</b>
<b><u>Net Position</u></b>				
Net investment in capital assets	676,923	10,952,471	11,629,394	-
Restricted for:				
Debt service	17,517	25,503	43,020	-
Economic development	-	-	-	653,879
Other	205,416	-	205,416	-
Unrestricted	2,522,268	3,620,207	6,142,475	-
<b>Total Net Position</b>	<b>\$ 3,422,124</b>	<b>\$ 14,598,181</b>	<b>\$ 18,020,305</b>	<b>\$ 653,879</b>

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

**CITY OF WHITE OAK, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

		<u>Program Revenues</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants &amp; Contributions</u>
<b><u>Governmental Activities</u></b>			
General government	\$ 1,229,999	\$ 93,207	\$ 5,415
Public safety	2,924,258	-	-
Public works	670,645	71,471	-
Recreation	293,622	5,400	-
Debt service	2,183	-	-
<b>Total Governmental Activities</b>	<u>5,120,707</u>	<u>170,078</u>	<u>5,415</u>
<b><u>Business-Type Activities</u></b>			
Water and sewer fund	<u>2,680,744</u>	<u>3,413,289</u>	<u>-</u>
<b>Total Business-Type Activities</b>	<u>2,680,744</u>	<u>3,413,289</u>	<u>-</u>
<b>Total Primary Government</b>	<u>\$ 7,801,451</u>	<u>\$ 3,583,367</u>	<u>\$ 5,415</u>
<b><u>Component Unit</u></b>			
White Oak Economic Development Corporation	<u>670,107</u>	<u>-</u>	<u>-</u>
<b>Total Component Unit</b>	<u>670,107</u>	<u>-</u>	<u>-</u>
<b>General Revenues:</b>			
Property taxes			
Sales taxes			
Franchise taxes			
Investment earnings			
Other			
Transfers, net			
<b>Total General Revenues and Transfers</b>			
<b>Change in Net Position</b>			
<b>Net Position, Beginning</b>			
<b>Net Position, Ending</b>			

Net (Expense) Revenue and Changes in Net Position					
Capital Grants & Contributions	Primary Government			Component Unit	
	Governmental Activities	Business-Type Activities	Total	WOEDCO	
\$ -	\$ (1,131,377)	\$ -	\$ (1,131,377)	\$ -	
-	(2,924,258)	-	(2,924,258)	-	
-	(599,174)	-	(599,174)	-	
-	(288,222)	-	(288,222)	-	
-	(2,183)	-	(2,183)	-	
-	(4,945,214)	-	(4,945,214)	-	
-	-	732,545	732,545	-	
-	-	732,545	732,545	-	
\$ -	\$ (4,945,214)	\$ 732,545	\$ (4,212,669)	\$ -	
-	-	-	-	(670,107)	
-	-	-	-	(670,107)	
	\$ 3,138,535	\$ -	\$ 3,138,535	\$ -	
	1,094,030	-	1,094,030	547,395	
	289,795	-	289,795	-	
	195,932	304,045	499,977	982	
	72,417	-	72,417	5,250	
	(4,375,000)	4,375,000	-	-	
	415,709	4,679,045	5,094,754	553,627	
	(4,529,505)	5,411,590	882,085	(116,480)	
	7,951,629	9,186,591	17,138,220	770,359	
	\$ 3,422,124	\$ 14,598,181	\$ 18,020,305	\$ 653,879	

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

**CITY OF WHITE OAK, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2024**

**B-1**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 379,785	\$ 5,506	\$ 385,291
Temporary investments	2,818,722	-	2,818,722
Receivables:			
Property taxes, net	125,630	12,011	137,641
Due from other governments	217,903	-	217,903
Other	2,476	-	2,476
Due from other funds	627	-	627
Prepays	2,563	-	2,563
<b>Total Assets</b>	<b>\$ 3,547,706</b>	<b>\$ 17,517</b>	<b>\$ 3,565,223</b>
<b><u>Liabilities</u></b>			
Accounts payable	\$ 34,236	\$ -	\$ 34,236
Accrued wages	50,769	-	50,769
Due to other funds	-	-	-
Other liabilities	12,084	-	12,084
<b>Total Liabilities</b>	<b>97,089</b>	<b>-</b>	<b>97,089</b>
<b><u>Deferred Inflows of Resources</u></b>			
Unavailable revenue - property taxes	125,630	12,011	137,641
<b>Total Deferred Inflows of Resources</b>	<b>125,630</b>	<b>12,011</b>	<b>137,641</b>
<b><u>Fund Balances</u></b>			
Nonspendable	2,563	-	2,563
Restricted fund balance:			
Retirement of long-term debt	-	5,506	5,506
Other	205,416	-	205,416
Unassigned fund balance	3,117,008	-	3,117,008
<b>Total Fund Balances</b>	<b>3,324,987</b>	<b>5,506</b>	<b>3,330,493</b>
<b>Total Liabilities, Deferred Inflows &amp; Fund Balances</b>	<b>\$ 3,547,706</b>	<b>\$ 17,517</b>	<b>\$ 3,565,223</b>

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



**CITY OF WHITE OAK, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2024**

**B-2**

<b>Total Fund Balances - Governmental Funds</b>	\$ 3,330,493
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. The net effect is an increase to net position.	4,659,021
Long-term liabilities, including net pension asset and OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The net effect is a decrease to net position.	(5,631,699)
Deferred outflows and inflows of resources related to pensions and OPEB are not reported in governmental funds. The net effect is an increase to net position.	1,012,527
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, and accrued interest. The net effect of these reclassifications and recognitions is an increase in net position.	51,782
<b>Net Position of Governmental Activities</b>	<u>\$ 3,422,124</u>

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

**CITY OF WHITE OAK, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

**B-3**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b><u>Revenues</u></b>			
Taxes:			
Property taxes	\$ 2,647,143	\$ 468,609	\$ 3,115,752
Sales taxes	1,094,030	-	1,094,030
Franchise taxes	289,795	-	289,795
Licenses, permits and fees	71,471	-	71,471
Fines, forfeitures, and penalties	88,541	-	88,541
Park user fees	5,400	-	5,400
Investment income	195,932	-	195,932
Contributions and grants	5,415	-	5,415
Service charges and fees	4,667	-	4,667
Miscellaneous	72,416	-	72,416
<b>Total Revenues</b>	<b>4,474,810</b>	<b>468,609</b>	<b>4,943,419</b>
<b><u>Expenditures</u></b>			
<b>Current:</b>			
General government	1,013,629	-	1,013,629
Public safety	2,427,144	-	2,427,144
Public works	561,284	-	561,284
Recreation	350,149	-	350,149
<b>Capital Outlay</b>			
<b>Debt Service:</b>			
Principal on long-term debt	32,780	-	32,780
Interest	2,162	-	2,162
Issuance costs and fiscal agent fees	-	21	21
<b>Total Expenditures</b>	<b>4,387,148</b>	<b>21</b>	<b>4,387,169</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>87,662</b>	<b>468,588</b>	<b>556,250</b>
<b><u>Other Financing (Uses)</u></b>			
Transfers in	33,332	-	33,332
Transfers (out)	-	(463,332)	(463,332)
<b>Total Other Financing (Uses)</b>	<b>33,332</b>	<b>(463,332)</b>	<b>(430,000)</b>
<b>Net Change in Fund Balances</b>	<b>120,994</b>	<b>5,256</b>	<b>126,250</b>
<b>Fund balances - Beginning</b>	<b>3,203,993</b>	<b>250</b>	<b>3,204,243</b>
<b>Fund Balances - Ending</b>	<b>\$ 3,324,987</b>	<b>\$ 5,506</b>	<b>\$ 3,330,493</b>
		-	

