

**CITY OF WHITE OAK, TEXAS**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2022

## Introductory Section

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City of White Oak, Texas  
Annual Financial Report  
For The Year Ended September 30, 2022

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# CITY OF WHITE OAK, TEXAS

## LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2022

### Elected Officials

Name	Office
Kyle Kutch	Mayor
Kevin Hood	Mayor Pro-Tem
Dana Mizell	Councilmember
Joseph Stephens	Councilmember
Thomas Cash	Councilmember
John Frazier	Councilmember

### Appointed Officials

Name	Position
Jimmy Purcell	City Coordinator
Kristine Toon	City Secretary
Jimmy Nall	City Judge
Blake Armstrong	City Attorney

## Financial Section

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# KAREN A. JACKS & ASSOCIATES, P.C.

## Certified Public Accountants

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### 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 Audit of the Financial Statements**

##### ***Opinions***

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, 2022, and the related notes to the financial statements, which collectively comprise the City of White Oak, Texas' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of White Oak, Texas as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

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

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

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

## ***Required Supplementary Information***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2023 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.*

Karen A. Jacks & Associates, P.C.  
Longview, Texas  
June 30, 2023

**CITY OF WHITE OAK, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022**

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, 2022. 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, 2022, is \$16,739,080.
- The total Governmental Activities net position is \$8,724,728. This reflects a decrease of \$93,384 from the previous fiscal year.
- The total net position for the City's Enterprise (Water & Sewer) Fund is \$8,014,352, which was a decrease of \$161,971 from fiscal year 2021.
- As of September 30, 2022, the General Fund has \$2,431,564 in unassigned fund balance and the Enterprise Fund has \$928,810 in unrestricted net position.
- The City's long-term debt increased by \$2,434,892 leaving a balance due of \$9,900,000. This increase reflects the addition of a State Infrastructure Loan, the payoff of a the 2013 Certificate of Obligation as well as the addition of a refinancing General Obligation Bond.

**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 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 \$16,739,080 as of September 30, 2022. Analyzing the net position and net expenses of governmental and business-type activities separately, the governmental net position is \$8,724,728 and the business-type activities net position is \$8,014,352. 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 \$908,187 (or 5.4%) and is for court security and technology, cable PEG fees, drug seizure funds, and unspent grant funds.

*Unrestricted* net position of \$3,811,690 (or 22.8%) 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, 2022	Governmental Activities		Business-type Activities		Total		Component Unit - WOEDCO	
	2021	2022	2021	2022	2021	2022	2021	2022
Current & other assets	3,507,635	3,675,974	4,380,366	7,226,249	7,888,001	10,902,223	645,320	674,886
Capital Assets	6,036,011	5,679,367	11,716,784	11,134,834	17,752,795	16,814,201	-	-
<b>TOTAL ASSETS</b>	<b>9,543,646</b>	<b>9,355,341</b>	<b>16,097,150</b>	<b>18,361,083</b>	<b>25,640,796</b>	<b>27,716,424</b>	<b>645,320</b>	<b>674,886</b>
Deferred Outflows Related to Pensions/OPEB	213,727	432,588	59,768	186,492	273,495	619,080	-	-
<b>TOTAL DEFERRED OUTFLOWS</b>	<b>213,727</b>	<b>432,588</b>	<b>59,768</b>	<b>186,492</b>	<b>273,495</b>	<b>619,080</b>	<b>-</b>	<b>-</b>
Current Liabilities	224,332	170,192	315,558	380,003	539,890	550,195	-	-
Non-Current Liabilities	224,017	154,981	7,527,754	9,943,946	7,751,771	10,098,927	-	-
<b>TOTAL LIABILITIES</b>	<b>448,349</b>	<b>325,173</b>	<b>7,843,312</b>	<b>10,323,949</b>	<b>8,291,661</b>	<b>10,649,122</b>	<b>-</b>	<b>-</b>
Deferred Inflows Related to Pensions/OPEB	490,914	738,028	137,283	209,274	628,197	947,302	-	-
<b>TOTAL DEFERRED INFLOWS</b>	<b>490,914</b>	<b>738,028</b>	<b>137,283</b>	<b>209,274</b>	<b>628,197</b>	<b>947,302</b>	<b>-</b>	<b>-</b>
<b>Net Position:</b>								
Invested in capital assets	6,036,011	5,679,367	6,286,676	6,339,836	12,322,687	12,019,203	-	-
Restricted for debt service	-	77	-	705	-	782	-	-
Restricted for other purposes	150,837	162,404	745,001	745,001	895,838	907,405	645,320	674,886
Unrestricted	2,631,262	2,882,880	1,144,646	928,810	3,775,908	3,811,690	-	-
<b>TOTAL NET POSITION</b>	<b>8,818,110</b>	<b>8,724,728</b>	<b>8,176,323</b>	<b>8,014,352</b>	<b>16,994,433</b>	<b>16,739,080</b>	<b>645,320</b>	<b>674,886</b>

**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 decreased \$93,384 and the business-type activities net position decreased \$161,971. 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, 2022	Governmental Activities		Business-type Activities		Total		Component Unit - WOEDCO	
	2021	2022	2021	2022	2021	2022	2021	2022
<b>Revenues:</b>								
<i>Program Revenues:</i>								
Charges for service	174,216	163,153	2,732,123	2,882,583	2,906,339	3,045,736	-	-
Operating Grants & Contributions	305,654	2,325	-	-	305,654	2,325	60,000	-
Capital Grants & Contributions	243,000	24,650	-	-	243,000	24,650	-	-
<i>General Revenues:</i>								
Taxes	3,068,960	3,365,354	-	-	3,068,960	3,365,354	399,146	498,573
Franchise Fees	352,940	365,076	-	-	352,940	365,076	-	-
Investment Income	5,301	24,981	2,182	45,689	7,483	70,670	1,892	1,639
Contributions	1,242,748	-	783,250	-	2,025,998	-	-	-
Miscellaneous	64,264	24,500	-	-	64,264	24,500	-	-
<b>TOTAL REVENUES</b>	<b>5,457,083</b>	<b>3,970,039</b>	<b>3,517,555</b>	<b>2,928,272</b>	<b>8,974,638</b>	<b>6,898,311</b>	<b>461,038</b>	<b>500,212</b>
<b>Expenses:</b>								
General Government	1,070,748	834,553	-	-	1,070,748	834,553	-	-
Public Safety	1,827,181	2,010,676	-	-	1,827,181	2,010,676	-	-
Public Works	742,159	797,260	-	-	742,159	797,260	-	-
Development Services	-	-	-	-	-	-	407,921	470,645
Parks & Recreation	480,921	420,934	-	-	480,921	420,934	-	-
Water Utilities	-	-	2,788,715	3,090,243	2,788,715	3,090,243	-	-
<b>TOTAL EXPENSES</b>	<b>4,121,009</b>	<b>4,063,423</b>	<b>2,788,715</b>	<b>3,090,243</b>	<b>6,909,724</b>	<b>7,153,666</b>	<b>407,921</b>	<b>470,645</b>
<b>Change in Net Position</b>	<b>1,336,074</b>	<b>(93,384)</b>	<b>728,840</b>	<b>(161,971)</b>	<b>(2,064,914)</b>	<b>(255,355)</b>	<b>53,117</b>	<b>29,567</b>
<b>NET POSITION, BEGINNING</b>	<b>7,482,036</b>	<b>8,818,112</b>	<b>7,447,483</b>	<b>8,176,323</b>	<b>14,929,519</b>	<b>16,994,435</b>	<b>592,203</b>	<b>645,319</b>
<b>NET POSITION, ENDING</b>	<b>8,818,110</b>	<b>8,724,728</b>	<b>8,176,323</b>	<b>8,014,352</b>	<b>16,994,433</b>	<b>16,739,080</b>	<b>645,320</b>	<b>674,886</b>

