

CITY OF WHITE OAK, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Introductory Section

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City of White Oak, Texas
Annual Financial Report
For The Year Ended September 30, 2018

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CITY OF WHITE OAK, TEXAS

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2018

Elected Officials

<u>Name</u>	<u>Office</u>
Kyle Kutch	Mayor
Greg Hulett	Mayor Pro-Tern
Dr. Barbara Ray	Councilmember
Joseph Stephens	Councilmember
Thomas Cash	Councilmember
Kevin Hood	Councilmember

Appointed Officials

<u>Name</u>	<u>Position</u>
_____ Charlie	_____ City Coordinator
Smith Melba	Assistant City Manager
Haralson Deborah	City Judge
Waddell Blake	City Attorney
Armstrong	

Financial Section

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KAREN A. JACKS & ASSOCIATES, P.C.

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Sherry Davis, CPA
Chanie A. Johnson, CPA

Independent Auditors' Report

To the Mayor and City Council
City of White Oak, Texas
906 S. White Oak Road
White Oak, Texas 75693

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of White Oak, Texas as

of September 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2018, City of White Oak, Texas adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of the City's net pension liability, schedule of City pension contributions, and Schedule of Changes in the City's Total OPEB Liability And Related Ratios identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2019 on our consideration of City of White Oak, Texas' 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 of White Oak, Texas' internal control over financial reporting and compliance.



Karen A. Jacks & Associates, P.C.
Longview, Texas
March 4, 2019

**CITY OF WHITE OAK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018**

As management of the City of White Oak, (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, 2018. The Management's Discussion and Analysis is designed to assist the reader in focusing on significant financial issues, to provide an overview of the City's financial activity, to identify changes in the City's financial position and to identify any material deviations from the financial plan. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The total government-wide net position amount for the fiscal year ended September 30, 2018 is \$15,723,433.
- The total governmental activities net position is \$7,973,977. This reflects an increase of \$42,953 from the previous fiscal year.
- The total net position for the City's Enterprise (Water & Sewer) Fund is \$7,749,436, which was an increase of \$66,640 from fiscal year 2017.
- As of September 30, 2018, the General Fund has \$2,841,203 in unassigned fund balance and the Enterprise Fund has \$1,406,990 in unrestricted net position.
- The City's long-term debt decreased by \$430,000, leaving a balance due of \$6,705,000. This decrease reflects the principal payments on two Certificates of Obligation but does not include the premium on issuance of debt for the 2013 Certificate of Obligation, which are all in the Enterprise Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

This 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 other supplementary information in addition to the basic financial statements themselves.

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, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the two reported as *net position*. The statement of net position combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. roads, drainage improvements, storm and sewer lines, etc.), to assess the overall health or financial condition of the City.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. 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. uncollected taxes and earned but not used sick and vacation time). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting, as opposed to the modified accrual basis used in prior reporting models.

In the statement of net position and the statement of activities, the City is divided into three types of activities:

Governmental activities – Most of the City's basic services are reported here, including police, fire, streets, parks and recreation, and general administration.

Business-type activities – The City charges a fee to customers in order to help cover all or most of the cost of certain services it provides. The City's water and sewer services are reported here and are referred to as the "Water & Sewer Fund."

Component units –The City includes one component unit in its report. The White Oak Economic Development Corporation (“WOEDCO”) is reported as a “discretely presented” component unit in the financial statements. Although legally separate, this component unit is important because the City is financially accountable for it.

REPORTING THE CITY’S MOST SIGNIFICANT FUNDS

Fund Financial Statements. The fund financial statements provide detailed information about the most significant funds – not the City as a whole. 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. Some funds are required to be established by state law and by bond covenants. However, the City can establish other funds to help control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City’s two kinds of funds – governmental and proprietary – use different accounting approaches.

Governmental funds. The majority of the City’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City’s general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s program. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide statements, readers may better understand the long-term impact of the government’s near-term financing decisions. The relationships or differences between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

The City of White Oak maintains one governmental fund.

Proprietary funds. The City charges customers for the services it provides, which are reported in the proprietary fund. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the City’s enterprise fund is identical to the business-type activities that are reported in the government-wide statements, only in more detail. The City of White Oak maintains one enterprise fund, which is used to account for its water and sewer services and solid waste services.

Notes to the Financial Statements The notes 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 immediately following the basic financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report presents certain *required supplementary information* concerning the City’s progress in funding its obligation to provide pension and other post-employment benefits to the employees and budgetary comparative information for the general fund.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The City’s combined net position was \$15,723,433 as of September 30, 2018. Analyzing the net position and net expenses of governmental and business-type activities separately, the governmental net position is \$7,973,997 and the business-type activities net position is \$7,749,436. This analysis focuses on the net position (Figure 1) and changes in net position (Figure 2) and significant expenses of the City’s governmental and business-type activities.

The largest portion of the City’s net position reflects its investment in capital assets (e.g. land, building, equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Net Position. Figure 1. This is a summary of the Statement of Net Position on a government-wide basis. The Statement of Net Position presents the same information as a balance sheet and is an indication of a

government's financial position. Financial position can be tracked over time to assess whether a government's financial health is improving or deteriorating.

Restricted net position represents resources that are constrained to a particular purpose. These restrictions may derive from a higher level of government or donors. The City has a restricted net position of \$422,015 (or 2.7%) and is for debt service, court security and technology, cable PEG fees, and drug seizure funds.

Unrestricted net position of \$3,522,004 (or 22.4%) may be used to meet the City's ongoing obligations for citizens and creditors. These resources can be considered usable for any lawful purpose.

FIGURE 1 - Summary of Net Position
September 30, 2018

	Governmental Activities		Business-type Activities		Total		Component Unit - WOEDCO	
	2018	2017	2018	2017	2018	2017	2018	2017
Current & other assets	3,146,356	3,159,244	2,194,639	1,871,752	5,340,995	5,030,996	666,866	951,391
Capital Assets	5,750,263	5,834,970	12,849,458	13,589,753	18,599,721	19,424,723	-	-
TOTAL ASSETS	8,896,619	8,994,214	15,044,097	15,461,505	23,940,716	24,455,719	666,866	951,391
Deferred Outflows Related to Pensions/OPEB	198,449	560,664	52,752	149,037	251,201	709,701		-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	198,449	560,664	52,752	149,037	251,201	709,701		-
Current Liabilities	198,922	275,085	281,978	306,807	480,900	581,892	3,200	760
Non-Current Liabilities	518,130	1,005,567	6,958,038	7,529,714	7,476,168	8,535,281	382,374	523,890
TOTAL LIABILITIES	717,052	1,280,652	7,240,016	7,836,521	7,957,068	9,117,173	385,574	524,650
Deferred Inflows Related to Pensions	404,019	245,149	107,397	65,166	511,416	310,315		-
TOTAL DEFERRED INFLOWS OF RESOURCES	404,019	245,149	107,397	65,166	511,416	310,315		-
Net Position:								
Invested in capital assets	5,750,263	5,834,970	6,029,151	6,327,342	11,779,414	12,162,312		-
Restricted for debt service	-	-	313,295	357,708	313,295	357,708		-
Restricted for other purposes	108,720	91,636	-	-	108,720	91,636	281,292	426,741
Unrestricted	2,115,014	2,102,471	1,406,990	1,023,805	3,522,004	3,126,276		-
TOTAL NET POSITION	7,973,997	8,029,077	7,749,436	7,708,855	15,723,433	15,737,932	281,292	426,741

Changes in Net Position. Figure 2. This is a summary of the "Statement of Activities" found on pages 22 and 23 of this report. The net position of the City's governmental activities increased \$42,953 and the business-type activities net position increased \$66,640. Exhibit A-6 on page 27 provides a detailed reconciliation between the Statement of Activities and the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds.