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

**CITY OF WHITE OAK, TEXAS**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

**B-4**

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ 126,250
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of the current year's depreciation is to decrease net position.	(851,362)
Current year capital outlays are expenditures in the fund statements, but they should be shown as increases in capital assets in the government-wide financial statements. The next effect of removing the 2024 capital outlays is an increase to net position.	268,226
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The net effect is to increase net position.	32,780
The change in net pension liability, total OPEB liability, and deferred outflows/inflows of resources are reported as expenses in the Statement of Activities. The net effect is to decrease net position.	(171,397)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing the change in deferred revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is an decrease in net position.	(3,934,002)
<b>Change in Net Position of Governmental Activities</b>	<u>\$ (4,529,505)</u>

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

**CITY OF WHITE OAK, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2024**

C-1

	<b>Business-type Activities</b>
	<b>Enterprise Funds</b>
	<b>Utility Fund</b>
<b><u>Assets</u></b>	
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 496,802
Temporary investments	2,912,122
Accounts receivable, net	765,436
Restricted temporary investments	2,321,104
Due from other funds	-
Total Current Assets	<u>6,495,464</u>
<b>Non-Current Assets:</b>	
Capital assets, net of accumulated depreciation	<u>13,281,367</u>
Total Non-Current Assets	<u>13,281,367</u>
<b>Total Assets</b>	<u><u>19,776,831</u></u>
<b><u>Deferred Outflows of Resources</u></b>	
Deferred outflows - pension	277,756
Deferred outflows - OPEB	<u>912</u>
<b>Total Deferred Outflows of Resources</b>	<u><u>278,668</u></u>
<b><u>Liabilities</u></b>	
<b>Current Liabilities:</b>	
Accounts payable	76,837
Sales tax payable	3,435
Accrued wages	13,281
Compensated absences	22,135
Due to other funds	627
Accrued interest payable	24,366
Customer deposits	228,700
Long-term debt payable-current	<u>250,000</u>
Total Current Liabilities	<u>619,381</u>
<b>Non-Current Liabilities:</b>	
Long-term debt payable	4,400,000
Total Pension liability	380,222
Total OPEB liability	<u>32,179</u>
Total Non-Current Liabilities	<u>4,812,401</u>
<b>Total Liabilities</b>	<u><u>5,431,782</u></u>
<b><u>Deferred Inflows of Resources</u></b>	
Deferred inflows - pension	19,860
Deferred inflows - OPEB	<u>5,676</u>
<b>Total Deferred Inflows of Resources</b>	<u><u>25,536</u></u>
<b><u>Net Position</u></b>	
Net investment in capital assets	10,952,471
Restricted for debt service	25,503
Unrestricted	<u>3,620,207</u>
<b>Total Net Position</b>	<u><u>\$ 14,598,181</u></u>

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

**CITY OF WHITE OAK, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

C-2

	<b>Business-type Activities</b>
	<b><u>Enterprise Funds</u></b>
	<b><u>Water and</u></b>
	<b><u>Sewer Funds</u></b>
<b><u>Operating Revenues</u></b>	
Water revenue	\$ 2,156,702
Sewer revenue	1,118,487
Sanitation revenue	29,988
Penalties	46,509
Installment fees	57,631
Miscellaneous revenue	3,972
<b>Total Operating Revenues</b>	<b><u>3,413,289</u></b>
<b><u>Operating Expenses</u></b>	
Administration	87,076
Fleet maintenance	59,101
Water supply	107,256
Water distribution	280,234
Water purification	662,247
Sanitary sewer maintenance	186,795
Sanitary sewer treatment	421,290
Depreciation	607,676
Franchise fee	25,000
Miscellaneous expense	42,426
<b>Total Expenditures</b>	<b><u>2,479,101</u></b>
<b>Operating Income (Loss)</b>	<b><u>934,188</u></b>
<b><u>Non-Operating Revenues (Expenses)</u></b>	
Investment earnings	304,045
Debt service - interest and fees	(201,643)
<b>Total Non-Operating Revenues (Expenses)</b>	<b><u>102,402</u></b>
<b>Income (Loss) Before Transfers</b>	<b>1,036,590</b>
Transfers in	4,375,000
Transfers (out)	-
<b>Net Income (Loss)</b>	<b><u>5,411,590</u></b>
<b>Net Position, Beginning</b>	<b><u>9,186,591</u></b>
<b>Net Position, Ending</b>	<b><u>\$ 14,598,181</u></b>

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

**CITY OF WHITE OAK, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

C-3

	<b>Business-type Activities</b>
	<b><u>Enterprise Funds</u></b>
	<b><u>Water and</u></b>
	<b><u>Sewer Fund</u></b>
<b><u>Cash Flows from Operating Activities</u></b>	
Cash received from customers and users	\$ 3,297,847
Cash paid to suppliers and service providers	(985,597)
Cash paid to employees for salaries and benefits	(759,967)
<b>Net Cash Provided by Operating Activities</b>	<b>1,552,283</b>
<b><u>Cash Flows from Non-Capital Financing Activities</u></b>	
Operating transfers in	431,167
Operating transfers (out)	-
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<b>431,167</b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Acquisition and construction of capital assets	(3,241,769)
Principal paid on outstanding debt	(645,000)
Interest paid on outstanding debt	(189,891)
<b>Net Cash (Used) by Capital Related Financing Activities</b>	<b>(4,076,660)</b>
<b><u>Cash Flows from Investing Activities</u></b>	
Interest on investments	304,045
<b>Net Cash Provided by Investing Activities</b>	<b>304,045</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(1,789,165)</b>
<b>Cash, Cash Equivalents &amp; Temporary Investments, Beginning</b>	<b>7,519,193</b>
<b>Cash, Cash Equivalents &amp; Temporary Investments, Ending</b>	<b>\$ 5,730,028</b>
<b><u>Reconciliation of Operating Income to Net Cash</u></b>	
<b><u>Provided (Used) by Operating Activities</u></b>	
Operating income (loss)	\$ 934,188
Adjustments to Reconcile Operating Income to	
Net Cash Provided by Operating Activities:	
Depreciation and amortization expense	607,676
(Increase) Decrease in receivables	(121,407)
(Increase) Decrease in deferred outflows - pension	70,984
(Increase) Decrease in deferred outflows - OPEB	(34)
(Increase) Decrease in loss on defeasance of debt	57,749
Increase (Decrease) in accounts payable	9,764
Increase (Decrease) in sales tax payable	3,435
Increase (Decrease) in accrued wages	6,434
Increase (Decrease) in compensated absences	5,628
Increase (Decrease) in deferred inflows - pension	19,860
Increase (Decrease) in deferred inflows - OPEB	(2,135)
Increase (Decrease) in total net pension liability	(47,779)
Increase (Decrease) in total OPEB liability	1,955
Increase (Decrease) in customer deposits	5,965
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 1,552,283</b>
<b>Cash and Cash Equivalents, End of Year:</b>	
Unrestricted cash and cash equivalents per balance sheet	\$ 496,802
Unrestricted and restricted temporary investments per balance sheet	5,233,226
	<b>\$ 5,730,028</b>

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

**CITY OF WHITE OAK, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES**

The combined financial statements of City of White Oak, Texas (the City) have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**A. FINANCIAL REPORTING ENTITY**

The City's basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's "Codification of Governmental Accounting and Financial Reporting Standards," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City
- the exclusion of the organization would result in misleading or incomplete financial statements

The City also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. The GASB Codification requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the City, its component units or its constituents; and 2) The City or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the City.