**General Fund Revenues.** Figure 3 provides a graphic representation of the City's revenues by source at the fund level. Total General Fund revenue was \$4,003,962, which is \$202,366 less than the previous fiscal year. General Fund revenue comes from a variety of different sources. Property taxes accounted for 59% of the General Fund revenue, followed by sales and use tax revenue accounting for 25%. 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 9% of the total revenues. The City collects franchise fees from electric, gas, cable, phone, sanitation providers, and the Enterprise Fund. Municipal court fines accounted for 2% of total revenue which was \$16,895 less than last fiscal year. The remaining 5% consists of investment income, permit and park fees, service charges and other miscellaneous revenue.

FIGURE 3 - General Fund  
Revenues September 30, 2022

	2021	2022	Increase / (Decrease)
Property Taxes	2,262,648	2,360,055	97,407
Sales Taxes	798,303	997,162	198,859
Franchise Fees	352,940	365,076	12,136
Fines, Forfeitures & Penalties	102,519	85,624	(16,895)
Licenses & Permits	38,619	40,062	1,443
Interest/Other Income	648,599	149,783	(498,816)
Park User Fees	2,700	6,200	3,500
<b>TOTAL REVENUE</b>	<b>4,206,328</b>	<b>4,003,962</b>	<b>(202,366)</b>

**General Fund Expenditures. Figure 4.** At the fund level, total General Fund expenditures for this fiscal year were \$4,027,292 and are \$84,824 less than fiscal year 2021. 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 22% 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 17% of the General Fund expenses. The remaining 5% 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, 2022

	2021	2022	Increase / (Decrease)
General Government	1,086,413	868,799	(217,614)
Public Safety	2,009,968	2,270,541	260,573
Public Works	514,570	686,357	171,787
Recreation	501,165	201,595	(299,570)
<b>TOTAL EXPENSES</b>	<b>4,112,116</b>	<b>4,027,292</b>	<b>(84,824)</b>

**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 operating revenue for the Water & Sewer Fund was \$2,882,583, which was \$150,460 more than the previous fiscal year. Water sales alone made up 64% of this revenue. Sewer revenue was 31% 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 a graphic representation of the City's business-type revenues by source at the fund level.

FIGURE 5 - Water & Sewer Fund  
Revenues September 30, 2022

	2021	2022	Increase / (Decrease)
Water Revenue	1,673,523	1,840,051	166,528
Sewer Revenue	873,269	880,330	7,061
Sanitation Revenue	53,438	46,208	(7,230)
Installment Fees	54,369	69,434	15,065
Penalties	39,285	37,267	(2,018)
Other Revenues	38,239	9,293	(28,946)
TOTAL REVENUE	2,732,123	2,882,583	150,460

**Water and Sewer Fund Expenses. Figure 6.** Total operating expenses for FY 2022 for the Water & Sewer Fund were \$2,284,040 which was \$132,648 more than the previous fiscal year. Depreciation accounted for 31% of this total. The cost to obtain, treat, and deliver treated water was 41% of the total expenditures, while the cost of collecting and treating sewage was 20%. The remaining 8% 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 resource 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, 2022

	2021	2022	Increase / (Decrease)
Depreciation	704,979	709,788	4,809
Water Purification	500,155	611,631	111,476
Sewer Treatment	273,266	300,505	27,239
Water Distribution	205,768	231,970	26,202
Sewer Line Maintenance	171,630	156,491	(15,139)
Franchise Fee	20,000	20,000	-
Water Supply	127,451	102,137	(25,314)
Administration	57,742	63,173	5,431
Fleet Maintenance	51,922	43,514	(8,408)
Miscellaneous	38,479	44,831	6,352
TOTAL EXPENSES	2,151,392	2,284,040	132,648

## 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 prepaid expenditures.
- 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, 2022, was \$2,431,564 and is 75% of the total fund balance. The *non-spendable* fund balance at year-end was \$650,638 and consisted of prepaid expenditures. The *restricted* fund balance at year-end was \$162,481, 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 seven(7) months of operating expenditures, which is one (1) month 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 (as amended), the *Budgetary Comparison Schedule* is shown on page 50. In the General Fund, revenues were \$61,292 more than expected. Investment Income came in at \$10,519 below its budget. Fines, forfeitures, and penalties were \$6,674 above projections. General Fund expenditures were \$671,966 under budget. Total expenditures for FY 2022 were \$4,027,292 creating a \$23,330 deficit of revenues under 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 \$18,361,083 deferred outflows of resources of \$186,492 total liabilities of \$10,323,949 and deferred inflows of resources of \$209,274 resulting in a net position of \$8,014,352. This reflects a net decrease of \$161,971 from the previous year. The *unrestricted* net position at year-end was \$928,810.

## 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, 2022, totals \$16,814,201 (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 2021 and fiscal year 2022. For a more in-depth review of capital assets, please see Note D – Capital Assets in the "Notes to Financial Statements" on Page 39.