FIGURE 2 - Change in Net Position September 30, 2018

	Governmental Activities		Business-type Activities		Total		Component Unit - WOEDCO	
	2018	2017	2018	2017	2018	2017	2018	2017
Revenues:								
<i>Program Revenues:</i>								
Charges for service	271,683	236,970	2,576,536	2,114,855	2,848,219	2,351,825		
Operating Grants & Contributions	9,075	6,141	-	-	9,075	6,141		
Capital Grants & Contributions	328,016	223,320	-	-	328,016	223,320		
<i>General Revenues:</i>								
Taxes	2,644,048	2,491,422	-	-	2,644,048	2,491,422	334,159	278,459
Franchise Fees	443,539	524,953	-	-	443,539	524,953		
Investment Income	67,926	35,477	22,328	23,106	90,254	58,583	10,740	8,831
Miscellaneous	31,856	5,241	-	-	31,856	5,241		
Gain/(Loss) on Sale of Assets	-	-	(77,483)	-	(77,483)	-		
TOTAL REVENUES	3,796,143	3,523,524	2,521,381	2,137,961	6,317,524	5,661,485	344,899	287,290
Expenses:								
General Government	845,307	858,575	-	-	845,307	858,575		
Public Safety	1,823,943	1,827,452	-	-	1,823,943	1,827,452		
Public Works	570,720	582,537	-	-	570,720	582,537		
Development Services	-	-	-	-	-	-	490,349	284,405
Culture & Recreation	490,077	516,445	-	-	490,077	516,445		
Water Utilities	-	-	2,477,884	2,358,615	2,477,884	2,358,615		
TOTAL EXPENSES	3,730,047	3,785,009	2,477,884	2,358,615	6,207,931	6,143,624	490,349	284,405
Transfers In (Out)	(23,143)	-	23,143	-	-	-		
Change in Net Position	42,953	(261,485)	66,640	(220,654)	109,593	(482,139)	(145,450)	2,885
Prior Period Adjustment	(98,033)	-	(26,059)	-	(124,092)	-		
NET POSITION, BEGINNING	8,029,077	8,290,561	7,708,855	7,929,509	15,737,932	16,220,071	426,742	423,857
NET POSITION, ENDING	7,973,997	8,029,077	7,749,436	7,708,855	15,723,433	15,737,932	281,292	426,742

Governmental Activities. Figure 3 provides information on the City's revenues by source at the fund level. Governmental activities include the functions of general government, culture and recreation, public safety, and public works. The fund balance in the general fund increased by \$63,070. Total General Fund revenue was \$3,677,329, which is \$396,179 more than the previous fiscal year, primarily as a result of increased property values, sales tax revenue and economic rebound of the oil industry. General Fund revenue comes from a variety of different sources. Property taxes accounted for 53% of the General Fund revenue, followed by sales and use tax revenue accounting for 18%. The City of White Oak has a sales tax rate of 8.25%. From that, the State of Texas receives 6.25%, Gregg County receives .5%, and the City receives 1.5%. Out of the City's 1.5%, .5% is issued to the White Oak Economic Development Corporation ("WOEDCO"). Franchise fee revenue was 12% of the total revenues. The City collects franchise fees from electric, gas, cable, phone, sanitation providers, and the Enterprise Fund. The Enterprise Fund paid General Fund \$85,000 less this fiscal year for administrative costs and right-of-way usage for water and sewer lines, resulting in a decrease of franchise fees. Municipal court fines accounted for 5% of total revenue. The remaining 12% consists of investment income, permit and park fees and other miscellaneous revenue.

In addition, the City received special revenue funds of \$53,350 from the Texas Community Development Program for street improvements.

FIGURE 3 - General Fund Revenues September 30, 2018

	2018	2017	Increase / (Decrease)
Property Taxes	1,966,187	1,922,227	43,960
Sales Taxes	667,446	556,282	111,164
Franchise Fees	443,539	524,953	(81,414)
Fines & Forfeitures	189,555	165,256	24,299
Licenses & Permits	33,360	28,441	4,919
Interest/Other Income	365,503	67,849	297,654
Park User Fees	11,739	16,142	(4,403)
TOTAL REVENUE	3,677,329	3,281,150	396,179

General Fund Expenditures. Figure 4. At the fund level, total General Fund expenditures for this fiscal year were \$3,592,366 and are \$46,877 more than fiscal year 2017. Public Safety is the City's largest expense in the governmental fund. It accounts for 56% of all expenses. Public safety includes police, fire, fire marshal, code enforcement, and building inspection departments. The general government category accounts for 24% of the General Fund budget. The General Fund includes most of city hall staff and court employees. This fund also includes expenses for the City's street lights, tax collections, and the contract expense for the Longview Animal Care & Adoption Center. Public works (street department) makes up 12% of the General Fund expenses. The remaining 8% consists of the parks department, which includes the maintenance of all city grounds, playgrounds, ball fields, and splash pad. The park supervisor also serves as the city's animal control officer.

FIGURE 4 - General Fund Expenditures September 30, 2018

	2018	2017	Increase / (Decrease)
General Government	850,586	878,585	(27,999)
Public Safety	1,994,552	1,693,970	300,582
Public Works	424,705	694,434	(269,729)
Recreation	322,523	278,500	44,023
TOTAL EXPENSES	3,592,366	3,545,489	46,877

Business-Type Activities. Figure 5. Business-type activities consist of water, sewer, and sanitation revenues and expenses. The City has basically no control over the cost it pays for raw water and sanitation services. Raw water is purchased from the City of Longview and treated locally, while sanitation service is provided by Republic Services. Pursuant to the contractual agreement with Republic Services, annual sanitation rates are increased by the Consumer Price Index each year. Total revenue for the Water & Sewer Fund was \$2,576,536, which was \$461,681 more than the previous fiscal year. Water sales alone made up 66% of this revenue. Sewer revenue was 29% of the total. The remaining 5% comes from sanitation fees, penalties, installation and reconnect fees, interest income, and various miscellaneous fees. The chart below (**Figure 5**) provides information on the City's business-type revenues by source at the fund level.

FIGURE 5 - Water & Sewer Fund Revenues September 30, 2018

	2018	2017	Increase / (Decrease)
Water Revenue	1,698,654	1,252,188	446,466
Sewer Revenue	753,107	742,467	10,640
Sanitation Revenue	46,673	44,260	2,413
Installment Fees	38,075	30,375	7,700
Penalties	40,440	46,000	(5,560)
Other Revenues	(413)	(435)	22
TOTAL REVENUE	2,576,536	2,114,855	461,681

Water and Sewer Fund Expenses. Figure 6. Total operating expenses for FY 2018 for the Water & Sewer Fund were \$2,266,818, which was \$133,380 more than the previous fiscal year. Depreciation accounted for 31% of this total. The cost to obtain, treat, and deliver treated water was 34% of the total expenditures, while the cost of collecting and treating sewage was 24%. The remaining 11% was for miscellaneous expenses and customer accounting. The following chart provides a graphic representation of the City's business-type expenses by source at the fund level.

The purchase of capital assets in the Enterprise Fund has no effect on the financial statements because one asset is exchanged for another (cash) under the economic resources measurement focus; however, the depreciation is later recognized as an expense. Depreciation expense does not have an effect on the current financial resources (cash and/or current assets) but does have an effect on the economic resources (overall total of assets).