Based on these criteria, the City has one component unit. Additionally, the City is not a component unit of any other reporting entity as defined by the GASB Codification.

**Discretely Presented Component Unit**

White Oak Economic Development Corporation (WOEDCO) is a Texas nonprofit corporation organized for the purpose of benefitting and accomplishing public purposes of the City of White Oak, Texas, by promoting, assisting, and enhancing economic development activities for the City. The board members are appointed by the City of White Oak City Council. WOEDCO is funded by a one-quarter percent sales tax levied on taxable sales within the City of White Oak. This tax was enacted by popular vote in 1995 and may be repealed by popular vote. Corporate financial statements of WOEDCO can be obtained directly from their administrative offices in White Oak, Texas. WOEDCO is reported in a separate column to emphasize that it is legally separate from the City.

**B. FINANCIAL STATEMENT PRESENTATION – GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information about the City as a whole. These statements include all activities of the primary government and its component units. For the most part, the effect of interfund 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

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support. Likewise, the primary government is reported separately from the discretely presented component unit for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds. In the fund financial statements, the accounts of the City are organized on the basis of fund, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Description of the various funds follows.

#### **Governmental Funds**

Governmental funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources, and liabilities and deferred inflows of resources is reported as fund balance.

The City reports the following major governmental funds:

**General Fund** - The General Fund accounts for the resources used to finance the fundamental operations of the City. The principal sources of revenue include local property taxes, sales and franchise taxes, fines and forfeitures, licenses and permits, and other revenues. Expenditures are primarily for general government, public safety, and public works.

**Debt Service Fund** - The Debt Service Fund is used to account for the payment of interest and principal on all general obligation bonds. The primary source of revenue for debt service is local property taxes.

#### **Proprietary Fund Types**

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business-type activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include cost of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

For the year ended September 30, 2024, the City reports the following major proprietary fund:

**Water and Sewer Fund** - The water utilities fund accounts for the operations related to providing water and sewer services. In addition, this fund accounts for trash & sanitation activities. The fund also accounts for the accumulation of resources for the payment of long-term related debt.



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**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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 as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Tax revenues are considered available when collected. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, franchise taxes, license, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received by the government.

**D. POLICIES**

**1. Cash and Cash Equivalents**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, highly liquid investments, certificates of deposit, and money market accounts with original maturities of three months or less from the date of acquisition.

**2. Deposits and Investments**

The City may invest in (1) obligations of the United States or its agencies, (2) obligations of the State of Texas or its agencies, (3) certificates of deposits, (4) repurchase agreements, and (5) authorized investment pools and funds. Investments are stated at fair value; however, investments with original maturities less than one year are recorded at amortized costs. Investments in local government investment pools are valued and recorded at amortized costs as permitted by GASB Statement No. 79, Certain Investment Pools and Pool Participants. Investments with maturities of 12 months or less at the date of purchase are held at amortized cost and net asset value (NAV). Investments with maturities exceeding 12 months at the date of purchase are stated at fair value based on quoted market prices at year-end date.

The City categorizes fair value measurements of its investments based on the hierarchy established by GAAP. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology are quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. At September 30, 2024, the City had no investments subject to fair value measurement.

**3. Receivables**

Receivables are reported net of allowance for uncollectible accounts and revenues net of uncollectibles.

**4. Interfund Receivables and Payables**

During the course of operations, transactions occur between individual funds for specified purposes. These receivables and payables are classified as "due from other funds" or "due to other funds" in the fund financial statements. Interfund receivables and payables are eliminated in the government-wide financial statements as well as transfers between funds.

**5. Prepaids**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**6. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure items, are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Infrastructure is not held to the \$5,000 limit; all infrastructure is capitalized regardless of cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<b>Asset Description</b>	<b>Estimated Useful Life (years)</b>
Buildings	50
Building improvements	20
System infrastructure	50
Vehicles	8
Machinery and equipment	5-10

**7. Compensated Absences**

Regular full-time employees are eligible to accrue vacation leave of 80 hours per year during their first five years of employment and 120 hours per year thereafter. Although employees are expected to use vacation leave time in the year in which it is earned, the carryover of unused vacation time may be approved by the City Coordinator. Unused vacation time is compensated at the employee's current rate of pay upon termination.

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**8. Unearned Revenues**

Unearned revenues arise when assets are recognized before revenue recognition criteria has been satisfied.

Property taxes for which there is an enforceable legal claim as of January 1, but which were levied to finance current year operations, are recorded as deferred inflows of resources in the fund financial statements. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue in both the government-wide and fund financial statements.

In governmental fund financial statements, receivables that will not be collected within the available period are reported as deferred inflows of resources.

**9. Long-term Obligations**

The government-wide financial statements and proprietary fund type fund financial statements report long-term debt and other long-term obligations as liabilities in the applicable governmental and business-type activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are recognized in the current period as debt service expenses.

In the fund financial statements, bond premiums (net of discounts) are recognized in the current period, and recorded as other financing sources. Issuance costs are recognized in the current period as debt service expenditures. The face amount of debt issued is reported as other financing sources; whereas bonds refunded during the period are recorded as other financing uses.

**10. Deferred Outflows/Inflows of Resources**

In addition to assets, financial statements will include a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category on the government-wide Statement of Net Position:

- Pension contributions after the measurement date – These contributions are deferred and reported as a reduction in net pension liability or increase in net pension asset in the year subsequent to deferral.
- OPEB benefit and premium payments after the measurement date – These benefit payments are deferred and reported as reduction in total OPEB liability in the year subsequent to their deferral.
- Difference in project and actual experience (pensions and OPEBs) – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.
- Changes of assumptions (pensions and OPEBs) – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.
- Difference in projected and actual investment earnings on the pension plan assets – This difference is deferred and amortized over a period of five years.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of

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resources (revenue) until that time. The City has one item that qualifies for reporting in this category in the government-wide Statement of Net Position. Deferred inflows of resources are recognized as a result of differences between the actuarial expectations and the actual economic experience. This amount is deferred and amortized over the average of the expected service lives of pension plan members. At the fund level, the City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

## **11. Fund Balance**

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nondisposable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. (Inventories and Prepaid Items are considered Nondisposable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.)
- Restricted – includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed – includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned – includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the Mayor or City Administrator through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the general fund.
- Unassigned – includes the residual fund balance for amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the general fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

The City has a policy to maintain a minimum of two months of operating expenditures in unassigned fund balance in the General Fund. At September 30, 2023, the City was in compliance with this policy.

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**12. Net Position**

Net Position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. The classifications used in the government-wide financial statements are as follows:

- Net position invested in capital assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.
- Restricted net position – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.
- Unrestricted net position – This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

The City’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**13. Interfund Activity**

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government’s water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**14. Pensions**

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

**15. Other Post-Employment Benefits (OPEB)**

For purposes of measuring the total OPEB liability, OPEB related deferred outflows and inflows of resources, and OPEB expense, benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Contributions are not required but are measured as payments by the City for benefits due and payable that are not reimbursed by plan assets. Information regarding the City’s total OPEB liability is obtained from a report prepared by a consulting actuary.