FIGURE 7 - Capital Assets September 30, 2022	Governmental Activities		Business-type Activities		Total	
	2021	2022	2021	2022	2021	2022
Land	388,762	378,854	96,823	96,823	485,585	475,677
Construction in Progress	-	20,100	38,250	93,840	38,250	113,940
Buildings & Improvements	643,538	620,512	42,604	37,870	686,142	658,382
Infrastructure	4,321,442	3,891,318	-	-	4,321,442	3,891,318
Furniture, Equip. & Machinery	682,269	768,583	412,047	240,836	1,094,316	1,009,419
Water & Sewer System	-	-	11,127,060	10,665,465	11,127,060	10,665,465
<b>TOTAL</b>	<b>6,036,011</b>	<b>5,679,367</b>	<b>11,716,784</b>	<b>11,134,834</b>	<b>17,752,795</b>	<b>16,814,201</b>

**Long-term Debt. Figure 8.** At the end of the current fiscal year, the City had an outstanding total bonded indebtedness of \$7,385,000 consisting of one Certificate of Obligation, and two State Infrastructure Loans, as well as one General Obligation Bond all of which are in the Water & Sewer Fund. All debt payments were made when due. (See Note F – 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, 2022	Governmental Activities		Business-type Activities		Total	
	2021	2022	2021	2022	2021	2022
Certificates of Obligation	-	-	5,325,000	385,000	5,325,000	385,000
State Infrastructure Loans	-	-	2,060,000	5,010,000	2,060,000	5,010,000
Premium on Issuance of Debt - 2013 Certificate of Obligation	-	-	80,108	-	80,108	-
Refunding Bonds	-	-	-	4,505,000	-	4,505,000
Accrual for Compensated Absences	57,887	74,074	-	-	57,887	74,074
<b>TOTAL</b>	<b>57,887</b>	<b>74,074</b>	<b>7,465,108</b>	<b>9,900,000</b>	<b>7,522,995</b>	<b>9,974,074</b>

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

**Governmental funds.** The City of White Oak took a conservative approach again for the fiscal year 2022-2023 budget. The certified property tax value increased to \$431,745,413 resulting in a lower no new revenue tax rate of \$0.55946/100 valuation. A tax rate of \$0.62875 was adopted resulting in additional revenue in \$160,206 order to reduce the use of reserve funds for necessary street repairs. In 2023 the city also adopted a new Interest and Sinking debt rate of \$0.03230.

**Proprietary funds.** The City of White Oak refinanced the Certificate of Obligation 2013 and got a lower interest rate. The Certificate of Obligation 2013 is now a General Obligation Refunding Bond. The city has also taken out two State Infrastructure Loans. One SIB loan is to relocate utilities under Hwy 42 and the other is to relocate utilities under George Richey. Due to the amount of debt incurred the city is looking into raising the water rates to pay back the debt.

## **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.

## Basic Financial Statements



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**CITY OF WHITE OAK, TEXAS**

## STATEMENT OF NET POSITION

SEPTEMBER 30, 2022

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		
<b>ASSETS:</b>				
Cash	\$ 64,624	\$ 964,880	\$ 1,029,504	\$ 527,365
Temporary Investments	2,376,229	1,850,467	4,226,696	--
Receivables (Net of Allowances for Uncollectibles):				
Taxes	252,389	--	252,389	85,537
Accounts	--	491,887	491,887	--
Other	78,818	--	78,818	7,950
Prepaid Expenses	650,638	--	650,638	--
Internal Balances	(582)	582	--	--
Restricted Assets:				
Temporary Investments	--	3,846,450	3,846,450	--
Net Pension Asset	253,858	71,983	325,841	--
Notes Receivable	--	--	--	54,034
Capital Assets Not Subject to Depreciation	398,954	190,663	589,617	--
Capital Assets Net of Accumulated Depreciation	5,280,413	10,944,171	16,224,584	--
Total Assets	<u>9,355,341</u>	<u>18,361,083</u>	<u>27,716,424</u>	<u>674,886</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Deferred Outflow Related to Pensions	408,404	115,806	524,210	--
Deferred Outflow Related to OPEB	24,184	6,858	31,042	--
Deferred Loss on Defeasance of Debt	--	63,828	63,828	--
Total Deferred Outflows of Resources	<u>432,588</u>	<u>186,492</u>	<u>619,080</u>	<u>--</u>
<b>LIABILITIES:</b>				
Accounts Payable	61,661	132,291	193,952	--
Accrued Wages Payable	34,457	7,893	42,350	--
Accrued Interest Payable	--	8,993	8,993	--
Customer Deposits	--	215,405	215,405	--
Accrual for Compensated Absences	74,074	15,421	89,495	--
Noncurrent Liabilities-				
Due within one year	--	660,000	660,000	--
Due in more than one year	--	9,240,000	9,240,000	--
Net OPEB Liability	154,981	43,946	198,927	--
Total Liabilities	<u>325,173</u>	<u>10,323,949</u>	<u>10,649,122</u>	<u>--</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Deferred Inflows Related to Pensions	724,766	205,514	930,280	--
Deferred Inflows Related to OPEB	13,262	3,760	17,022	--
Total Deferred Inflows of Resources	<u>738,028</u>	<u>209,274</u>	<u>947,302</u>	<u>--</u>
<b>NET POSITION:</b>				
Net Investment in Capital Assets	5,679,367	6,339,836	12,019,203	--
Restricted For:				
Debt Service	77	705	782	--
Other Purposes	162,404	745,001	907,405	674,886
Unrestricted	2,882,880	928,810	3,811,690	--
Total Net Position	<u>\$ 8,724,728</u>	<u>\$ 8,014,352</u>	<u>\$ 16,739,080</u>	<u>\$ 674,886</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, 2022**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental Activities:				
General Government	\$ 834,553	\$ 69,124	\$ --	\$ --
Public Safety	2,010,676	87,829	1,325	8,900
Public Works	797,260	--	--	15,750
Recreation	420,934	6,200	1,000	--
Total Governmental Activities	<u>4,063,423</u>	<u>163,153</u>	<u>2,325</u>	<u>24,650</u>
Business-type Activities:				
Water and Sewer	<u>3,090,243</u>	<u>2,882,583</u>	<u>--</u>	<u>--</u>
Total Business-type Activities	<u>3,090,243</u>	<u>2,882,583</u>	<u>--</u>	<u>--</u>
Total Primary Government	<u>\$ 7,153,666</u>	<u>\$ 3,045,736</u>	<u>\$ 2,325</u>	<u>\$ 24,650</u>
<b>COMPONENT UNIT:</b>				
White Oak Economic Development Corporation	<u>\$ 470,645</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
General Revenues:				
Property Taxes				
Franchise Fees				
Sales Tax				
Investment income				
Miscellaneous				
Total General Revenues				
Change in Net Position				
Net Position - Beginning				
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
\$ (765,429)		\$ (765,429)	
(1,912,622)		(1,912,622)	
(781,510)		(781,510)	
(413,734)		(413,734)	
<u>(3,873,295)</u>		<u>(3,873,295)</u>	
--	\$ (207,660)	(207,660)	
--	(207,660)	(207,660)	
<u>(3,873,295)</u>	<u>(207,660)</u>	<u>(4,080,955)</u>	
			\$ <u>(470,645)</u>
2,368,192	--	2,368,192	--
365,076	--	365,076	--
997,162	--	997,162	498,573
24,981	45,689	70,670	1,639
24,500	--	24,500	--
<u>3,779,911</u>	<u>45,689</u>	<u>3,825,600</u>	<u>500,212</u>
(93,384)	(161,971)	(255,355)	29,567
8,818,112	8,176,323	16,994,435	645,319
<u>\$ 8,724,728</u>	<u>\$ 8,014,352</u>	<u>\$ 16,739,080</u>	<u>\$ 674,886</u>