FIGURE 6 - Water & Sewer Fund Expenses September 30, 2018

	2018	2017	Increase / (Decrease)
Depreciation	711,993	631,736	80,257
Water Purification	483,194	482,905	289
Sewer Treatment	313,770	229,816	83,954
Water Distribution	184,441	194,408	(9,967)
Sewer Line Maint	240,886	174,675	66,211
Franchise Fee	115,000	200,000	(85,000)
Water Supply	107,991	109,502	(1,511)
Administration	74,111	76,898	(2,787)
Fleet Maintenance	950		950
Miscellaneous	34,482	33,498	984
TOTAL EXPENSES	2,266,818	2,133,438	133,380

FINANCIAL ANALYSIS OF THE CITY'S INDIVIDUAL FUNDS

Governmental Funds - Governmental funds are used to account for most, if not all, of a government's tax-supported activities. Under the "current financial resources measurement focus," the objective of the operating statement is to report "near-term" inflows and outflows of "financial" or spendable resources.

A Fund Balance Policy was approved by the White Oak City Council on September 13, 2011. The purpose of the policy is to establish a key element of the financial stability of the City by setting guidelines for fund balance. Under GASB 54, fund balances are required to be reported, according to the following classifications:

- 1) Non-spendable fund balance – includes amounts that are not in a spendable form or are required to be maintained intact, e.g. inventory or permanent funds.

- 2) Restricted fund balance – includes amounts that can be spent only for the specific purposes stipulated by external resource providers either constitutionally or through enabling legislation, e.g. grants and child safety fees.
- 3) Committed fund balance – includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.
- 4) Assigned fund balance – comprises amounts *intended* to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds, other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
- 5) Unassigned fund balance – is the residual classification of the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any lawful purpose.

The *unassigned* fund balance in the General Fund on September 30, 2018 was \$2,841,203 and is 96% of the total fund balance. The *non-spendable* fund balance at year-end was \$3,554 and consisted of prepaid expenditures. The *restricted* fund balance at year-end was \$108,721, which is the total of municipal court security, court technology fees, cable PEG fees, and drug seizure funds. This amount can only be used for restricted purposes according to the State of Texas and/or federal law. The unassigned fund balance represents approximately ten (10) months of operating expenditures, which is four (4) months more than the six-month minimum unassigned fund balance required by the *Fund Balance Policy*.

To compare the fiscal year’s actual ending amounts to the adopted budget, the *Budgetary Comparison Schedule* is shown on page 50. In the General Fund, revenues were \$361,574 more than expected. Sales tax revenue came in at \$39,251 above its budget. Investment income exceeded projections by \$32,026. General Fund expenditures were \$155,523 over budget primarily due to a Police Department technology grant that was not reimbursed until October 2018. Total expenditures for FY 2018 was \$3,592,366, creating a \$84,693 surplus of revenues over expenditures.

Proprietary funds - Proprietary funds are used to account for a government’s business-type activities. These fund types use the “economic resources measurement focus” and “accrual” basis of accounting, like private-sector business enterprises. Generally Accepted Accounting Principles (GAAP) mandate the use of an enterprise fund, as in the Water & Sewer Fund when legal requirements or management policy require that the full cost of providing services, including capital, be recovered through fees and charges.

The Water & Sewer Fund has assets of \$15,044,097 and deferred outflows of resources of \$52,752 in excess of liabilities of \$7,240,016 and deferred inflows of resources of \$107,397, reporting a net position of \$7,749,436. This reflects a net increase of \$40,581 from the previous year. The amount *restricted* for debt service was \$313,295. The *unrestricted* fund balance at year-end was \$1,406,990.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. Figure 7. The City of White Oak’s investment in capital assets for its governmental and business-type activities as of September 30, 2018 totals \$18,599,724 (net of accumulated depreciation). These investments include land, buildings, improvements, machinery & equipment, park facilities, and infrastructure. The change in capital assets represents purchases, disposals, construction in progress for infrastructure, and any adjustments. **Figure 7** below is a summary of each fund’s total capital assets for fiscal year 2017 and fiscal year 2018. For a more in-depth review of capital assets, please see Note D – Capital Assets in the “Notes to Financial Statements” on Pages 38-39.

FIGURE 7 - Capital Assets
September 30, 2018

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	386,742	386,742	96,823	96,823	483,565	483,565
Construction in Progress	-	338,843	7,700	-	7,700	338,843
Buildings & Improvements	480,417	438,077	56,805	61,539	537,222	499,616
Infrastructure	4,171,087	4,219,828	-	-	4,171,087	4,219,828
Furniture, Equip, & Machinery	712,018	451,480	470,467	518,502	1,182,485	969,982
Water & Sewer System		-	12,217,665	12,912,890	12,217,665	12,912,890
TOTAL	5,750,264	5,834,970	12,849,460	13,589,754	18,599,724	19,424,724

Long-term Debt. Figure 8. At the end of the current fiscal year, the City had an outstanding total bonded indebtedness of \$6,705,000 consisting of two Certificates of Obligation, all of which are in the Water & Sewer Fund. Also included in the Water & Sewer Fund is the unamortized premium on issuance of debt for the 2013 Certificate of Obligation in the amount of \$115,307. All debt payments were made when due and the principal balance was reduced by \$430,000 from fiscal year 2017. (See Note E – Long-Term Obligations on page 40.) A breakdown in balances per debt issuance is below in **Figure 8**. General Fund has no debt.

FIGURE 8 - Outstanding Debt
September 30, 2018

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Certificates of Obligation	-	-	6,705,000	7,135,000	6,705,000	7,135,000
Premium on Issuance of Debt - 2013 Certificate of Obligation	-	-	115,307	127,411	115,307	127,411
Accrual for Compensated Absences	64,339	54,131	-	-	64,339	54,131
TOTAL	64,339	54,131	6,820,307	7,262,411	6,884,646	7,316,542

The City's bond rating with Standard & Poor's for its 2013 Certificate of Obligation is classified as an "AA" rating. An "AA" rating by S&P means the entity has a very strong capability to meet financial commitments.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Governmental funds. In fiscal year 2019, General Fund revenues and transfers were budgeted for a 3% increase compared to fiscal year 2018. The certified property tax value increased to \$354,114,810 resulting in a lower effective tax rate of \$0.57042/100 valuation. However, the rate of \$.58628/100 was adopted, which is the same tax rate as fiscal year 2018. The economic outlook is conservatively optimistic with rebounding sales tax revenue and steady business development and growth.

Proprietary funds. In the upcoming 18/19 fiscal year, a \$55,961 deficit budget was adopted for Water & Sewer Fund which includes operating expenditures of \$2,468,511 and projected revenues of \$2,412,550. The city will use \$55,961 of reserve funds toward a capital budget of \$119,730, which is for equipment, Big Sandy booster pump station, Owens Road lift station repair and other water system improvements.

The city has approximately 2,700 water meter customers and almost 2,330 wastewater customers. Water rate tiers were revised in 2017 with the minimum set at \$15 for the first 3,000 gallons and a graduated scale thereafter up to \$6.50 for each 1,000 gallons over 21,000. Sewer rates remain at \$15 for the first 1,000 gallons and \$3 from each 1,000 gallons over minimum.

REQUEST FOR INFORMATION

The financial report is designed to provide an overview of the municipality's financials. If you have questions about this report or need any additional information, contact the City of White Oak at 906 S. White Oak Rd., White Oak, Texas 75693, or call (903) 759-3936 Ext. 7024.