**16. Estimates**

The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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**17. New Accounting Pronouncements**

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, provides guidance on the accounting and financial reporting for SBITAs for government end users (governments). Under GASB 96, a SBITA is defined as a contract that conveys controls of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The subscription term includes the period during which a government has a noncancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA vendor will not exercise that option). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter, with earlier application encouraged.

GASB 96 had no significant impact to the City's financial statements, therefore are not present within the disclosures.

**II. DETAILED NOTES**

**A. DEPOSITS AND INVESTMENTS**

A summary of the City's cash and investments at September 30, 2024 is shown below:

	<b>Cash and Deposits</b>	<b>Investment Pools</b>	<b>Total Cash and Investments</b>
Governmental funds:			
General fund	\$ 379,785	\$ 2,818,722	\$ 3,198,507
Debt service fund	<u>5,506</u>	<u>-</u>	<u>5,506</u>
Total governmental funds	<u>385,291</u>	<u>2,818,722</u>	<u>3,204,013</u>
Proprietary funds:			
Water & sewer fund	<u>496,802</u>	<u>5,233,226</u>	<u>5,730,028</u>
Total proprietary funds	<u>496,802</u>	<u>5,233,226</u>	<u>5,730,028</u>
	<u>\$ 882,093</u>	<u>\$ 8,051,948</u>	<u>\$ 8,934,041</u>

The following table includes investment type, portfolio balance, maturity, credit rating, and percentage of investment by portfolio balance:

	<b>Carrying Amount</b>	<b>Value</b>	<b>Maturity</b>	<b>Credit Rating</b>	<b>% Invested</b>
Cash and deposits	\$ 882,093	\$ 1,059,783	n/a	n/a	12%
Investment pools:					
Texas Class	<u>8,051,948</u>	<u>8,051,948</u>	n/a	AAAm	<u>88%</u>
	<u>\$ 8,934,041</u>	<u>\$ 9,111,731</u>			<u>100%</u>

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**Deposits**

The City's funds are required to be deposited and invested under the terms of depository contract pursuant to state statutes. The depository bank deposits, for safekeeping and trust with the City's agent bank, approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At September 30, 2024, the net carrying amount of the City's cash and deposits was \$882,093 and the bank balance was \$1,059,783. At September 30, 2024, the City's combined deposits were fully insured by FDIC insurance or collateralized with securities held by the Bank's agent in the City's name.

**Public Funds Investment Pools**

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The City's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

**Texas CLASS**

The City invests in the Texas CLASS, which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The pool is governed by a board of trustees, elected annually by its participants. The parties to the Trust Agreement are Texas local government entities that choose to participate in the Trust (the "Participants"), Public Trust Advisors, LLC (PTA) as Program Administrator and Wells Fargo Bank, N.A. as Custodian. Texas CLASS is rated AAAM or equivalent rating from at least one nationally recognized rating agency and operated in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940. The stated objective of Texas CLASS is to maintain a stable average \$1.00 per unit net asset value and is designed to be used for investment of funds which may be needed at any time.

**Analysis of Specific Deposit and Investment Risks:**

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

**1. Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

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**2. Custodial Credit Risk – Deposits**

For deposits, this is the risk that in the event of bank failure, the City’s deposits may not be returned to it. Collateral is required for all bank deposits at 100% of deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of State and its municipalities and school districts. Collateral pledged to cover the City’s deposits is required to be held in the City’s name by the trust department of a bank other than the pledging bank (the City’s agent). Collateral securities must bear a Baa-1 or better rating to qualify for use in securing uninsured depository balances. Deposits at year-end are representative of the types of deposits maintained by the City during the year.

All cash deposited to the credit of such escrow account(s) and any accrued interest in excess of the amounts insured by FDIC and remaining un-invested under the terms of the escrow agreement shall be continuously secured by a valid pledge of direct obligations of the United States or other collateral meeting the requirements of the Public Funds Collateral Act, Texas Government Code, Chapter 2257.

At year end, the City was not exposed to custodial credit risk.

**3. Interest Rate Risk**

In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than two years to meet cash requirements for ongoing operation. At year end, the City was not exposed to interest rate risk.

**Discretely Presented Component Unit**

At September 30, 2024, the carrying amount of deposits for WOEDCO was \$396,830 and pooled with the City’s operating account.

**Restricted Cash and Cash Equivalents**

Certain proceeds of debt issuances, as well as certain resources set aside for their repayment, have been classified as restricted assets on the balance sheet because their use is limited. Restricted assets also include certain deposits that have been limited as to usage pursuant to escrow and similar agreements. As of September 30, 2024, the City held restricted cash as follows:

	<b>Cash and Deposits</b>	<b>Investment Pools</b>	<b>Total</b>
Customer deposits	\$ -	\$ 232,062	\$ 232,062
Debt service	-	25,503	25,503
Grant funds	-	257,719	257,719
Construction (SIB Loans)	-	2,321,104	2,321,104
	<u>\$ -</u>	<u>\$ 2,836,388</u>	<u>\$ 2,836,388</u>

**B. PROPERTY TAXES**

The City levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The City’s property taxes are billed and collected by the Gregg County Tax Assessor/Collectors. On January 1 of each year, a tax lien attaches to the property to secure the payment of all



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taxes, penalties, and interest ultimately imposed. The assessed value of the property tax roll, upon which the levy for the fiscal year 2023 was based, was \$495 million.

The tax rates assessed for the year ended September 30, 2024 to finance General Fund operations and the payment of principal and interest on long-term debt were \$.544590 and \$.097820 per \$100 valuation, respectively, for a total of \$.642410 per \$100 valuation.

Current tax collections for the year ended September 30, 2024, were 98% of the year end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. The property taxes receivable allowance is equal to approximately 13% of outstanding property taxes receivable at September 30, 2024. A significant portion of delinquent taxes outstanding at any fiscal year end is generally not collected in the ensuing fiscal year. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

**C. RECEIVABLES**

Receivables as of year-end for the government's individual major funds, including allowances for uncollectible accounts, are as follows:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Water &amp; Sewer Fund</b>	<b>Total</b>
Property taxes	\$ 147,430	\$ 12,711	\$ -	\$ 160,141
Receivables from governments	217,903	-	-	217,903
Other receivables	2,476	-	-	2,476
Accounts receivable - billed	-	-	478,514	478,514
Accounts receivable - unbilled	-	-	286,922	286,922
Gross receivables	367,809	12,711	765,436	1,145,956
Less: allowance for uncollectible accounts	(21,800)	(700)	-	(22,500)
Total receivables, net	<u>\$ 346,009</u>	<u>\$ 12,011</u>	<u>\$ 765,436</u>	<u>\$ 1,123,456</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities for the current period. At the end of the current fiscal year, the various components of unearned revenue reported in the governmental funds were as follows:

	<b>Unavailable</b>	<b>Unearned</b>
Delinquent property taxes:		
General fund	\$ 125,630	\$ -
Debt service fund	12,011	-
Advance funding - General Fund	-	-
Total unearned revenue	<u>\$ 137,641</u>	<u>\$ -</u>

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**D. INTERFUND TRANSACTIONS**

The City utilizes a centralized-pooled operating bank account in the General Fund. Since all cash transactions flow through this account, other funds may carry a receivable/payable balance with the General Fund. All balances will be repaid within one year. The following is a summary of interfund balances as of September 30, 2024:

Fund	Receivable	Payable
General fund:		
Water & Sewer Fund	\$ 627	\$ -
Water & Sewer Fund:		
General fund	-	627
	\$ 627	\$ 627

For the year ended September 30, 2024, interfund transfers consisted of the following:

Transfers from	Transfers to	Amount
Debt service fund	Water & sewer fund	\$ 430,000
Debt service fund	General fund	33,332
		\$ 463,332

The Debt Service Fund transferred \$430,000 to the Water & Sewer Fund to pay principal & interest obligations related to debt and transferred \$33,332 to the General Fund to reimburse expenditures accounted for in the fund.