**CITY OF WHITE OAK, TEXAS**BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2022

	General Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS:</b>			
Cash	\$ 64,547	\$ 77	\$ 64,624
Temporary Investments	2,376,229	--	2,376,229
Receivables:			
Taxes	252,389	--	252,389
Miscellaneous	78,818	--	78,818
Prepaid Expenses	650,638	--	650,638
<b>TOTAL ASSETS</b>	<u>\$ 3,422,621</u>	<u>\$ 77</u>	<u>\$ 3,422,698</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE:</b>			
<b>LIABILITIES:</b>			
Accounts Payable	\$ 61,661	\$ --	\$ 61,661
Accrued Wages Payable	34,457	--	34,457
Due to Other Funds	582	--	582
<b>TOTAL LIABILITIES</b>	<u>96,700</u>	<u>--</u>	<u>96,700</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred Property Taxes	81,315	--	81,315
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>81,315</u>	<u>--</u>	<u>81,315</u>
<b>FUND BALANCE:</b>			
Fund Balance - Nonspendable	650,638	--	650,638
Fund Balance - Restricted	162,404	77	162,481
Fund Balance - Unassigned	2,431,564	--	2,431,564
<b>TOTAL FUND BALANCE</b>	<u>3,244,606</u>	<u>77</u>	<u>3,244,683</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	 <u>\$ 3,422,621</u>	 <u>\$ 77</u>	 <u>\$ 3,422,698</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, 2022

Total fund balances - governmental funds balance sheet	\$ 3,244,683
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.	5,679,367
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	81,315
Payables for compensated absences which are not due in the current period are not reported in the funds.	(74,074)
Recognition of the City's net pension asset is not reported in the funds.	253,858
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(724,766)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	408,404
Recognition of the City's net OPEB liability is not reported in the funds.	(154,981)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(13,262)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	24,184
Net position of governmental activities - Statement of Net Position	\$ <u>8,724,728</u>

The accompanying notes are an integral part of this statement.

**CITY OF WHITE OAK, TEXAS**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	General Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES:</b>			
Property Taxes	\$ 2,360,055	\$ --	\$ 2,360,055
Franchise Fees	365,076	--	365,076
Sales Tax	997,162	--	997,162
Licenses, Permits and Fees	40,062	--	40,062
Fines, Forfeitures, and Penalties	85,624	--	85,624
Park User Fees	6,200	--	6,200
Investment Income	24,981	--	24,981
Contributions and Grants	26,975	--	26,975
Service Charges and Fees	31,267	--	31,267
Miscellaneous	66,560	--	66,560
<b>TOTAL REVENUES</b>	<u>4,003,962</u>	<u>--</u>	<u>4,003,962</u>
<b>EXPENDITURES:</b>			
General Government	868,799	--	868,799
Public Safety	2,270,541	--	2,270,541
Public Works	686,357	--	686,357
Recreation	201,595	--	201,595
<b>TOTAL EXPENDITURES</b>	<u>4,027,292</u>	<u>--</u>	<u>4,027,292</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(23,330)</u>	<u>--</u>	<u>(23,330)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer In (Out) - Net	<u>(77)</u>	<u>77</u>	<u>--</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(77)</u>	<u>77</u>	<u>--</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(23,407)</u>	<u>77</u>	<u>(23,330)</u>
<b>FUND BALANCE - BEGINNING</b>	<u>3,268,013</u>	<u>--</u>	<u>3,268,013</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 3,244,606</u>	<u>\$ 77</u>	<u>\$ 3,244,683</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, 2022

Net change in fund balances - total governmental funds	\$ (23,330)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	421,910
The depreciation of capital assets used in governmental activities is not reported in the funds.	(736,495)
The gain or loss on the sale of capital assets is not reported in the funds.	1,138
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(43,198)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	8,137
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(16,187)
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.	184,652
The City's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	227,599
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(107,253)
OPEB contributions made after the measurement date but in current FY were de-expended & reduced NPL.	2,743
The City's share of the unrecognized deferred inflows and outflows for the OPEB plan was amortized.	(2,955)
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	<u>(10,145)</u>
Change in net position of governmental activities - Statement of Activities	\$ <u><u>(93,384)</u></u>

The accompanying notes are an integral part of this statement.



**CITY OF WHITE OAK, TEXAS**

## STATEMENT OF NET POSITION

## ENTERPRISE FUND

SEPTEMBER 30, 2022

	Enterprise Fund Water and Sewer Fund
<b>ASSETS:</b>	
Current Assets:	
Cash	\$ 964,880
Temporary Investments	1,850,467
Accounts Receivable	491,887
Due from Other Funds	582
Restricted Assets:	
Temporary Investments	3,846,450
Net Pension Asset	71,983
Noncurrent Assets:	
Land	96,823
Construction in Progress	93,840
Capital Assets, Net	10,944,171
TOTAL ASSETS	<u>18,361,083</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Deferred Outflow Related to Pensions	115,806
Deferred Outflow Related to OPEB	6,858
Deferred Loss on Defeasance of Debt	63,828
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>186,492</u>
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable	132,291
Accrued Wages	7,893
Accrual for Compensated Absences	15,421
Accrued Interest Payable	8,993
Customer Deposits	215,405
Noncurrent Liabilities:	
Due Within One Year	660,000
Due in More Than One Year	9,240,000
Net OPEB Liability	43,946
TOTAL LIABILITIES	<u>10,323,949</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Deferred Inflows Related to Pensions	205,514
Deferred Inflows Related to OPEB	3,760
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>209,274</u>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	6,339,836
Restricted for Debt Service	705
Restricted for Infrastructure Projects	745,001
Unrestricted	928,810
TOTAL NET POSITION	<u>\$ 8,014,352</u>

**CITY OF WHITE OAK, TEXAS**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION - ENTERPRISE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Enterprise Fund <u>Water and Sewer Fund</u>
<b>OPERATING REVENUES:</b>	
Water Revenue	\$ 1,840,051
Sewer Revenue	880,330
Sanitation Revenue	46,208
Penalties	37,267
Installment Fees	69,434
Miscellaneous Revenue	9,293
TOTAL OPERATING REVENUES	<u>2,882,583</u>
<b>OPERATING EXPENSES:</b>	
Administration	63,173
Fleet Maintenance	43,514
Water Supply	102,137
Water Distribution	231,970
Water Purification	611,631
Sanitary Sewer Maintenance	156,491
Sanitary Sewer Treatment	300,505
Depreciation	709,788
Franchise Fee	20,000
Miscellaneous Expense	44,831
TOTAL OPERATING EXPENSES	<u>2,284,040</u>
OPERATING INCOME	598,543
<b>NON-OPERATING REVENUES (EXPENSES):</b>	
Investment Proceeds	45,689
Intergovernmental Projects	(723,763)
Debt Service - Interest and Fees	(1,195)
Debt Service - Issuance Costs	(81,245)
TOTAL NON OPERATING REVENUES (EXPENSES)	<u>(760,514)</u>
CHANGE IN NET POSITION	(161,971)
TOTAL NET POSITION- BEGINNING	8,176,323
TOTAL NET POSITION - ENDING	<u><u>\$ 8,014,352</u></u>

The accompanying notes are an integral part of this statement.