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Basic Financial Statements

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CITY OF WHITE OAK, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS:				
Cash	\$ 2,308,963	\$ 730,687	\$ 3,039,650	\$ 62,459
Temporary Investments	506,792	611,121	1,117,913	292,685
Receivables (Net of Allowances for Uncollectibles):				
Taxes	183,998		183,998	62,851
Accounts		521,577	521,577	
Other	143,049		143,049	40,000
Prepaid Expenses	3,554		3,554	
Restricted Assets :				
Temporary Investments		331,254	331,254	
Notes Receivable				208,871
Capital Assets (Net of Accumulated Depreciation)	5,750,263	12,849,458	18,599,721	
Total Assets	<u>8,896,619</u>	<u>15,044,097</u>	<u>23,940,716</u>	<u>666,866</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred Outflow Related to Pensions	190,637	50,676	241,313	
Deferred Outflow Related to OPEB	<u>7,812</u>	<u>2,076</u>	<u>9,888</u>	
Total Deferred Outflows of Resources	<u>198,449</u>	<u>52,752</u>	<u>251,201</u>	
LIABILITIES:				
Accounts Payable	74,309	55,886	130,195	3,200
Accrued Wages Payable	60,274	17,921	78,195	
Accrued Interest Payable		17,959	17,959	
Customer Deposits		179,430	179,430	
Accrual for Compensated Absences	64,339	10,782	75,121	
Noncurrent Liabilities-				
Due within one year		445,000	445,000	
Due in more than one year		6,375,307	6,375,307	382,374
Net Pension Liability	403,513	107,263	510,776	
Net OPEB Liability	<u>114,617</u>	<u>30,468</u>	<u>145,085</u>	
Total Liabilities	<u>717,052</u>	<u>7,240,016</u>	<u>7,957,068</u>	<u>385,574</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred Inflows Related to Pensions	<u>404,019</u>	<u>107,397</u>	<u>511,416</u>	
Total Deferred Inflows of Resources	<u>404,019</u>	<u>107,397</u>	<u>511,416</u>	
NET POSITION:				
Net Investment in Capital Assets	5,750,263	6,029,151	11,779,414	
Restricted For:				
Debt Service		313,295	313,295	
Other Purposes	108,720		108,720	281,292
Unrestricted	<u>2,115,014</u>	<u>1,406,990</u>	<u>3,522,004</u>	
Total Net Position	<u>\$ 7,973,997</u>	<u>\$ 7,749,436</u>	<u>\$ 15,723,433</u>	<u>\$ 281,292</u>

The accompanying notes are an integral part of this statement.

CITY OF WHITE OAK, TEXAS
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

Functions /Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental Activities :				
General Government	\$ 845,307	\$ 67,093	\$	\$ 75,000
Public Safety	1,823,943	192,851	7,600	135,278
Public Works	570,720			53,350
Recreation	490,077	11,739	1,475	64,388
Total Governmental Activities	<u>3,730,047</u>	<u>271,683</u>	<u>9,075</u>	<u>328,016</u>
Business-type Activities :				
Water and Sewer	2,477,884	2,576,536		
Total Business-type Activities	<u>2,477,884</u>	<u>2,576,536</u>		
Total Primary Government	<u>\$ 6,207,931</u>	<u>\$ 2,848,219</u>	<u>\$ 9,075</u>	<u>\$ 328,016</u>
COMPONENT UNIT:				
White Oak Economic Development Corporation	<u>\$ 490,349</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

General Revenues :
 Property Taxes
 Franchise Fees
 Sales Tax
 Investment income
 Miscellaneous
 Gain(Loss) on Disposition of Assets
 Transfers
 Total General Revenues
 Change in Net Position
 Net Position - Beginning
 Prior Period Adjustment
 Net Position - Beginning, as Restated
 Net Position - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total	Component Unit
\$ (703,214)		\$ (703,214)	
(1,488,214)		(1,488,214)	
(517,370)		(517,370)	
(412,475)		(412,475)	
<u>(3,121,273)</u>		<u>(3,121,273)</u>	
	\$ <u>98,652</u>	<u>98,652</u>	
	<u>98,652</u>	<u>98,652</u>	
<u>(3,121,273)</u>	<u>98,652</u>	<u>(3,022,621)</u>	
			\$ (490,349)
1,976,602		1,976,602	
443,539		443,539	
667,446		667,446	334,159
67,926	22,328	90,254	10,740
31,856		31,856	
	(77,483)	(77,483)	
<u>(23,143)</u>	<u>23,143</u>		
<u>3,164,226</u>	<u>(32,012)</u>	<u>3,132,214</u>	<u>344,899</u>
42,953	66,640	109,593	(145,450)
8,029,077	7,708,855	15,737,932	426,742
(98,033)	(26,059)	(124,092)	
<u>7,931,044</u>	<u>7,682,796</u>	<u>15,613,840</u>	<u>426,742</u>
<u>\$ 7,973,997</u>	<u>\$ 7,749,436</u>	<u>\$ 15,723,433</u>	<u>\$ 281,292</u>

CITY OF WHITE OAK, TEXAS
BALANCE SHEET-GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	General Fund	TCDP Grants	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS:			
Cash	\$ 2,308,962	\$	\$ 2,308,962
Temporary Investments	506,792		506,792
Receivables:			
Taxes	183,998		183,998
Miscellaneous	143,049		143,049
Prepaid Expenses	3,554		3,554
TOTAL ASSETS	<u>\$ 3,146,355</u>	<u>\$</u>	<u>\$ 3,146,355</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE:			
LIABILITIES:			
Accounts Payable	\$ 74,309	\$	\$ 74,309
Accrued Wages Payable	<u>60,274</u>		<u>60,274</u>
TOTAL LIABILITIES	<u>134,583</u>		<u>134,583</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Property Taxes	<u>58,294</u>		<u>58,294</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>58,294</u>		<u>58,294</u>
FUND BALANCE:			
Fund Balance - Nonspendable	3,554		3,554
Fund Balance - Restricted	108,721		108,721
Fund Balance - Unassigned	2,841,203		2,841,203
TOTAL FUND BALANCE	<u>2,953,478</u>		<u>2,953,478</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	<u>\$ 3,146,355</u>	<u>\$</u>	<u>\$ 3,146,355</u>

The accompanying notes 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, 2018

Total fund balances - governmental funds balance sheet	\$ 2,953,478
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	5,750,263
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	58,294
Payables for compensated absences which are not due in the current period are not reported in the funds.	(64,339)
Recognition of the City's net pension liability is not reported in the funds.	(403,513)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(404,019)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	190,637
Recognition of the City's net OPEB liability is not reported in the funds.	(114,617)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	7,812
Rounding	<u>1</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 7,973,997</u>

The accompanying notes are an integral part of this statement.

CITY OF WHITE OAK, TEXAS

STATEMENT OF REVENUES , EXP ENDITURES, AND CHANGES
 IN FUND BALANCES - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	General Fund	TCDP Grants	Total Governmental Funds
REVENUES:			
Property Taxes	\$ 1,966,187	\$	\$ 1,966,187
Franchise Fees	443,539		443,539
Sales Tax	667,446		667,446
Licenses, Permits and Fees	33,360		33,360
Fines, Forfeitures , and Penalties	189,555		189,555
Park User Fees	11,739		11,739
Investment Income	67,926		67,926
Contributions and Grants	208,741	53,350	262,091
Service Charges and Fees	37,029		37,029
Miscellaneous	51,807		51,807
TOTAL REVENUES	<u>3,677,329</u>	<u>53,350</u>	<u>3,730,679</u>
EXPENDITURES:			
General Government	850,586		850,586
Public Safety	1,994,552		1,994,552
Public Works	424,705	53,350	478,055
Recreation	322,523		322,523
TOTAL EXPENDITURES	<u>3,592,366</u>	<u>53,350</u>	<u>3,645,716</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>84,963</u>		<u>84,963</u>
OTHER FINANCING SOURCES (USES)			
Transfer In (Out) - Net	(21,893)		(21,893)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(21,893)</u>		<u>(21,893)</u>
NET CHANGE IN FUND BALANCE	63,070		63,070
FUND BALANCE - BEGINNING	<u>2,890,408</u>		<u>2,890,408</u>
FUND BALANCE - ENDING	<u>\$ 2,953,478</u>	<u>\$</u>	<u>\$ 2,953,478</u>

The accompanying notes are an integral part of this statement.