The Utility Fund transferred general obligation debt totaling \$3,945,000 from business-type activities to governmental activities as a result of a prior year refunding.

**E. CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended September 30, 2024:

	Beginning				Ending
Governmental Activities:	Balance	Additions	Deletions	Transfers	Balance
Capital assets, not being depreciated:					
Land	\$ 378,854	\$ -	\$ -	\$ -	\$ 378,854
Construction-in-progress	20,100	-	-	-	20,100
Total capital assets, not being depreciated	398,954	-	-	-	398,954
Capital assets, being depreciated:					
Buildings and improvements	1,345,867	90,000	-	-	1,435,867
Equipment	2,871,403	178,226	-	-	3,049,629
Infrastructure	10,669,347	-	-	-	10,669,347
Total capital assets, being depreciated	14,886,617	268,226	-	-	15,154,843
Less accumulated depreciation for:					
Buildings and improvements	(1,006,406)	(287,297)	-	-	(1,293,703)
Equipment	(1,961,018)	(190,803)	-	-	(2,151,821)
Infrastructure	(7,075,990)	(373,262)	-	-	(7,449,252)
Total accumulated depreciation	(10,043,414)	(851,362)	-	-	(10,894,776)
Governmental activities capital assets, net	\$ 5,242,157	\$ (583,136)	\$ -	\$ -	\$ 4,659,021

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<b>Business-type Activities:</b>	<b>Beginning</b>				<b>Ending</b>
	<b>Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Balance</b>
Capital assets, not being depreciated:					
Land	\$ 96,823	\$ -	\$ -	\$ -	\$ 96,823
Construction-in-progress	137,720	161,000	-	-	298,720
Total capital assets, not being depreciated	234,543	161,000	-	-	395,543
Capital assets, being depreciated:					
Water and sewer system	24,223,115	3,070,769	-	-	27,293,884
Buildings	255,590	-	-	-	255,590
Machinery & equipment	1,115,937	-	-	-	1,115,937
Total capital assets, being depreciated	25,594,642	3,070,769	-	-	28,665,411
Less accumulated depreciation for:					
Water and sewer system	(14,001,777)	(538,101)	-	-	(14,539,878)
Buildings	(222,454)	(4,733)	-	-	(227,187)
Machinery & equipment	(947,680)	(64,842)	-	-	(1,012,522)
Total accumulated depreciation	(15,171,911)	(607,676)	-	-	(15,779,587)
Business-type activities capital assets, net	\$ 10,657,274	\$ 2,624,093	\$ -	\$ -	\$ 13,281,367

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

	Governmental	Business-type
Functions/programs	activities	activities
General government	\$ 204,585	\$ -
Public safety	486,391	-
Public works	111,548	-
Recreation	48,838	-
Water & sewer	-	607,676
	<u>\$ 851,362</u>	<u>\$ 607,676</u>

**F. LONG-TERM DEBT**

The City issues a variety of long-term debt instruments in order to acquire and/or construct major capital facilities and equipment for governmental and business-type activities. These instruments include certificates of obligation, loans, and note payables. Future ad valorem tax revenues, water and sewer system revenues or liens on property and equipment secure these debt obligations.

The City has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the City.

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Long-term debt as of September 30, 2024 is as follows:

<b>Description</b>	<b>Interest Rate Payable</b>	<b>Maturity Date</b>	<b>Outstanding Sept. 30, 2024</b>
<b>Governmental Activities</b>			
General obligation refunding bonds, Series 2021	1.7%	3/1/2033	\$ 3,945,000
<b>Business-type Activities:</b>			
State infrastructure bank loan 2021	1.55%	9/1/2040	\$ 1,955,000
State infrastructure bank loan 2022	1.62	9/1/2041	2,695,000
			<u>\$ 4,650,000</u>

The following is a summary of changes in the City's long-term obligations for the year ended September 30, 2024:

	<b>Balance Oct. 1, 2023</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance Sept. 30, 2024</b>	<b>Amounts Due within One Year</b>
<b>Governmental Activities:</b>					
Bonds, notes, and loans:					
Refunding bonds, Series 2021	\$ -	\$ 3,945,000	\$ -	\$ 3,945,000	\$ 410,000
Installment loans/notes	69,878	-	32,780	37,098	34,094
Compensated absences	74,074	11,785	-	85,859	-
Net pension liability	1,712,005	-	191,118	1,520,887	-
Total OPEB liability	<u>120,897</u>	<u>7,817</u>	<u>-</u>	<u>128,714</u>	<u>-</u>
<b>Total Governmental Activities</b>	<b>\$ 1,976,854</b>	<b>\$ 3,964,602</b>	<b>\$ 223,898</b>	<b>\$ 5,717,558</b>	<b>\$ 444,094</b>

	<b>Balance Oct. 1, 2023</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance Sept. 30, 2024</b>	<b>Amounts Due within One Year</b>
<b>Business-type Activities</b>					
Bonds, notes, and other payables:					
Certificates of obligation, Series 2021	\$ 4,350,000	\$ -	\$ 4,350,000	\$ -	\$ -
SIB Loan 2021	2,060,000	-	105,000	1,955,000	110,000
SIB Loan 2022	2,830,000	-	135,000	2,695,000	140,000
Net pension liability	428,001	-	47,779	380,222	-
Total OPEB liability	<u>30,224</u>	<u>1,955</u>	<u>-</u>	<u>32,179</u>	<u>-</u>
<b>Total Business-type Activities</b>	<b>\$ 9,698,225</b>	<b>\$ 1,955</b>	<b>\$ 4,637,779</b>	<b>\$ 5,062,401</b>	<b>\$ 250,000</b>

Annual debt service requirements to maturity for certificates of obligation and refunding bonds, including interest, are as follows:

In October 2022, the City entered into a three year installment note to purchase equipment totaling \$98,998. Monthly payments of \$2,912 began November 2022 and matures October 2025 at an interest rate of 3.75%.