**CITY OF WHITE OAK, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**ENTERPRISE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Enterprise Fund Water and Sewer Fund
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Customers	\$ 2,878,170
Cash Payments to Employees for Services	(722,298)
Cash Payments to Other Suppliers for Goods and Services	(854,684)
Cash Payments to General Fund for Franchise Fee	(20,000)
Net Cash Provided (Used) by Operating Activities	<u>1,281,188</u>
<b>Cash Flows from Non-capital Financing Activities:</b>	
Net Borrowings from (Repayments to) Other Funds	(582)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(582)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Principal and Interest Paid	(585,284)
Debt Issuance Costs	(81,245)
Proceeds from Issuance of Debt	2,950,000
Acquisition or Construction of Capital Assets	(127,838)
Intergovernmental Projects	(723,763)
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>1,431,870</u>
<b>Cash Flows from Investing Activities:</b>	
Interest and Dividends on Investments	45,689
Net Cash Provided (Used) for Investing Activities	<u>45,689</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,758,165
Cash and Cash Equivalents at Beginning of Year	3,903,632
Cash and Cash Equivalents at End of Year	<u>\$ 6,661,797</u>
Reported on Statement of Net Position as:	
Cash	\$ 964,880
Temporary Investments	1,850,467
Restricted Temporary Investments	3,846,450
Total Cash and Cash Equivalents	<u>\$ 6,661,797</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating Income	\$ 598,543
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	709,788
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	(15,153)
Increase (Decrease) in Accounts Payable	61,546
Increase (Decrease) in Accrued Wages Payable	978
Increase (Decrease) in Compensated Absences	(3,666)
Increase (Decrease) in Customer Deposits	10,740
Increase (Decrease) in Pension Liabilities	(85,047)
Increase (Decrease) in OPEB Liabilities	3,459
Total Adjustments	<u>682,645</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,281,188</u>

The accompanying notes are an integral part of this statement.

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**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 benefit/burden on the City
- there is fiscal dependency by the organization on the City
- the exclusion of the organization would result in misleading or incomplete financial statements

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

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

**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

**CITY OF WHITE OAK, TEXAS**  
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activities. 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 leases are reported as other financing sources.

4. Financial Statement Amounts

a. Cash and Cash Equivalents

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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, 2022 is \$44,665.

c. Inventories and Prepaid Items

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

d. Restricted Assets

Certain debt and grant proceeds of the City's enterprise fund are classified as restricted assets on the balance sheet because their use is limited by applicable debt or grant covenants and they are maintained in separate investment accounts.

e. 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 in Years</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

f. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial

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statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

g. 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.

h. Other Postemployment Benefits (OPEB)

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.

i. 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.

j. Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The exception is a \$20,000 franchise fee that the water and sewer fund pays to the general fund annually. Indirect charges have been eliminated in the government-wide statements. 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.

k. 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 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.

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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, 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.

**I. 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.

**m. 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.

**n. 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



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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.

o. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosures. Actual results may differ from those estimates.

5. Implementation of New Standards

In the current fiscal year, the City implemented the following new standards. The applicable provisions of the new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

*GASB Statement No. 87, Leases*

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The City had no material lease obligations as of September 30, 2022.

*GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period*

GASB No. 89 requires that interest costs incurred during a construction period be recognized as an expense for business-type activity. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. The requirements of this statement are effective for reporting periods beginning after December 15, 2020.

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>
None reported	Not applicable

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

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**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, 2022, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,029,504 and the bank balance was \$1,208,319. The City's cash deposits at September 30, 2022 and during the year ended September 30, 2022, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

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 did not adhere to the requirements of the Act. The City's quarterly investment reports did not include all required elements. 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, 2022 are shown below:

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Texas CLASS	Avg 82 days	\$ 8,073,146
Total Investments		<u>\$ 8,073,146</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, 2022, 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:

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<u>Investment</u>	<u>Standard &amp; 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.

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.

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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, 2022, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 388,762	\$ --	\$ 9,908	\$ 378,854
Construction in progress	--	20,100	--	20,100
Total capital assets not being depreciated	388,762	20,100	9,908	398,954
Capital assets being depreciated:				
Buildings and improvements	1,324,767	15,600	--	1,340,367
Equipment	2,458,747	277,701	159,801	2,576,647
Infrastructure	10,510,006	108,509	--	10,618,515
Total capital assets being depreciated	14,293,520	401,810	159,801	14,535,529
Less accumulated depreciation for:				
Buildings and improvements	(681,229)	(38,626)	--	(719,855)
Equipment	(1,776,477)	(159,236)	(127,649)	(1,808,064)
Infrastructure	(6,188,564)	(538,633)	--	(6,727,197)
Total accumulated depreciation	(8,646,270)	(736,495)	(127,649)	(9,255,116)
Total capital assets being depreciated, net	5,647,250	(334,685)	32,152	5,280,413
Governmental activities capital assets, net	\$ 6,036,012	\$ (314,585)	\$ 42,060	\$ 5,679,367
	Beginning Balances	Increases	Decreases	Ending Balances
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	\$ 96,823	\$ --	\$ --	\$ 96,823
Construction in progress	38,250	55,590	--	93,840
Total capital assets not being depreciated	135,073	55,590	--	190,663
Capital assets being depreciated:				
Water and sewer system	24,020,126	55,333	--	24,075,459
Buildings	255,590	--	--	255,590
Machinery & equipment	1,121,571	16,915	22,549	1,115,937
Total capital assets being depreciated	25,397,287	72,248	22,549	25,446,986
Less accumulated depreciation for:				
Water and sewer system	(12,783,687)	(626,307)	--	(13,409,994)
Buildings	(212,986)	(4,734)	--	(217,720)
Machinery & equipment	(818,903)	(78,747)	(22,549)	(875,101)
Total accumulated depreciation	(13,815,576)	(709,788)	(22,549)	(14,502,815)
Total capital assets being depreciated, net	11,581,711	(637,540)	--	10,944,171
Business-type activities capital assets, net	\$ 11,716,784	\$ (581,950)	\$ --	\$ 11,134,834

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Depreciation was charged to functions as follows:

General Government	\$	20,705
Public Safety		159,594
Public Works		307,799
Recreation		248,397
	\$	<u>736,495</u>

**E. Interfund Balances and Activity**

**1. Due To and From Other Funds**

Balances due to and due from other funds at September 30, 2022, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
Water and Sewer Fund	General Fund	\$ 582	Short-term loans
	Total	<u>\$ 582</u>	

All amounts due are scheduled to be repaid within one year.