CITY OF WHITE OAK, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES , EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Net change in fund balances - total governmental funds	\$	63,070
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because :		
Capital outlays are not reported as expenses in the SOA.		432,973
The depreciation of capital assets used in governmental activities is not reported in the funds.		(571 ,478)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.		(1,250)
The gain or loss on the sale of capital assets is not reported in the funds .		1,942
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.		(21 ,893)
Donations of capital assets increase net position in the SOA but not in the funds.		75,000
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		10,414
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.		(10 ,208)
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.		170,625
The City's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.		87,842
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.		(185 ,310)
OPEB contributions made after the measurement date but in current FY were de-expended & reduced NPL.		586
The City's share of the unrecognized deferred inflows and outflows for the OPEB plan was amortized.		(1,650)
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.		<u>(7,710)</u>
Change in net position of governmental activities -Statement of Activities	\$	<u>42,953</u>

The accompanying notes are an integral part of this statement.

CITY OF WHITE OAK, TEXAS

STATEMENT OF NET POSITION

ENTERPRISE FUNDS

SEPTEMBER 30, 2018

	Enterprise Fund <u>Water and Sewer Fund</u>
ASSETS:	
Current Assets :	
Cash	\$ 730,687
Temporary Investments	611,121
Accounts Receivable	521,577
Restricted Assets :	
Temporary Investments	331,254
Noncurrent Assets:	
Land	96,823
Construction in Progress	7,700
Capital Assets , Net	12,744,935
TOTAL ASSETS	<u>15,044,097</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred Outflow Related to Pensions	50,676
Deferred Outflow Related to OPEB	<u>2,076</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>52,752</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	55,886
Accrued Wages	17,921
Accrual of Compensated Absences	10,782
Payable from Restricted Assets :	
Accrued Interest Payable	17,959
Customer Deposits	179,430
Noncurrent Liabilities:	
Due Within One Year	445,000
Due in More Than One Year	6,375,307
Net Pension Liability	107,263
Net OPEB Liability	<u>30,468</u>
TOTAL LIABILITIES	<u>7,240,016</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred Inflows Related to Pensions	<u>107,397</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>107,397</u>
NET POSITION:	
Net Investment in Capital Assets	6,029,151
Restricted for Debt SeNice	313,295
Unrestricted	<u>1,406,990</u>
TOTAL NET POSITION	<u>\$ 7,749,436</u>

The accompanying notes are an integral part of this statement.

CITY OF WHITE OAK, TEXAS

STATEMENT OF REVENUES , EXP ENSES, AND CHANGES
 IN FUND NET POSITION - ENTERPRISE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Enterprise Fund <u>Water and Sewer Fund</u>
OPERATING REVENUES:	
Water Revenue	\$ 1,698,654
Sewer Revenue	753,107
Sanitation Revenue	46,673
Penalties	40,440
Installment Fees	38,075
Miscellaneous Revenue	(413)
TOTAL OPERATING REVENUES	<u>2,576,536</u>
OPERATING EXPENSES:	
Administration	74,111
Fleet Maintenance	950
Water Supply	107,991
Water Distribution	184,441
Water Purification	483,194
Sanitary Sewer Maintenance	240,886
Sanitary Sewer Treatment	313,770
Depreciation	711,993
Franchise Fee	115,000
Miscellaneous Expense	34,482
TOTAL OPERATING EXPENSES	<u>2,266,818</u>
OPERATING INCOME	309,718
NON-OPERATING REVENUES (EXPENSES):	
Investment Proceeds	22,328
Gain (Loss) on Disposition of Assets	(77,483)
Debt SeNice - Interest	(209,316)
Debt Service - Issuance Costs and Fees	(1,750)
TOTAL NON OPERATING REVENUES (EXPENSES)	<u>(266,221)</u>
TRANSFERS IN (OUT)	<u>23,143</u>
CHANGE IN NET POSITION	66,640
TOTAL NET POSITION- BEGINNING	7,708,855
PRIOR PERIOD ADJUSTMENT	(26,059)
TOTAL NET POSITION - ENDING	<u>\$ 7,749,436</u>

The accompanying notes are an integral part of this statement.

CITY OF WHITE OAK, TEXAS
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Enterprise Fund
	Water and Sewer Fund
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 2,421,477
Cash Payments to Employees for Services	(620,040)
Cash Payment to General Fund for Franchise Fee	(100,000)
Cash Payments to Other Suppliers for Goods and Services	(887,921)
Net Cash Provided (Used) by Operating Activities	<u>813,516</u>
Cash Flows from Non-capital Financing Activities:	
Net Borrowings from (Repayments to) Other Funds	(77,885)
Transfers From (To) Other Funds	21,893
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(55,992)</u>
Cash Flows from Capital and Related Financing Activities:	
Principal and Interest Paid	(654,353)
Acquisition or Construction of Capital Assets	(57,931)
Proceeds from Sale of Capital Assets	10,000
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(702,284)</u>
Cash Flows from Investing Activities:	
Proceeds from Sale and Maturities of Securities	652,369
Interest and Dividends on Investments	<u>22,328</u>
Net Cash Provided (Used) for Investing Activities	<u>674,697</u>
Net Increase (Decrease) in Cash and Cash Equivalents	729,937
Cash and Cash Equivalents at Beginning of Year	<u>750</u>
Cash and Cash Equivalents at End of Year	<u>\$ 730,687</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Income	\$ 309,718
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
Depreciation	711,993
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	(167,434)
Increase (Decrease) in Accounts Payable	(30,068)
Increase (Decrease) in Accrued Wages Payable	1,008
Increase (Decrease) in Compensated Absences	(6,961)
Increase (Decrease) in Customer Deposits	12,375
Increase (Decrease) in Pension Liabilities	(19,448)
Increase (Decrease) in OPEB Liabilities	<u>2,333</u>
Total Adjustments	<u>503,798</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 813,516</u>

The accompanying notes are an integral part of this statement.

CITY OF WHITE OAK, TEXAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2018

A. Summary of Significant Accounting Policies

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.

1. 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 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.

2. Discretely Presented Component Unit

White Oak Economic Development Corporation (WOEDCO) is a Texas nonprofit corporation organized for the purpose of benefiting 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 office in the White Oak municipal building. WOEDCO is reported in a separate column to emphasize that it is legally separate from the City.

3. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities.

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Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental fund:

General Fund. This is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

The City reports the following major enterprise fund:

Water and Sewer Fund. The water utilities fund operates the water distribution system, the sewage treatment plant, sewage pumping stations, and collection systems.

b. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City does not consider revenues collected more than 60 days after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

CITY OF WHITE OAK, TEXAS
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4. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. 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. The allowance for uncollectible taxes at September 30, 2018 is \$28,307.

c. Prepaid Items

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

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	10-50
Building Improvements	15-30
Land Improvements	10-60
Streets and Roads	10-60
Water and Sewer Lines	10-75
Infrastructure	10-50
Machinery and Equipment	3-25
Vehicles	3-5
Office Equipment	3-5
Computer Equipment	3-5
Intangibles	2-40

e. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

CITY OF WHITE OAK, TEXAS
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There are no significant receivables which are not scheduled for collection within one year of year end.

f. 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 or 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.

g. Other Postemployment Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the City's Net OPEB Liability for the Texas Municipal Retirement System's Supplemental Death Benefits Fund has been determined based on the provisions of GASB Statement No. 75.

h. 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.

i. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

j. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the City's City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the City Council. Commitments are typically done through Council resolutions. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties,

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constitutional provisions , or enabling legislation.

