

CITY OF WHITE OAK, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Introductory Section

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City of White Oak, Texas
Annual Financial Report
For The Year Ended September 30, 2021

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CITY OF WHITE OAK, TEXAS

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2021

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 |
|-----------------|------------------|
| Charlie Smith | 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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Karen A. Jacks, CPA, CGMA
Peggy J. Lantz, CPA

Chanie A. Johnson, CPA

Independent Auditors' Report

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

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

of September 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 April 4, 2022 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 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
April 4, 2022

**CITY OF WHITE OAK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

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, 2021. 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, 2021, is \$16,994,433.
- The total Governmental Activities net position is \$8,818,110. This reflects an increase of \$1,336,074 from the previous fiscal year.
- The total net position for the City's Enterprise (Water & Sewer) Fund is \$8,176,323, which was an increase of \$728,840 from fiscal year 2020.
- As of September 30, 2021, the General Fund has \$3,114,673 in unassigned fund balance and the Enterprise Fund has \$1,144,646 in unrestricted net position.
- The City's long-term debt increase by \$1,573,466, leaving a balance due of \$7,465,108. This increase reflects the addition of a State Infrastructure Loan as well as the principal payments on two Certificates of Obligation.

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 \$16,994,433 as of September 30, 2021. Analyzing the net position and net expenses of governmental and business-type activities separately, the governmental net position is \$8,818,110 and the business-type activities net position is \$8,176,323. 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 \$895,838 (or 5.3%) and is for court security and technology, cable PEG fees, drug seizure funds, and unspent grant funds.

Unrestricted net position of \$3,775,908 (or 22.2%) 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, 2021 | Governmental Activities | | Business-type Activities | | Total | | Component Unit - WOEDCO | |
|--|-------------------------|------------------|--------------------------|-------------------|-------------------|-------------------|-------------------------|----------------|
| | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 |
| Current & other assets | 3,311,394 | 3,507,635 | 2,069,944 | 4,380,366 | 5,381,338 | 7,888,001 | 592,203 | 636,431 |
| Capital Assets | 5,025,561 | 6,036,011 | 11,802,363 | 11,716,784 | 16,827,924 | 17,752,795 | - | - |
| TOTAL ASSETS | 8,336,955 | 9,543,646 | 13,872,307 | 16,097,150 | 22,209,262 | 25,640,796 | 592,203 | 636,431 |
| Deferred Outflows Related to Pensions/OPEB | 209,606 | 213,727 | 58,550 | 59,768 | 268,156 | 273,495 | - | - |
| TOTAL DEFERRED OUTFLOWS | 209,606 | 213,727 | 58,550 | 59,768 | 268,156 | 273,495 | - | - |
| Current Liabilities | 140,973 | 224,332 | 333,752 | 315,558 | 474,725 | 539,890 | - | - |
| Non-Current Liabilities | 448,578 | 224,017 | 6,016,945 | 7,527,754 | 6,465,523 | 7,751,771 | - | - |
| TOTAL LIABILITIES | 589,551 | 448,349 | 6,350,697 | 7,843,312 | 6,940,248 | 8,291,661 | - | - |
| Deferred Inflows Related to Pensions/OPEB | 474,974 | 490,914 | 132,677 | 137,283 | 607,651 | 628,197 | - | - |
| TOTAL DEFERRED INFLOWS | 474,974 | 490,914 | 132,677 | 137,283 | 607,651 | 628,197 | - | - |
| Net Position: | | | | | | | | |
| Invested in capital assets | 5,025,561 | 6,036,011 | 5,910,721 | 6,286,676 | 10,936,282 | 12,322,687 | - | - |
| Restricted for other purposes | 132,565 | 150,837 | - | 745,001 | 132,565 | 895,838 | 592,203 | 636,431 |
| Unrestricted | 2,323,910 | 2,631,262 | 1,536,762 | 1,144,646 | 3,860,672 | 3,775,908 | - | - |
| TOTAL NET POSITION | 7,482,036 | 8,818,110 | 7,447,483 | 8,176,323 | 14,929,519 | 16,994,433 | 592,203 | 636,431 |