**2. Transfers To and From Other Funds**

Transfers to and from other funds at September 20, 2022, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Debt Service Fund	\$ 77	Open new fund

**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, 2022, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental activities:</b>					
Compensated absences *	\$ 57,887	\$ 16,187	\$ --	\$ 74,074	--
Net pension liability*	74,952	--	74,952	--	--
Total OPEB liability*	149,065	5,916	--	154,981	--
Total governmental activities	<u>\$ 281,904</u>	<u>\$ 22,103</u>	<u>\$ 74,952</u>	<u>\$ 229,055</u>	<u>\$ --</u>
<b>Business-type activities:</b>					
Certificates of obligation	\$ 5,325,000	\$ --	\$ 4,940,000	\$ 385,000	385,000
Refunding bonds	--	4,580,000	75,000	4,505,000	155,000
State infrastructure loans	2,060,000	2,950,000	--	5,010,000	120,000
Unamortized premium	80,108	--	80,108	--	--
Net pension liability	20,960	--	20,960	--	--
Total OPEB liability	41,686	2,260	--	43,946	--
Total business-type activities	<u>\$ 7,527,754</u>	<u>\$ 7,532,260</u>	<u>\$ 5,116,068</u>	<u>\$ 9,943,946</u>	<u>\$ 660,000</u>

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FOR THE YEAR ENDED SEPTEMBER 30, 2022

\* 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
Net pension liability	Governmental	General Fund
Total OPEB liability	Governmental	General Fund

2. Debt Service Requirements

Year Ending September 30,	Business-type Activities		
	Bonded Debt		
	Principal	Interest	Total
2023	\$ 540,000	\$ 82,968	\$ 622,968
2024	405,000	70,807	475,807
2025	410,000	63,580	473,580
2026	420,000	56,525	476,525
2027	425,000	49,343	474,343
2028-2032	2,220,000	135,575	2,355,575
2033	470,000	3,995	473,995
Totals	\$ 4,890,000	\$ 462,793	\$ 5,352,793

Year Ending September 30,	Business-type Activities		
	Installment Loan		
	Principal	Interest	Total
2023	\$ 120,000	\$ 31,860	\$ 151,860
2024	240,000	61,634	301,634
2025	250,000	73,961	323,961
2026	250,000	69,989	319,989
2027	255,000	66,015	321,015
2028-2032	1,340,000	267,848	1,607,848
2033-2037	1,450,000	158,024	1,608,024
2038-2041	1,105,000	41,148	1,146,148
Totals	\$ 5,010,000	\$ 770,479	\$ 5,780,479

3. Outstanding Debt

Debt outstanding at September 30, 2022, consists of the following

Description	Interest Rate	Maturity Date	Balance
<b>Business-type activities</b>			
Series 2008 Certificates of Obligation	3.5-4.25%	09/30/2023	\$ 385,000
Series 2021 Refunding Bonds	1.7%	03/01/2033	4,505,000
State Infrastructure Bank Loan	1.55%	09/01/2040	2,060,000
State Infrastructure Bank Loan	1.62%	09/01/2041	2,950,000
			<u>\$ 9,900,000</u>

4. Advance Refunding of Debt

On December 7, 2021, the City issued \$4,580,000 in refunding bonds with an interest rate of 1.70%. The City issued the bonds to advance refund the outstanding 2013 Certificates of Obligation with interest rates ranging from 1.5-3.25%. The City used the net proceeds to purchase U.S. government securities that were deposited into an irrevocable trust to provide for all future debt service on the 2013 COs. As a result, the 2013 Certificates of Obligation are considered defeased, and the City has removed the liability from its

**CITY OF WHITE OAK, TEXAS**  
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accounts. The advance refunding reduced total debt service payments over the next 12 years by \$338,348. This results in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$299,597.

**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 2022, 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 901 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at [www.tmr.com](http://www.tmr.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 Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

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.

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, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

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Inactive employees or beneficiaries currently receiving benefits	36
Inactive employees entitled to but not yet receiving benefits	20
Active employees	40
Total covered employees	<u>96</u>

3. Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the Member's total compensation, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 12.79% and 14.09% in calendar years 2022 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2022 were \$343,674, and were equal to the required contributions.

4. Net Pension Asset

The City's Net Pension Asset (NPA) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Asset was determined by an actuarial valuation as of that date.

5. Actuarial Assumptions:

The Total Pension Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

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



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method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	35.0%	7.55%
Core Fixed Income	6.0%	2.00%
Non-Core Fixed Income	20.0%	5.68%
Other Public and Private Markets	12.0%	7.22%
Real Estate	12.0%	6.85%
Hedge Funds	5.0%	5.35%
Private Equity	10.0%	10.00%
Total	100.0%	

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 Member and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive Members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

7. Changes in Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 12/31/2020	\$ 14,014,530	\$ 13,918,618	\$ 95,912
Changes for the year			
Service cost	410,227	--	410,227
Interest	941,607	--	941,607
Difference between expected and actual experience	550,690	--	550,690
Changes of assumptions	--	--	--
Contributions - employer	--	343,239	(343,239)
Contributions - employee	--	174,901	(174,901)
Net investment income	--	1,814,475	(1,814,475)
Benefit payments, including refunds of employee contributions	(539,822)	(539,822)	--
Administrative expense	--	(8,396)	8,396
Other changes	--	58	(58)
Net changes	1,362,702	1,784,455	(421,753)
Balance at 12/31/2021	\$ 15,377,232	\$ 15,703,073	\$ (325,841)

8. Sensitivity of the net pension liability(asset) to changes in the discount rate

The following presents the net pension liability(asset) of the City, calculated using the discount rate of 6.75%,

**CITY OF WHITE OAK, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
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as well as what the City's net pension liability (asset) 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)	\$ 1,741,209	\$ (325,841)	\$ (2,032,375)

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](http://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, 2022, the City recognized pension expense of \$139,101.

At September 30, 2022, 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	\$ 286,252	\$ --
Changes in actuarial assumptions	947	--
Difference between projected and actual investment earnings	--	930,279
Contributions subsequent to the measurement date	237,011	--
Total	\$ 524,210	\$ 930,279

\$237,011 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ending Dec. 31:	
2022	\$ (110,588)
2023	(302,205)
2024	(62,093)
2025	(168,194)
	\$ (643,080)

I. Other Post-Employment Benefits

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

**CITY OF WHITE OAK, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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, 2021 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	3
Active employees	40
Total	<u>67</u>

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 were .16% and .19% for calendar years 2021 and 2022, respectively. The City's contributions to the SDBF for the year ended September 30, 2022 were \$4,432, and were equal to the required contributions.

4. Total OPEB Liability

The City's Total OPEB Liability was measured as of December 31, 2021, and was determined by an actuarial valuation as of that date.