Assigned Fund Balance - represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the City Council or by an official or body to which the City Council delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

In the general fund, the City has a policy to maintain a minimum of six months of operating expenditures in unassigned fund balance. The City is in compliance with this policy.

k. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide and proprietary fund Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City had deferred outflows of resources to report in its government-wide and proprietary fund financial statements for the current year.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item which occurs because governmental fund revenues are not recognized until available under the modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly , deferred property taxes are reported in the governmental funds balance sheet. The City had deferred inflows of resources to report in its government-wide and proprietary fund financial statements for the current year.

l. Net Position Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

m. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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n. Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

5. New Accounting Standards Adopted

In fiscal year 2018, the City adopted the following statement of financial accounting standards issued by the Governmental Accounting Standards Board (GASB) :

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

This Statement requires governments providing postemployment benefits other than pensions (OPEB) to recognize their long-term obligation for other postemployment benefits as a liability on the statement of net position and to more comprehensively and comparably measure the annual costs of other postemployment benefits. Other requirements are for the City to provide revised and new note disclosures and required supplementary information (RSI). The provisions of this Statement became effective for periods beginning after June 15, 2017.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
Expenditures exceeded appropriations in the General Fund.	City staff will closely monitor spending and propose budget amendments if necessary.

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Deposits and Investments

The City's funds are required to be deposited and invested under the terms of a depository contract. 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.

Cash Deposits:

At September 30, 2018, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$3,039,650 and the bank balance was \$3,248,382. The City's cash deposits at September 30, 2018 and during the year ended September 30, 2018, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

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Investments:

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The City's investments at September 30, 2018 are shown below:

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Texas CLASS	Avg 52 days	\$ <u>1,449,167</u>
Temporary Investments		\$ 1,117,913
Restricted Investments		<u>331,254</u>
		<u>\$ 1,449,167</u>

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:

a. 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.

At September 30, 2018, the City's investments, other than those which are obligations of or guaranteed by the U.S. Government, are rated as to credit quality as follows:

<u>Investment</u>	<u>Standard & Poor's Rating</u>
Texas CLASS	AAAm

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

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

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c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

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 Texas CLASS, which is a local government investment pool organized 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 at 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. Texas CLASS seeks to maintain a net asset value of \$1.00 per unit and is designed to be used for investment of funds which may be needed at any time.

D. Capital Assets

Capital asset activity for the year ended September 30, 2018, was as follows:

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	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 386,742	\$	\$	\$ 386,742
Construction in progress	338,843	68,723	407,566	
Total capital assets not being depreciated	<u>725,585</u>	<u>68,723</u>	<u>407,566</u>	<u>386,742</u>
Capital assets being depreciated:				
Buildings and improvements	987,102	62,403		1,049,505
Equipment	2,061,668	405,722	89,386	2,378,004
Infrastructure	8,577,477	409,511		8,986,988
Total capital assets being depreciated	<u>11,626,247</u>	<u>877,636</u>	<u>89,386</u>	<u>12,414,497</u>
Less accumulated depreciation for:				
Buildings and improvements	(549,025)	(20,063)		(569,088)
Equipment	(1,610,188)	(123,984)	(68,186)	(1,665,986)
Infrastructure	(4,357,649)	(458,252)		(4,815,901)
Total accumulated depreciation	<u>(6,516,862)</u>	<u>(602,299)</u>	<u>(68,186)</u>	<u>(7,050,975)</u>
Total capital assets being depreciated, net	<u>5,109,385</u>	<u>275,337</u>	<u>21,200</u>	<u>5,363,522</u>
Governmental activities capital assets, net	<u>\$ 5,834,970</u>	<u>\$ 344,060</u>	<u>\$ 428,766</u>	<u>\$ 5,750,264</u>

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	\$ 96,823	\$	\$	\$ 96,823
Construction in progress		7,700		7,700
Total capital assets not being depreciated	<u>96,823</u>	<u>7,700</u>		<u>104,523</u>
Capital assets being depreciated:				
Water and sewer system	23,331,011	15,603	182,574	23,164,040
Buildings	255,590			255,590
Machinery & equipment	998,724	72,582	30,820	1,040,486
Total capital assets being depreciated	<u>24,585,325</u>	<u>88,185</u>	<u>213,394</u>	<u>24,460,116</u>
Less accumulated depreciation for:				
Water and sewer system	(10,418,121)	(623,345)	(95,091)	(10,946,375)
Buildings	(194,051)	(4,734)		(198,785)
Machinery & equipment	(480,222)	(120,617)	(30,820)	(570,019)
Total accumulated depreciation	<u>(11,092,394)</u>	<u>(748,696)</u>	<u>(125,911)</u>	<u>(11,715,179)</u>
Total capital assets being depreciated, net	<u>13,492,931</u>	<u>(660,511)</u>	<u>87,483</u>	<u>12,744,937</u>
Business-type activities capital assets, net	<u>\$ 13,589,754</u>	<u>\$ (652,811)</u>	<u>\$ 87,483</u>	<u>\$ 12,849,460</u>

Depreciation was charged to functions as follows :

General Government	\$ 19,941
Public Safety	100,324
Public Works	215,545
Recreation	235,669
	<u>\$ 571,479</u>

E. Interfund Balances and Activity

1. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2018, consisted of the following:

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Transfers From	Transfers To	Amount	Reason
General Fund	Water & Sewer Fund	\$ 21,893	Purchase of vehicle.
Governmental Activities	Water & Sewer Fund	1,250	Book value of vehicle.
	Total	<u>\$ 23,143</u>	

F. Long-Term 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.

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2018, are as follows :

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Compensated absences *	\$ 54,131	\$ 10,208	\$	\$ 64,339	
Total governmental activities	<u>\$ 54,131</u>	<u>\$ 10,208</u>	<u>\$</u>	<u>\$ 64,339</u>	<u>\$</u>
<u>Business-type activities:</u>					
Certificates of Obligation	\$ 7,135,000	\$	\$ 430,000	\$ 6,705,000	445,000
Unamortized premium	127,411		12,104	115,307	
Total business-type activities	<u>\$ 7,262,411</u>	<u>\$</u>	<u>\$ 442,104</u>	<u>\$ 6,820,307</u>	<u>\$ 445,000</u>

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated absences	Governmental	General Fund

2. Debt Service Requirements

Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2019	\$ 445,000	\$ 207,804	\$ 652,804
2020	460,000	192,782	652,782
2021	475,000	177,604	652,604
2022	495,000	161,467	656,467
2023	510,000	143,612	653,612
2024-2028	1,995,000	523,781	2,518,781
2029-2033	2,325,000	184,013	2,509,013
Totals	<u>\$ 6,705,000</u>	<u>\$ 1,591,063</u>	<u>\$ 8,296,063</u>

3. Outstanding Debt

Debt outstanding at September 30, 2018, consists of the following

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<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance</u>
<u>Business-type activities</u>			
Series 2008 Certificates of Obligation	3.5-4.25%	03/01/2023	\$ 1,770,000
Series 2013 Certificates of Obligation	1.5-3.25%	03/01/2033	4,935,000
			<u>\$ 6,705,000</u>

G. 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 2018, 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.

H. Pension Plan

1. Plan Description

The City participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title I, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

2. Benefits Provided

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

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

Members can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by City Council, within the options available in the statutes governing TMRS. The contribution rate for the employees is 7%, and the City matching ratio is currently 2 to 1, both as adopted by the City Council.