Changes in Net Position. Figure 2. This is a summary of the "Statement of Activities" found on pages 22 and 23 of this report. The net position of the City's governmental activities increased \$1,336,074 and the business-type activities net position increased \$728,840 due to the Coronavirus Local Fiscal Recovery Fund. 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, 2021 | Governmental Activities | | Business-type Activities | | Total | | Component Unit - WOEDCO | |
|---|-------------------------|------------------|--------------------------|------------------|-------------------|--------------------|-------------------------|----------------|
| | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 |
| Revenues: | | | | | | | | |
| <i>Program Revenues:</i> | | | | | | | | |
| Charges for service | 194,296 | 174,216 | 2,421,684 | 2,732,123 | 2,615,980 | 2,906,339 | - | - |
| Operating Grants & Contributions | 58,308 | 305,654 | - | - | 58,308 | 305,654 | 69,773 | 243,000 |
| Capital Grants & Contributions | | 243,000 | - | - | - | 243,000 | - | - |
| <i>General Revenues:</i> | | | | | | | | |
| Taxes | 2,976,333 | 3,068,960 | - | - | 2,976,333 | 3,068,960 | 372,396 | 450,257 |
| Franchise Fees | 367,481 | 352,940 | - | - | 367,481 | 352,940 | - | - |
| Investment Income | 44,515 | 5,301 | 14,701 | 2,182 | 59,216 | 7,483 | 2,336 | 1,892 |
| Contributions | 7,948 | 1,242,748 | - | 783,250 | 7,948 | 2,025,998 | - | - |
| Miscellaneous | 8,539 | 64,264 | - | - | 8,539 | 64,264 | - | - |
| TOTAL REVENUES | 3,657,420 | 5,457,083 | 2,436,385 | 3,517,555 | 6,093,805 | 8,974,638 | 444,505 | 452,149 |
| Expenses: | | | | | | | | |
| General Government | 862,738 | 1,070,748 | - | - | 862,738 | 1,070,748 | - | - |
| Public Safety | 1,965,514 | 1,827,181 | - | - | 1,965,514 | 1,827,181 | - | - |
| Public Works | 586,104 | 742,159 | - | - | 586,104 | 742,159 | - | - |
| Development Services | - | - | - | - | - | - | 94,213 | 407,921 |
| Parks & Recreation | 491,639 | 480,921 | - | - | 491,639 | 480,921 | - | - |
| Water Utilities | - | - | 2,429,768 | 2,788,715 | 2,429,768 | 2,788,715 | - | - |
| TOTAL EXPENSES | 3,905,995 | 4,121,009 | 2,429,768 | 2,788,715 | 6,335,763 | 6,909,724 | 94,213 | 407,921 |
| Change in Net Position | (248,575) | 1,336,074 | 6,617 | 728,840 | (241,958) | (2,064,914) | 350,292 | 44,228 |
| NET POSITION, BEGINNING | 7,730,611 | 7,482,036 | 7,440,866 | 7,447,483 | 15,171,477 | 14,929,519 | 241,911 | 592,203 |
| NET POSITION, ENDING | 7,482,036 | 8,818,110 | 7,447,483 | 8,176,323 | 14,929,519 | 16,994,433 | 592,203 | 636,431 |

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 \$4,206,328, which is \$558,047 more than the previous fiscal year. General Fund revenue comes from a variety of different sources. Property taxes accounted for 54% of the General Fund revenue, followed by sales and use tax revenue accounting for 19%. 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 8% of the total revenues. The City collects franchise fees from electric, gas, cable, phone, sanitation providers, and the Enterprise Fund. The Enterprise Fund paid General Fund \$10,000 less this fiscal year for administrative costs and right-of-way usage for water and sewer lines, resulting in a decrease of franchise fees. Municipal court fines accounted for 2% of total revenue which was \$11,127 less than last fiscal year. The remaining 17% consists of investment income, permit and park fees, service charges and other miscellaneous revenue.