5. Actuarial Assumptions

The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary increases	3.5% to 11.5% including inflation
Discount rate	1.84%
Retiree's share of benefit-related costs	--
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for using reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.

**CITY OF WHITE OAK, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Mortality rates - disabled retirees

2019 Municipal Retirees of Texas Mortality Table with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

The discount rate used to measure the Total OPEB Liability was 1.84% and was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

6. Changes in the Total OPEB Liability

Total OPEB liability - beginning of year	\$	190,751
Changes for the year:		
Service Cost		10,571
Interest on total OPEB liability		3,885
Differences between expected and actual experience		(8,072)
Changes in assumptions or other inputs		5,390
Benefit payments		(3,598)
Net changes		<u>8,176</u>
Total OPEB liability - end of year	\$	<u>198,927</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 1.84%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (.84%) or 1% higher (2.84%) than the current rate.

	1% Decrease in Discount Rate .84%	Discount Rate 1.84%	1% Increase in Discount Rate 2.84%
City's total OPEB liability	\$ 236,828	\$ 198,927	\$ 168,252

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

For the year ended September 30, 2022, the City recognized OPEB expense of \$13,544. At September 30, 2022, 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	\$ --	\$ 17,022
Change in assumptions and other inputs	27,521	--
Contributions made subsequent to measurement date	3,521	--
Total	<u>\$ 31,042</u>	<u>\$ 17,022</u>

The \$3,521 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, 2023. The other amounts reported as deferred outflows and deferred inflows of resources

**CITY OF WHITE OAK, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

related to OPEB will be recognized in OPEB expense as follows:

Measurement Year Ending Dec 31	
2022	\$ 2,499
2023	3,822
2024	3,289
2025	1,106
2026	(217)
	<u>\$ 10,499</u>

**J. 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; therefore, 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; therefore, 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, 2022.

**K. Subsequent Events**

Management has evaluated subsequent events through June 30, 2023, the date on which the financial statements were available to be issued.

**L. Restricted Fund Balance and Net Position**

As of September 30, 2022, fund balances and net position restricted for specific purposes were as follows:

	General Fund	Governmental Activities	Proprietary Fund	Business- Type Activities
Building Security Fee	\$ 18,517	\$ 18,517	\$ --	\$ --
Court Technology Fee	972	972	--	--
Drug Seizure Funds	2,771	2,771	--	--
Cable PEG Fees	140,144	140,144	--	--
Restricted for Infrastructure Projects	--	--	745,001	745,001
	<u>\$ 162,404</u>	<u>\$ 162,404</u>	<u>\$ 745,001</u>	<u>\$ 745,001</u>

## 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, 2022

**EXHIBIT B-1**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property Taxes	\$ 2,347,241	\$ 2,353,341	\$ 2,360,055	\$ 6,714
Franchise Fees	332,995	362,056	365,076	3,020
Sales Tax	710,000	994,500	997,162	2,662
Licenses, Permits and Fees	39,650	39,650	40,062	412
Fines, Forfeitures, and Penalties	113,950	78,950	85,624	6,674
Park User Fees	3,200	4,425	6,200	1,775
Investment Income	35,500	35,500	24,981	(10,519)
Contributions and Grants	2,500	2,500	26,975	24,475
Service Charges and Fees	29,200	29,200	31,267	2,067
Miscellaneous	2,000	42,548	66,560	24,012
<b>TOTAL REVENUES</b>	<u>3,616,236</u>	<u>3,942,670</u>	<u>4,003,962</u>	<u>61,292</u>
<b>EXPENDITURES:</b>				
General Government	839,546	856,380	868,799	(12,419)
Public Safety	2,868,942	2,933,821	2,270,541	663,280
Public Works	690,447	700,050	686,357	13,693
Recreation	203,405	209,007	201,595	7,412
<b>TOTAL EXPENDITURES</b>	<u>4,602,340</u>	<u>4,699,258</u>	<u>4,027,292</u>	<u>671,966</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(986,104)</u>	<u>(756,588)</u>	<u>(23,330)</u>	<u>733,258</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In (Out) - Net	<u>--</u>	<u>--</u>	<u>(77)</u>	<u>77</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>--</u>	<u>--</u>	<u>(77)</u>	<u>77</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(986,104)</u>	<u>(756,588)</u>	<u>(23,407)</u>	<u>733,181</u>
<b>FUND BALANCE - BEGINNING</b>	<u>3,268,013</u>	<u>3,268,013</u>	<u>3,268,013</u>	<u>--</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 2,281,909</u>	<u>\$ 2,511,425</u>	<u>\$ 3,244,606</u>	<u>\$ 733,181</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 Ended December 31,							
	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability:</b>								
Service cost	\$ 410,227	\$ 432,093	\$ 414,039	\$ 387,503	\$ 378,388	\$ 376,608	\$ 348,630	\$ 349,571
Interest	941,607	899,203	856,401	815,873	774,393	746,628	730,905	703,154
Changes of benefit terms	--	--	--	--	--	--	--	--
Differences between expected and actual experience	550,690	(183,986)	(156,432)	(124,425)	(42,936)	(230,466)	(127,953)	(196,567)
Changes of assumptions	--	--	4,181	--	--	--	82,470	--
Benefit payments, including refunds of employee contributions	(539,822)	(476,508)	(509,723)	(473,880)	(525,883)	(438,795)	(417,974)	(500,512)
<b>Net change in total pension liability</b>	<b>1,362,702</b>	<b>670,802</b>	<b>608,466</b>	<b>605,071</b>	<b>583,962</b>	<b>453,975</b>	<b>616,078</b>	<b>355,646</b>
<b>Total pension liability - beginning</b>	<b>14,014,530</b>	<b>13,343,728</b>	<b>12,735,262</b>	<b>12,130,191</b>	<b>11,546,229</b>	<b>11,092,254</b>	<b>10,476,176</b>	<b>10,120,530</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 15,377,232</b>	<b>\$ 14,014,530</b>	<b>\$ 13,343,728</b>	<b>\$ 12,735,262</b>	<b>\$ 12,130,191</b>	<b>\$ 11,546,229</b>	<b>\$ 11,092,254</b>	<b>\$ 10,476,176</b>
<b>Plan fiduciary net position:</b>								
Contributions - employer	\$ 343,239	\$ 330,089	\$ 311,195	\$ 307,424	\$ 313,248	\$ 303,702	\$ 296,098	\$ 271,868
Contributions - employee	174,901	160,459	154,492	147,902	142,942	140,976	132,271	137,307
Net investment income	1,814,475	981,270	1,738,243	(347,966)	1,423,501	650,242	14,178	525,208
Benefit payments, including refunds of employee contributions	(539,822)	(476,508)	(509,723)	(473,880)	(525,883)	(438,795)	(417,974)	(500,512)
Administrative expense	(8,396)	(6,351)	(9,824)	(6,727)	(7,379)	(7,346)	(8,637)	(5,484)
Other	58	(247)	(294)	(351)	(374)	(394)	(427)	(451)
<b>Net change in plan fiduciary net position</b>	<b>1,784,455</b>	<b>988,712</b>	<b>1,684,089</b>	<b>(373,598)</b>	<b>1,346,055</b>	<b>648,385</b>	<b>15,509</b>	<b>427,936</b>
<b>Plan fiduciary net position - beginning</b>	<b>13,918,618</b>	<b>12,929,906</b>	<b>11,245,817</b>	<b>11,619,415</b>	<b>10,273,360</b>	<b>9,624,975</b>	<b>9,609,466</b>	<b>9,181,530</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 15,703,073</b>	<b>\$ 13,918,618</b>	<b>\$ 12,929,906</b>	<b>\$ 11,245,817</b>	<b>\$ 11,619,415</b>	<b>\$ 10,273,360</b>	<b>\$ 9,624,975</b>	<b>\$ 9,609,466</b>
<b>City's net pension liability (asset) - ending (a) - (b)</b>	<b>\$ (325,841)</b>	<b>\$ 95,912</b>	<b>\$ 413,822</b>	<b>\$ 1,489,445</b>	<b>\$ 510,776</b>	<b>\$ 1,272,869</b>	<b>\$ 1,467,279</b>	<b>\$ 866,710</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>102.12%</b>	<b>99.32%</b>	<b>96.90%</b>	<b>88.30%</b>	<b>95.79%</b>	<b>88.98%</b>	<b>86.77%</b>	<b>91.73%</b>
<b>Covered-employee payroll</b>	<b>\$ 2,249,051</b>	<b>\$ 2,292,273</b>	<b>\$ 2,207,033</b>	<b>\$ 2,112,887</b>	<b>\$ 2,042,037</b>	<b>\$ 2,013,945</b>	<b>\$ 1,889,588</b>	<b>\$ 1,961,531</b>
<b>City's net pension liability (asset) as a percentage of covered-employee payroll</b>	<b>-14.49%</b>	<b>4.18%</b>	<b>18.75%</b>	<b>70.49%</b>	<b>25.01%</b>	<b>63.20%</b>	<b>77.65%</b>	<b>44.19%</b>