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 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

Initiated in 1992, the City provides on an annually repeating basis annuity increases for retirees, which are also referred to as cost of living adjustments (COLA). Currently, that amount is equal to 70% of the change in the consumer price index (CPI). The amount of the COLA percentage can only be changed by a City-adopted ordinance.

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

Inactive employees or beneficiaries currently receiving benefits	30
Inactive employees entitled to but not yet receiving benefits	23
Active employees	45
Total covered employees	98

3. Contributions

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

Employees for the City were required to contribute 7.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 15.34% and 14.55% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018 were \$305,550, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

5. Actuarial Assumptions:

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

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City, rates are multiplied by an additional factor of 100.0%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

CITY OF WHITE OAK, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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 (conserve) and (2) the geometric mean (conserve) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates of return for each major asset class in fiscal year 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	<u>5.0%</u>	7.50%
Total	<u>100.0%</u>	

6. Discount Rate

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

7. Changes in Net Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balance at 12/31/2016	\$ 11,546,229	\$ 10,273,360	\$ 1,272,869
Changes for the year			
SeNice cost	378,388		378,388
Interest	774,393		774,393
Difference between expected and actual experience	(42,936)		(42,936)
Changes of assumptions			

CITY OF WHITE OAK, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

Contributions - employer		313,248	(313,248)
Contributions - employee		142,942	(142,942)
Net investment income		1,423,501	(1,423,501)
Benefit payments , including			
refunds of employee contributions	(525,883)	(525,883)	
Administrative expense		(7,379)	7,379
Other changes		(374)	374
Net changes		<u>583,962</u>	<u>(762,093)</u>
Balance at 12/31/2017	\$	<u>12,130,191</u>	\$ <u>11,619,415</u> \$ <u>510,776</u>

8. 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.

	1% Decrease in Discount Rate 5.75%	Discount Rate 6.75%	1% Increase in Discount Rate 7.75%
City's net pension liability (asset)	\$ 2,229,207	\$ 510,776	(892,835)

9. Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2018, the City recognized pension expense of \$212,946.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 25,332	\$ 213,935
Changes in actuarial assumptions		
Difference between projected and actual investment earnings		297,481
Contributions subsequent to the measurement date	215,981	
Total	<u>\$ 241,313</u>	<u>\$ 511,416</u>

\$215,981 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF WHITE OAK, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

Year ended Dec. 31:		
2018	\$	(91,482)
2019		(84,402)
2020		(164,083)
2021		(146,117)
2022		
Thereafter		
	\$	<u>(486,084)</u>

I. Commitments and Contingencies

1. Contingencies

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; there fore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; there fore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

2. Litigation

No reportable litigation was pending against the City at September 30, 2018.

J. Post Employment Benefits Other Than Pensions (OPEB)

1. Plan Description

Texas Municipal Retirement System (TMRS) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The City has elected to participate in the SDBF for its active members including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded single-employer OPEB plan (i.e. no assets are accumulating in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75) for City reporting.

2. Benefits Provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of \$7,500.

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

Inactive employees currently receiving benefits	24
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>45</u>
Total	73

CITY OF WHITE OAK, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

3. Contributions

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

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SBDF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year.

The retiree portion of contribution rates to the SBDF for the City was .06% for calendar year 2017 and .05% for calendar year 2018. The City's contributions to the SDBF for the year ended September 30, 2018 were \$1,092, and were equal to the required contributions.

4. Total OPEB Liability

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

5. Actuarial Assumptions

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

Inflation	2.5% per year
Salary increases	3.5% to 10.5% including inflation
Discount rate	3.31%
Retiree's share of benefit-related costs	0.00%

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

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

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

CITY OF WHITE OAK, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

6. Changes in the Total OPEB Liability

Total OPEB liability - beginning of year	\$	124,966
Changes for the year :		
Service Cost		5,309
Interest on total OPEB liability		4,801
Changes in assumptions or other inputs		11,234
Benefit payments		<u>(1,225)</u>
Net changes		20,119
Total OPEB liability - end of year	\$	<u>145,085</u>

7. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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

	1% Decrease in Discount Rate <u>2.31%</u>	Discount Rate <u>3.31%</u>	1% Increase in Discount Rate <u>4.31%</u>
City's net OPEB liability	\$ 173,922	\$ 145,085	\$ 122,588

8. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the City recognized OPEB expense of \$12,198. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$
Change in assumptions and other inputs		9,146
Contributions made subsequent to measurement date		<u>742</u>
Total	\$	<u>9,888</u>

The \$742 reported as deferred outflows of resources related to OPEB 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, 2019. The other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows :

Year Ended Dec 31	
2018	\$ 2,088
2019	2,088
2020	2,088
2021	2,088
2022	794
Thereafter	<u>9,146</u>

CITY OF WHITE OAK, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

K. Restricted Fund Balance and Net Position

As of September 30, 2018, fund balances and net position restricted for specific purposes were as follows :

	General Fund	Governmental Activities
Building Security Fee	\$ 8,998	\$ 8,998
Court Technology Fee	1,892	1,892
Drug Seizure Funds	1,595	1,595
Cable PEG Fees	92,854	92,854
Christmas Decorations	3,381	3,381
	<u>\$ 108,720</u>	<u>\$ 108,720</u>

L. Cumulative Effect of Change in Accounting Principle

The City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Post Employment Benefits Other Than Pensions" in FY18. The implementation resulted in a restatement of beginning net position in the government-wide financial statements and the proprietary fund financial statements. The beginning total OPEB liability and deferred inflows and outflows related to OPEB were recorded and resulted in the adjustment below:

	Governmental Activities	Business-type Activities
Net position, September 30, 2017	\$ 8,029,077	\$ 7,708,855
Beginning total OPEB liability and related deferred inflows and outflows	<u>(98,033)</u>	<u>(26,059)</u>
Restated net position as of September 30, 2017	<u>\$ 7,931,044</u>	<u>\$ 7,682,796</u>

M. Subsequent Events

Management has evaluated subsequent events through March 4, 2019, the date on which the financial statements were available to be issued.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

CITY OF WHITE OAK, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

EXHIBIT B-1

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Property Taxes	\$ 1,925,538	\$ 1,950,538	\$ 1,966,187	\$ 15,649
Franchise Fees	443,500	443,500	443,539	39
Sales Tax	628,195	628,195	667,446	39,251
Licenses, Permits and Fees	29,800	29,800	33,360	3,560
Fines, Forfeitures , and Penalties	162,007	177,007	189,555	12,548
Park User Fees	18,000	18,000	11,739	(6,261)
Investment Income	35,900	35,900	67,926	32,026
Contributions and Grants	8,015	8,015	208,741	200,726
Service Charges and Fees	22,700	22,700	37,029	14,329
Miscellaneous	2,100	2,100	51,807	49,707
TOTAL REVENUES	<u>3,275,755</u>	<u>3,315,755</u>	<u>3,677,329</u>	<u>361,574</u>
EXPENDITURES:				
General Government	810,109	863,959	850,586	13,373
Public Safety	1,732,833	1,804,653	1,994,552	(189,899)
Public Works	428,346	473,346	424,705	48,641
Recreation	294,885	294,885	322,523	(27,638)
TOTAL EXPENDITURES	<u>3,266,173</u>	<u>3,436,843</u>	<u>3,592,366</u>	<u>(155,523)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>9,582</u>	<u>(121,088)</u>	<u>84,963</u>	<u>206,051</u>
OTHER FINANCING SOURCES (USES)				
Transfer In (Out) - Net			(21,893)	21,893
TOTAL OTHER FINANCING SOURCES (USES)			<u>(21,893)</u>	<u>21,893</u>
NET CHANGE IN FUND BALANCE	9,582	(121,088)	63,070	184,158
FUND BALANCE - BEGINNING	<u>2,890,408</u>	<u>2,890,408</u>	<u>2,890,408</u>	
FUND BALANCE - ENDING	<u>\$ 2,899,990</u>	<u>\$ 2,769,320</u>	<u>\$ 2,953,478</u>	<u>\$ 184,158</u>