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Annual debt service requirements to maturity for notes payable, including interest, are as follows:

Year Ending	Governmental Activities		Business-Type Activities				
	Refunding Bonds		SIB Loans		Totals		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
<b>September 30,</b>							
2025	\$ 410,000	\$ 63,580	\$ 250,000	\$ 73,961	\$ 660,000	\$ 137,541	\$ 797,541
2026	420,000	56,526	250,000	69,987	670,000	126,513	796,513
2027	425,000	49,343	255,000	66,015	680,000	115,358	795,358
2028	430,000	42,075	260,000	61,961	690,000	104,036	794,036
2029	435,000	34,722	265,000	57,829	700,000	92,551	792,551
2030-2034	1,825,000	62,772	1,380,000	224,933	3,205,000	287,705	3,492,705
2035-2039	-	-	1,500,000	111,538	1,500,000	111,538	1,611,538
2040-2044	-	-	490,000	10,760	490,000	10,760	500,760
	<u>\$ 3,945,000</u>	<u>\$ 309,018</u>	<u>\$ 4,650,000</u>	<u>\$ 676,984</u>	<u>\$ 8,595,000</u>	<u>\$ 986,002</u>	<u>\$ 9,581,002</u>

Year Ending	Governmental Activities		
September 30,	Principal	Interest	Total
2025	\$ 34,094	\$ 806	\$ 34,900
2026	2,903	9	2,912
	<u>\$ 36,997</u>	<u>\$ 815</u>	<u>\$ 37,812</u>

GASB Statement No. 87, *Leases* (GASB 87), establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the government's leasing activities. The requirements of this statement were originally effective for the reporting periods beginning after December 31, 2019; however, issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB 95), extended the effective date of GASB 87 to reporting periods after June 15, 2021, with earlier application encouraged. GASB 87 had no significant impact on the City.

## **G. EMPLOYEE RETIREMENT PLAN**

### **Texas Municipal Retirement System**

#### **Plan Description**

The City participates as one of 930 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan 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 employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at [tmrs.com](http://tmrs.com).

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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 Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total Member contributions 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:

	<b>2024</b>	<b>2023</b>
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

**Employees Covered by Benefit Terms**

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	42
Inactive employees entitled to but not yet receiving benefits	21
Active employees	43
<b>Total</b>	<b>106</b>

**Contributions**

Member contribution rates in TMRS are either 5%, 6% or 7% of the Member's total compensation, 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 city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 5% of their annual compensation during the fiscal year. The contribution rates for the City were 13.94% and 15.44% in calendar years 2023 and 2024 respectively. The City's contributions to TMRS for the year ended September 30, 2024, were \$402,731, and were equal to the required contributions.

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**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2023, 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, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.65% per year, adjusted down for population declines, if any
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4- year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. The assumptions were adopted in 2019 and first used in the December 31, 2019, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2023 are summarized in the following table:

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Asset Class	Target allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35%	6.7%
Core Fixed Income	6%	4.7%
Non-Core Fixed Income	20%	8.0%
Other Public and Private Markets	12%	8.0%
Real Estate	12%	7.6%
Hedge Funds	5%	6.4%
Private Equity	10%	11.6%
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 Member 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 Members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

**Changes in the Net Pension Liability (Asset)**

	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	Liability	Net Position	Liability/(Asset)
	(a)	(b)	(a) - (b)
Balance at 12/31/2022	\$ 16,375,282	\$ 14,235,276	\$ 2,140,006
Changes for the year:			
Service cost	477,104	-	477,104
Interest	1,095,815	-	1,095,815
Change of benefit terms	-	-	-
Difference between expected and actual experience	532,564	-	532,564
Changes of assumptions	(137,792)	-	(137,792)
Contributions - employer	-	376,978	(376,978)
Contributions - employee	-	193,304	(193,304)
Net investment income	-	1,646,861	(1,646,861)
Benefit payments, including refunds of employee contributions	(759,084)	(759,084)	-
Administrative expense	-	(10,481)	10,481
Other changes	-	(73)	73
Net changes	1,208,607	1,447,505	(238,898)
<b>Balance at 12/31/2023</b>	<b>\$ 17,583,889</b>	<b>\$ 15,682,781</b>	<b>\$ 1,901,108</b>



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**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:

	<b>1% Decrease in</b>		<b>1% Increase in</b>	
	<b>Discount Rate</b>		<b>Discount Rate</b>	
	<b>(5.75%)</b>		<b>(6.75%)</b>	
	<b>(7.75%)</b>		<b>(7.75%)</b>	
City's Net Pension Liability	\$	4,223,306	\$	1,901,109
			\$	(17,155)

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at [trms.com](http://trms.com).

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

For the year ended September 30, 2024, the City recognized pension expense (income) of \$632,196.

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred</b>	<b>Deferred</b>
	<b>Outflows of</b>	<b>Inflows of</b>
	<b>Resources</b>	<b>Resources</b>
Differences between expected and actual economic experience	\$ 679,565	\$ -
Changes in actuarial assumptions	-	99,302
Difference between projected and actual investment earnings	403,236	-
Contributions subsequent to the measurement date	305,979	-
Total	<u>\$ 1,388,780</u>	<u>\$ 99,302</u>

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\$305,979 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and (inflows) of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended</b>	<b>Pension</b>
<b>September 30</b>	<b>Expense</b>
2024	\$ 443,020
2025	309,676
2026	367,999
2027	(137,196)
	<u>\$ 983,499</u>

## **H. OTHER POST EMPLOYMENT BENEFITS**

### **TMRS Supplemental Death Benefits Fund**

#### **Plan Description**

Texas Municipal Retirement System (TMRS) administers an optional death benefit plan, the Supplemental Death Benefits Fund (SDBF), which operates like a group-term life insurance plan. This is a voluntary program in which participating member cities may elect, by ordinance, to provide supplemental death benefits for their active members with optional coverage for their retirees. The death benefit for active members provides a lump-sum payment approximately equal to the member's annual salary (calculated based on the member's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

#### **Employees Covered by Benefit Terms**

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>43</u>
<b>Total</b>	<b><u>76</u></b>

#### **Contributions**

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. 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. 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. As such, contributions fund the covered active member and retiree deaths on a pay-as-you-go basis.

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The contribution rates for the City were .23% and .23% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS SBDF for the years ended September 30, 2023 and 2024, were \$3,855 and \$6,155, and were equal to the required contributions.

**Total OPEB Liability**

The City's Total OPEB Liability was measured as of December 31, 2023, and was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018. Summary of actuarial assumptions are as follows:

Inflation	2.50%
Salary increases	3.6% to 11.85% including inflation
Discount rate	3.77% (based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023).
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

**Changes in the Total OPEB Liability**

Balance at 12/31/2022	\$ 151,121
Changes for the year:	
Service cost	5,206
Interest	6,105
Change of benefit terms	-
Difference between expected and actual experience	(2,392)
Changes of assumptions	6,840
Benefit payments	(5,987)
Net changes	9,772
<b>Balance at 12/31/2023</b>	<b>\$ 160,893</b>

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**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 3.77%, 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 (2.77%) or 1-percentage-point higher (4.77%) than the current rate:

	<b>1% Decrease in</b>		<b>1% Increase in</b>	
	<b>Discount Rate</b>		<b>Discount Rate</b>	
	<b>(2.77%)</b>		<b>(3.77%)</b>	
	<b>(4.77%)</b>			
City's Total OPEB Liability	\$	189,058	\$	160,893
			\$	138,217

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

For the year ended September 30, 2024, the City recognized OPEB expense \$5,077.