FIGURE 3 - General Fund
Revenues September 30, 2021

| | 2020 | 2021 | Increase / (Decrease) |
|--------------------------------|------------------|------------------|--------------------------|
| Property Taxes | 2,221,858 | 2,262,648 | 40,790 |
| Sales Taxes | 745,336 | 798,303 | 52,967 |
| Franchise Fees | 367,481 | 352,940 | (14,541) |
| Fines, Forfeitures & Penalties | 113,646 | 102,519 | (11,127) |
| Licenses & Permits | 44,581 | 38,619 | (5,962) |
| Interest/Other Income | 149,240 | 648,599 | 499,359 |
| Park User Fees | 6,139 | 2,700 | (3,439) |
| TOTAL REVENUE | 3,648,281 | 4,206,328 | 558,047 |

General Fund Expenditures. Figure 4. At the fund level, total General Fund expenditures for this fiscal year were \$4,112,116 and are \$483,629 more than fiscal year 2020. Public Safety is the City's largest expense in the governmental fund. It accounts for 49% of all expenses. Public safety includes police, fire, fire marshal, code enforcement, and building inspection departments. The general government category accounts for 26% 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 13% of the General Fund expenses. The remaining 12% 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, 2021

| | 2020 | 2021 | Increase / (Decrease) |
|-----------------------|------------------|------------------|--------------------------|
| General Government | 862,337 | 1,086,413 | 224,076 |
| Public Safety | 2,043,147 | 2,009,968 | (33,179) |
| Public Works | 445,353 | 514,570 | 69,217 |
| Recreation | 277,650 | 501,165 | 223,515 |
| TOTAL EXPENSES | 3,628,487 | 4,112,116 | 483,629 |

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 \$2,732,123, which was \$310,439 more than the previous fiscal year. Water sales alone made up 61% of this revenue. Sewer revenue was 32% of the total. The remaining 7% 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, 2021

| | 2020 | 2021 | Increase / (Decrease) |
|----------------------|------------------|------------------|--------------------------|
| Water Revenue | 1,526,776 | 1,673,523 | 146,747 |
| Sewer Revenue | 750,147 | 873,269 | 123,122 |
| Sanitation Revenue | 52,837 | 53,438 | 601 |
| Installment Fees | 37,219 | 54,369 | 17,150 |
| Penalties | 54,450 | 39,285 | (15,165) |
| Other Revenues | 255 | 38,239 | 37,984 |
| TOTAL REVENUE | 2,421,684 | 2,732,123 | 310,439 |

Water and Sewer Fund Expenses. Figure 6. Total operating expenses for FY 2021 for the Water & Sewer Fund were \$2,151,392, which was \$96,797 less than the previous fiscal year. Depreciation accounted for 33% of this total. The cost to obtain, treat, and deliver treated water was 39% of the total expenditures, while the cost of collecting and treating sewage was 21%. The remaining 7% 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, 2021

| | 2020 | 2021 | Increase / (Decrease) |
|------------------------|------------------|------------------|--------------------------|
| Depreciation | 705,886 | 704,979 | (907) |
| Water Purification | 544,957 | 500,155 | (44,802) |
| Sewer Treatment | 303,172 | 273,266 | (29,906) |
| Water Distribution | 202,029 | 205,768 | 3,739 |
| Sewer Line Maintenance | 200,843 | 171,630 | (29,213) |
| Franchise Fee | 30,000 | 20,000 | (10,000) |
| Water Supply | 99,620 | 127,451 | 27,831 |
| Administration | 73,766 | 57,742 | (16,024) |
| Fleet Maintenance | 43,432 | 51,922 | 8,490 |
| Miscellaneous | 44,484 | 38,479 | (6,005) |
| TOTAL EXPENSES | 2,248,189 | 2,151,392 | (96,797) |

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, 2021, was \$3,114,673 and is 95% of the total fund balance. The *non-spendable* fund balance at year-end was \$2,502 and consisted of prepaid expenditures. The *restricted* fund balance at year-end was \$150,837, 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 nine(9) months of operating expenditures, which is three (3) months more than the six-month minimum unassigned fund balance required by the *Fund Balance Policy*.