CITY OF WHITE OAK, TEXAS
 SCHEDULE OF CHANGES IN THE CITY'S
 NET PENSION LIABILITY AND RELATED RATIOS
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

	Measurement Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total pension liability:										
Service cost	\$ 378,388	\$ 376,608	\$ 348,630	\$ 349,571	\$	\$	\$	\$	\$	\$
Interest	774,393	746,628	730,905	703,154						
Changes of benefit terms										
Differences between expected and actual experience	(42,936)	(230,466)	(127,953)	(196,567)						
Changes of assumptions			82,470							
Benefit payments, including refunds of employee contributions	(525,883)	(438,795)	(417,974)	(500,512)						
Net change in total pension liability	583,962	453,975	616,078	355,646						
Total pension liability - beginning	11,546,229	11,092,254	10,476,176	10,120,530						
Total pension liability - ending (a)	\$ 12,130,191	\$ 11,546,229	\$ 11,092,254	\$ 10,476,176						
Plan fiduciary net position:										
Contributions - employer	\$ 313,248	\$ 303,702	\$ 296,098	\$ 271,868	\$	\$	\$	\$	\$	\$
Contributions - employee	142,942	140,976	132,271	137,307						
Net investment income	1,423,501	650,242	14,178	525,208						
Benefit payments, including refunds of employee contributions	(525,883)	(438,795)	(417,974)	(500,512)						
Administrative expense	(7,379)	(7,346)	(8,637)	(5,484)						
Other	(374)	(394)	(427)	(451)						
Net change in plan fiduciary net position	1,346,055	648,385	15,509	427,936						
Plan fiduciary net position - beginning	10,273,360	9,624,975	9,609,466	9,181,530						
Plan fiduciary net position - ending (b)	\$ 11,619,415	\$ 10,273,360	\$ 9,624,975	\$ 9,609,466						
City's net pension liability - ending (a) - (b)	\$ 510,776	\$ 1,272,869	\$ 1,467,279	\$ 866,710						
Plan fiduciary net position as a percentage of the total pension liability	95.79%	88.98%	86.77%	91.73%						
Covered-employee payroll	\$ 2,042,037	\$ 2,013,945	\$ 1,889,588	\$ 1,961,531	\$	\$	\$	\$	\$	\$
City's net pension liability as a percentage of covered-employee payroll	25.01%	63.20%	77.65%	44.19%						

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

CITY OF WHITE OAK, TEXAS
 SCHEDULE OF CITY CONTRIBUTIONS
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

	Measurement Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 313,248	\$ 312,854	\$ 304,098	\$ 280,911	\$	\$	\$	\$	\$	\$
Contributions in relation to the actuarially determined contribution	(313,248)	(312,854)	(304,098)	(280,911)						
Contribution 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	\$ 2,042,037	\$ 2,049,498	\$ 1,994,199	\$ 1,854,662	\$	\$	\$	\$	\$	\$
Contributions as a percentage of covered-employee payroll	15.34%	15.26%	15.25%	15.15%						

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

CITY OF WHITE OAK, TEXAS
 SCHEDULE OF CITY CONTRIBUTIONS
 TEXAS MUNICIPAL RETIREMENT SYSTEM SUPPLEMENTAL DEATH BENEFIT FUND
 LAST TEN FISCAL YEARS *

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 1,092	\$	\$	\$	\$	\$	\$	\$	\$	\$
Contributions in relation to the actuarially determined contribution	(1,092)									
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Covered-employee payroll	\$ 2,068,301	\$	\$	\$	\$	\$	\$	\$	\$	\$
Contributions as a percentage of covered-employee payroll	0.05%									

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

CITY OF WHITE OAK, TEXAS
 SCHEDULE OF CHANGES IN THE CITY'S
 TOTAL OPEB LIABILITY AND RELATED RATIOS
 TEXAS MUNICIPAL RETIREMENT SYSTEM SUPPLEMENTAL DEATH BENEFIT FUND
 LAST TEN FISCAL YEARS *

	2017	Measurement Year Ended December 31,								
		2016	2015	2014	2013	2012	2011	2010	2009	2008
Total OPEB liability:										
Service cost	\$ 5,309	\$	\$	\$	\$	\$	\$	\$	\$	\$
Interest	4,801									
Changes of benefit terms										
Differences between expected and actual experience										
Changes of assumptions or other inputs	11,234									
Benefit payments	(1,225)									
Net change in total OPEB liability	20,119									
Total OPEB liability - beginning	124,966									
Total OPEB liability - ending	<u>\$ 145,085</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Covered-employee payroll	\$ 2,042,029	\$	\$	\$	\$	\$	\$	\$	\$	\$
Total OPEB liability as a percentage of covered-employee payroll	7.10%									

The TMRS Supplemental Death Benefit Fund (SBDF) is considered to be an unfunded OPEB plan; therefore, no plan fiduciary net position and related ratios are reported in the *above* schedule.

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

CITY OF WHITE OAK, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2018

1. Budgetary Data

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.

2. Texas Municipal Retirement System

Valuation Date

Actuarially determined contribution rates are calculated as of December 31 each year and become effective in January, 12 months and one day later.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	18 years
Asset Valuation Method	10 year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information

There were no benefit changes during the year.

CITY OF WHITE OAK, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2018

3. Texas Municipal Retirement System Supplemental Death Benefits Fund_

Valuation Date

Actuarially determined contribution rates are calculated as of December 31 each year and become effective in January, 12 months and one day later.

Methods and Assumptions Used to Determine Contribution Rates

Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Discount Rate	3.31% based on the Fidelity Index's "20-year Municipal GO AA Index" rate as of December 31, 2017.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information

There were no benefit changes during the year.

Compliance Section

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KAREN A. JACKS & ASSOCIATES, P.C.

Certified Public Accountants

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Chanie A. Johnson, CPA

Independent Auditors' Report on Internal Control over Financial Reporting and
On Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With *Government Auditing Standards*

Mayor and City Council
City of White Oak, Texas
906 S. White Oak Road
White Oak, Texas 75693

To the Mayor and City Council:

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of White Oak, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise City of White Oak, Texas' basic financial statements, and have issued our report thereon dated March 4, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of White Oak, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of White Oak, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of White Oak, Texas' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of White Oak, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance

with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Karen A. Jacks & Associates, P.C.

Karen A. Jacks & Associates, P.C.
Longview, Texas
March 4, 2019

CITY OF WHITE OAK, TEXAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR **THE** YEAR ENDED SEPTEMBER 30, 2018

A. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?	Yes	X	No
One or more significant deficiencies identified that are not considered to be material weaknesses?	Yes	X	None Reported
Noncompliance material to financial statements noted?	Yes	X	No

B. Financial Statement Findings

NONE

CITY OF WHITE OAK, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
None.		

CITY OF WHITE OAK, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2018

None required.

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