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<b>Deferred</b>	<b>Deferred</b>
	<b>Outflows of</b>	<b>Inflows of</b>
	<b>Resources</b>	<b>Resources</b>
Differences between expected and actual experience	\$ -	\$ 1,644
Changes in assumptions and other inputs	-	26,733
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	4,558	-
Total	\$ 4,558	\$ 28,377

\$4,558 reported as deferred outflows of resources related to OPEBs resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

<b>Year Ended</b>	<b>OPEB</b>
<b>September 30</b>	<b>Expense</b>
2024	\$ (6,767)
2025	(8,950)
2026	(10,273)
2027	(2,395)
2028	8
	<u>\$ (28,377)</u>

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**III. OTHER INFORMATION**

**A. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2024, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (TML). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

**B. COMMITMENTS AND CONTINGENCIES**

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

The City participates in federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The City is potentially liable for any expenditures, which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

**C. SUBSEQUENT EVENTS**

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through May 13, 2025, the date that the financial statements were available to be issued.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF WHITE OAK, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

D-1

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
<b><u>Revenues</u></b>				
Taxes:				
Property taxes	\$ 2,629,699	\$ 2,631,861	\$ 2,647,143	\$ 15,282
Sales taxes	900,000	1,059,032	1,094,030	34,998
Franchise taxes	330,300	364,543	289,795	(74,748)
Licenses, permits and fees	36,050	58,960	71,471	12,511
Fines, forfeitures, and penalties	71,900	81,860	88,541	6,681
Park user fees	2,200	4,600	5,400	800
Investment income	-	-	195,932	195,932
Contributions and grants	2,250	5,426	5,415	(11)
Service charges and fees	2,200	3,263	4,667	1,404
Miscellaneous	130,030	206,011	72,416	(133,595)
<b>Total Revenues</b>	<u>4,104,629</u>	<u>4,415,556</u>	<u>4,474,810</u>	<u>59,254</u>
<b><u>Expenditures</u></b>				
<b>Current:</b>				
General government	980,244	1,000,266	1,013,629	(13,363)
Public safety	2,360,208	2,438,931	2,427,144	11,787
Public works	538,952	511,086	561,284	(50,198)
Recreation	251,437	257,636	350,149	(92,513)
<b>Debt Service:</b>				
Principal on long-term debt	-	-	32,780	(32,780)
Interest	-	-	2,162	(2,162)
Issuance costs and fiscal agent fees	-	-	-	-
<b>Total Expenditures</b>	<u>4,130,841</u>	<u>4,207,919</u>	<u>4,387,148</u>	<u>(179,229)</u>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over (Under) Expenditures</b>	<u>(26,212)</u>	<u>207,637</u>	<u>87,662</u>	<u>(119,975)</u>
<b><u>Other Financing (Uses)</u></b>				
Transfers in	-	-	33,332	33,332
Transfers (out)	-	-	-	-
<b>Total Other Financing (Uses)</b>	<u>-</u>	<u>-</u>	<u>33,332</u>	<u>33,332</u>
<b>Net Change in Fund Balances</b>	<u>(26,212)</u>	<u>207,637</u>	<u>120,994</u>	<u>(86,643)</u>
<b>Fund balances - Beginning</b>	<u>3,203,993</u>	<u>3,203,993</u>	<u>3,203,993</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ 3,177,781</u>	<u>\$ 3,411,630</u>	<u>\$ 3,324,987</u>	<u>\$ (86,643)</u>

See Notes to Required Supplementary Information.

**CITY OF WHITE OAK, TEXAS**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**- TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**SEPTEMBER 30, 2024**

**D-2**

	Measurement Date	Measurement Date	Measurement Date	Measurement Date	Measurement Date	Measurement Date	Measurement Date	Measurement Date	Measurement Date	Measurement Date
	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023
<b>A. Total pension liability</b>										
1. Service cost	\$ 349,571	\$ 348,630	\$ 376,608	\$ 378,388	\$ 387,503	\$ 414,039	\$ 432,093	\$ 410,227	\$ 452,938	\$ 477,104
2. Interest (on the Total Pension Liability)	703,154	730,905	746,628	774,393	815,873	856,401	899,203	941,607	1,025,691	1,095,815
3. Changes in benefit terms	-	-	-	-	-	-	-	-	-	-
4. Difference between expected and actual experience	(196,567)	(127,953)	(230,466)	(42,936)	(124,425)	(156,432)	(183,986)	550,690	335,965	532,564
5. Changes in assumptions	-	82,470	-	-	-	4,181	-	-	-	(137,792)
6. Benefit payments, including refunds of employee contributions	(500,512)	(417,974)	(438,795)	(525,883)	(473,880)	(509,723)	(476,508)	(539,822)	(816,544)	(759,084)
7. Net change in total pension liability	355,646	616,078	453,975	583,962	605,071	608,466	670,802	1,362,702	998,050	1,208,607
8. Total pension liability - beginning	10,120,530	10,476,176	11,092,254	11,546,229	12,130,191	12,735,262	13,343,728	14,014,530	15,377,232	16,375,282
9. Total pension liability - ending	<u>\$ 10,476,176</u>	<u>\$ 11,092,254</u>	<u>\$ 11,546,229</u>	<u>\$ 12,130,191</u>	<u>\$ 12,735,262</u>	<u>\$ 13,343,728</u>	<u>\$ 14,014,530</u>	<u>\$ 15,377,232</u>	<u>\$ 16,375,282</u>	<u>\$ 17,583,889</u>
<b>B. Plan fiduciary net position</b>										
1. Contributions - employer	\$ 271,868	\$ 296,098	\$ 303,702	\$ 313,248	\$ 307,424	\$ 311,195	\$ 330,089	\$ 343,239	\$ 318,654	\$ 376,978
2. Contributions - employee	137,307	132,271	140,976	142,942	147,902	154,492	160,459	174,901	174,399	193,304
3. Net investment income	525,208	14,178	650,242	1,423,501	(347,966)	1,738,243	981,270	1,814,475	(1,146,223)	1,646,861
4. Benefit payments, including refunds of employee contributions	(500,512)	(417,974)	(438,795)	(525,883)	(473,880)	(509,723)	(476,508)	(539,822)	(816,544)	(759,084)
5. Administrative expense	(5,484)	(8,637)	(7,346)	(7,379)	(6,727)	(9,824)	(6,351)	(8,396)	(9,919)	(10,481)
6. Other	(451)	(427)	(394)	(374)	(351)	(294)	(247)	58	11,836	(73)
7. Net change in plan fiduciary net position	427,936	15,509	648,385	1,346,055	(373,598)	1,684,089	988,712	1,784,455	(1,467,797)	1,447,505
8. Total fiduciary net position - beginning	9,181,530	9,609,466	9,624,975	10,273,360	11,619,415	11,245,817	12,929,906	13,918,618	15,703,073	14,235,276
9. Total fiduciary net position - ending	<u>\$ 9,609,466</u>	<u>\$ 9,624,975</u>	<u>\$ 10,273,360</u>	<u>\$ 11,619,415</u>	<u>\$ 11,245,817</u>	<u>\$ 12,929,906</u>	<u>\$ 13,918,618</u>	<u>\$ 15,703,073</u>	<u>\$ 14,235,276</u>	<u>\$ 15,682,781</u>
<b>C. Net pension liability (asset) [A.9. - B.9.]</b>	<u>\$ 866,710</u>	<u>\$ 1,467,279</u>	<u>\$ 1,272,869</u>	<u>\$ 510,776</u>	<u>\$ 1,489,445</u>	<u>\$ 413,822</u>	<u>\$ 95,912</u>	<u>\$ (325,841)</u>	<u>\$ 2,140,006</u>	<u>\$ 1,901,108</u>
<b>D. Plan fiduciary net position as a percentage of the total pension liability [B.9. / A.9.]</b>	91.73%	86.77%	88.98%	95.79%	88.30%	96.90%	99.32%	102.12%	86.93%	89.19%
<b>E. Covered-employee payroll</b>	\$ 1,961,531	\$ 1,889,588	\$ 2,013,945	\$ 2,042,037	\$ 2,112,887	\$ 2,207,033	\$ 2,292,273	\$ 2,249,051	\$ 2,491,410	\$ 2,602,859
<b>F. Net pension liability as a percentage of covered employee payroll [C / E]</b>	44.19%	77.65%	63.20%	25.01%	70.49%	18.75%	4.18%	-14.49%	85.90%	73.04%

\* GASB 68 requires 10 fiscal years of data to be presented. Subsequent data to be accumulated and presented to comply with GASB 68.