\* 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 \***

	Fiscal Year							
	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 343,674	\$ 320,989	\$ 337,926	\$ 307,424	\$ 313,248	\$ 312,854	\$ 304,098	\$ 280,911
Contributions in relation to the actuarially determined contribution	(343,674)	(320,989)	(337,926)	(307,424)	(313,248)	(312,854)	(304,098)	(280,911)
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Covered-employee payroll	\$ 2,423,115	\$ 2,265,238	\$ 2,360,341	\$ 2,181,253	\$ 2,042,037	\$ 2,049,498	\$ 1,994,199	\$ 1,854,662
Contributions as a percentage of covered-employee payroll	14.18%	14.17%	14.32%	14.09%	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				
	2021	2021	2020	2019	2018
Actuarially determined contribution	\$ 4,433	\$ 3,038	\$ 1,416	\$ 1,246	\$ 1,092
Contributions in relation to the actuarially determined contribution	(4,433)	(3,038)	(1,416)	(1,246)	(1,092)
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --
Covered-employee payroll	\$ 2,423,115	\$ 2,265,238	\$ 2,360,341	\$ 2,181,253	\$ 2,068,301
Contributions as a percentage of covered-employee payroll	0.18%	0.13%	0.06%	0.06%	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 \*

	Measurement Year Ended December 31,				
	2021	2020	2019	2018	2017
Total OPEB liability:					
Service cost	\$ 10,571	\$ 9,628	\$ 7,063	\$ 6,339	\$ 5,309
Interest	3,885	4,515	5,184	4,890	4,801
Changes of benefit terms	--	--	--	--	--
Differences between expected and actual experience	(8,072)	(5,017)	(11,683)	(8,868)	--
Changes of assumptions or other inputs	5,390	22,941	23,970	(9,541)	11,234
Benefit payments	(3,598)	(1,375)	(1,324)	(1,056)	(1,225)
Net change in total OPEB liability	8,176	30,692	23,210	(8,236)	20,119
Total OPEB liability - beginning	190,751	160,059	136,849	145,085	124,966
Total OPEB liability - ending	<u>\$ 198,927</u>	<u>\$ 190,751</u>	<u>\$ 160,059</u>	<u>\$ 136,849</u>	<u>\$ 145,085</u>
Covered payroll	\$ 2,249,051	\$ 2,292,273	\$ 2,207,033	\$ 2,112,887	\$ 2,042,029
Total OPEB liability as a percentage of covered-employee payroll	8.84%	8.32%	7.25%	6.48%	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, 2022

### 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	24 years (longest amortization ladder)
Asset Valuation Method	10 year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 11.5% 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 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

#### 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, 2022

#### 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 11.5% including inflation
Discount Rate	1.84% based on the Fidelity Index's "20-year Municipal GO AA Index" rate as of December 31, 2021.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

##### 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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Peggy J. Lantz, CPA

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

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

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, 2022, 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 June 30, 2023.

### Report on 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) as a basis for designing 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-1, that we consider to be a material weakness.

### Report on 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 financial statements. 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*.

#### **City of White Oak, Texas' Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on City of White Oak, Texas' response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. City of White Oak, Texas' response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

#### **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  
June 30, 2023

**CITY OF WHITE OAK, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**A. Summary of Auditors' Results**

**1. Financial Statements**

Type of auditors' report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
One or more material weaknesses identified?	<u>  X  </u> Yes	<u>      </u> No	
One or more significant deficiencies identified that are not considered to be material weaknesses?	<u>      </u> Yes	<u>  X  </u> None Reported	
Noncompliance material to financial statements noted?	<u>      </u> Yes	<u>  X  </u> No	

**B. Financial Statement Findings**

Finding 2022-1

Criteria:

A properly designed internal control structure provides for systems and procedures such that City employees, in the course of performing their assigned duties, will prevent, or detect and correct, misstatements of the City's financial data on a timely basis.

Condition:

The City does not have a systematic and routine year-end closing process to insure that all material financial statement account balances are accurate and that all significant accounts are reconciled as necessary.

Cause:

There appears to be a general lack of understanding with regard to the financial closing process.

Effect:

Material audit adjustments were required to properly report the City's financial statements as of and for the year ended September 30, 2022.

Recommendation:

The City may consider providing training and mentoring for its finance office to assist in the development of appropriate monthly and year-end closing and reconciliation procedures.

Views of Responsible Officials:

The City of White Oak agrees with this audit finding and the recommendations made by the auditors.

**CITY OF WHITE OAK, TEXAS****SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

<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, 2022

The person responsible for this Corrective Action Plan is Jimmy Purcell, City Coordinator/Manager.

The City will provide training and hire a third-party company to review municipal finance for monthly and year-end closing and reconciliation procedures.

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