See Notes to Required Supplementary Information.

**CITY OF WHITE OAK, TEXAS**  
**SCHEDULE OF CONTRIBUTIONS - TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**SEPTEMBER 30, 2024**

**D-3**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Actuarially determined contribution	\$ 280,911	\$ 304,098	\$ 312,854	\$ 313,248	\$ 307,424	\$ 337,926	\$ 320,989	\$ 343,674	\$ 347,728	\$ 402,732
Contributions in relation to the actuarially determined contributions	<u>(280,911)</u>	<u>(304,098)</u>	<u>(312,854)</u>	<u>(313,248)</u>	<u>(307,424)</u>	<u>(337,926)</u>	<u>(320,989)</u>	<u>(343,674)</u>	<u>(347,728)</u>	<u>(402,732)</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 1,854,662	\$ 1,994,199	\$ 2,049,498	\$ 2,042,037	\$ 2,181,253	\$ 2,360,341	\$ 2,265,238	\$ 2,423,115	\$ 2,547,121	\$ 2,675,793
Contributions as a percentage of covered employee payroll	15.15%	15.25%	15.26%	15.34%	14.09%	14.32%	14.17%	14.18%	13.65%	15.05%

\* GASB 68 requires 10 fiscal years of data to be presented. Subsequent data to be accumulated and presented to comply with GASB 68.

**CITY OF WHITE OAK, TEXAS**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**- SUPPLEMENTAL DEATH BENEFIT FUND**  
**SEPTEMBER 30, 2024**

**D-4**

	Measurement Date	Measurement Date	Measurement Date	Measurement Date	Measurement Date	Measurement Date	Measurement Date
	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023
<b>A. Total OPEB liability</b>							
1. Service cost	\$ 5,309	\$ 6,339	\$ 7,063	\$ 9,628	\$ 10,571	\$ 11,211	\$ 5,206
2. Interest (on the Total OPEB Liability)	4,801	4,890	5,184	4,515	3,885	3,720	6,105
3. Changes in benefit terms	-	-	-	-	-	-	-
4. Difference between expected and actual experience	-	(8,868)	(11,683)	(5,017)	(8,072)	9,228	(2,392)
5. Changes in assumptions	11,234	(9,541)	23,970	22,941	5,390	(67,231)	6,840
6. Benefit payments, including refunds of employee contributions	(1,225)	(1,056)	(1,324)	(1,375)	(3,598)	(4,734)	(5,987)
7. Net change in total pension liability	20,119	(8,236)	23,210	30,692	8,176	(47,806)	9,772
8. Total OPEB liability - beginning	124,966	145,085	136,849	160,059	190,751	198,927	151,121
9. Total OPEB liability - ending	<u>\$ 145,085</u>	<u>\$ 136,849</u>	<u>\$ 160,059</u>	<u>\$ 190,751</u>	<u>\$ 198,927</u>	<u>\$ 151,121</u>	<u>\$ 160,893</u>
<b>B. Covered-employee payroll</b>	\$ 2,042,037	\$ 2,112,887	\$ 2,207,033	\$ 2,292,273	\$ 2,249,051	\$ 2,491,410	\$ 2,602,859
<b>C. Total OPEB liability as a percentage of covered employee payroll [A.9. / B.]</b>	7.10%	6.48%	7.25%	8.32%	8.84%	6.07%	6.18%

\* GASB 75 requires 10 fiscal years of data to be presented. Subsequent data to be accumulated and presented to comply with GASB 75.

See Notes to Required Supplementary Information.

**CITY OF WHITE OAK, TEXAS**  
**SCHEDULE OF CONTRIBUTIONS - OTHER POST-EMPLOYMENT BENEFITS**  
**- SUPPLEMENTAL DEATH BENEFIT FUND**  
**SEPTEMBER 30, 2024**

**D-5**

	2018	2019	2020	2021	2022	2023	2024
Actuarially determined contribution	\$ 1,092	\$ 1,246	\$ 1,416	\$ 3,038	\$ 4,433	\$ 4,390	\$ 4,558
Contributions in relation to the actuarially determined contributions	<u>(1,092)</u>	<u>(1,246)</u>	<u>(1,416)</u>	<u>(3,038)</u>	<u>(4,433)</u>	<u>(4,390)</u>	<u>(4,558)</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 2,038,301	\$ 2,181,253	\$ 2,360,341	\$ 2,265,238	\$ 2,423,115	\$ 2,547,121	\$ 2,675,793
Contributions as a percentage of covered employee payroll	0.05%	0.06%	0.06%	0.13%	0.18%	0.17%	0.17%

\* GASB 75 requires 10 fiscal years of data to be presented. Subsequent data to be accumulated and presented to comply with GASB 75.

See Notes to Required Supplementary Information.

**CITY OF WHITE OAK, TEXAS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

**Notes to Schedule of Revenue, Expenditures, and Changes in Fund Balance**

**Budgetary Information**

The following procedures are followed in establishing the budgetary data reflected in the required supplementary information:

- a. Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must have been given.
- c. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the City Council.

Once a budget is approved, it can be amended only by approval of a majority of the members of the City Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of the City Council and are not made after fiscal year end. During the year, the budget was amended as necessary. All budget appropriations lapse at year end.

For the fiscal year ended September 30, 2024, the general fund expenditures exceeded its appropriations in the following functional categories.

	<b><u>Budgeted Amounts</u></b>			
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Actual</u></b>	<b><u>Variance</u></b>
<b><u>Expenditures</u></b>				
<b>Current:</b>				
General Government	980,244	1,000,266	1,013,629	(13,363)
Public Works	538,952	511,086	561,284	(50,198)
Recreation	251,437	257,636	350,149	(92,513)
<b>Debt Service:</b>				
Principal on long-term debt	-	-	32,780	(32,780)
Interest	-	-	2,162	(2,162)
<b>Total Expenditures</b>	<b>1,770,633</b>	<b>1,768,988</b>	<b>1,960,004</b>	<b>(191,016)</b>

**CITY OF WHITE OAK, TEXAS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

**Notes to Schedule of Net Pension Liability**

<b>Valuation Date:</b>	
Notes	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.
<b>Methods and Assumptions Used to Determine Contribution Rates:</b>	
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 years (longest amortization ladder)
Asset Valuation Period	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% 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 2019 valuation pursuant to an experience study of the period 2014-2018
Mortality	Post retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB (10) mortality tables with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.
<b>Other Information</b>	
Notes	There were no benefit changes during the year.

**Notes to Schedule of Total OPEB Liability**

<b>Summary of Actuarial Assumptions:</b>	
Inflation	2.5%
Salary increases	3.5% to 11.50% including inflation
Discount rate*	4.05%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.
*The discount rate was based on Fidelity's "20-Year Municipal GO AA Index" rate as of December 31, 2022	
Note: The actuarial assumptions used in the December 31, 2022 valuation were based on the results on an actuarial experience study for the period December 31, 2014 to December 31, 2018.	