To compare the fiscal year's actual ending amounts to the adopted budget (as amended), the *Budgetary Comparison Schedule* is shown on page 50. In the General Fund, revenues were \$52,958 more than expected. Investment Income came in at \$1,899 below its budget. Fines, forfeitures, and penalties were \$5,519 above projections. General Fund expenditures were \$120,267 under budget. Total expenditures for FY 2021 were \$4,112,116, creating a \$94,212 surplus of revenues over expenditures.

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

The Water & Sewer Fund has assets of \$16,097,150, deferred outflows of resources of \$59,768, total liabilities of \$7,843,312 and deferred inflows of resources of \$137,283, resulting in a net position of \$8,176,323. This reflects a net increase of \$728,840 from the previous year. The *unrestricted* net position at year-end was \$1,144,646.

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, 2021, totals \$17,752,795 (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 2020 and fiscal year 2021. For a more in-depth review of capital assets, please see Note C – Capital Assets in the "Notes to Financial Statements" on Pages 38-39.

| FIGURE 7 - Capital Assets September 30, 2021 | Governmental Activities | | Business-type Activities | | Total | |
|---|-------------------------|-----------|--------------------------|------------|------------|------------|
| | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 |
| Land | 386,742 | 388,762 | 96,823 | 96,823 | 483,565 | 485,585 |
| Construction in Progress | 163,884 | | | 38,250 | 163,884 | 38,250 |
| Buildings & Improvements | 405,803 | 643,538 | 47,338 | 42,604 | 453,141 | 686,142 |
| Infrastructure | 3,382,472 | 4,321,442 | | | 3,382,472 | 4,321,442 |
| Furniture, Equip. & Machinery | 686,660 | 682,269 | 387,119 | 412,047 | 1,073,779 | 1,094,316 |
| Water & Sewer System | | | 11,271,083 | 11,127,060 | 11,271,083 | 11,127,060 |
| TOTAL | 5,025,561 | 6,036,011 | 11,802,363 | 11,716,784 | 16,827,924 | 17,752,795 |

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 two Certificate of Obligations, and one State Infrastructure Loan all of which are in the Water & Sewer Fund. Also included in the Water & Sewer Fund is the unamortized premium on issuance of debt for the 2013 Certificate of Obligation in the amount of \$80,108. All debt payments were made when due. (See Note E – Long-Term Obligations on page 40.) A breakdown in balances per debt issuance is below in **Figure 8**. General Fund has no debt.

| FIGURE 8 - Outstanding Debt September 30, 2021 | Governmental Activities | | Business-type Activities | | Total | |
|---|-------------------------|--------|--------------------------|-----------|-----------|-----------|
| | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 |
| Certificates of Obligation | - | - | 5,800,000 | 5,325,000 | 5,800,000 | 5,325,000 |
| State Infrastructure Loan | - | - | - | 2,060,000 | - | 2,060,000 |
| Premium on Issuance of Debt - 2013 Certificate of Obligation | - | - | 91,642 | 80,108 | 91,642 | 80,108 |
| Accrual for Compensated Absences | 68,551 | 57,887 | | | 68,551 | 57,887 |
| TOTAL | 68,551 | 57,887 | 5,891,642 | 7,465,108 | 5,960,193 | 7,522,995 |

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Governmental funds. The City of White Oak took a conservative approach again for the fiscal year 2021-2022 budget. The certified property tax value increased to \$383,969,864 resulting in a lower no new revenue tax rate of \$0.60502/100 valuation. A tax rate of \$0.62894 was adopted resulting in additional revenue in \$93,629 order to reduce the use of reserve funds for necessary street repairs. In 2022 the City of White Oak purchased a new Pierce Enforcer Pumper for the Fire Department in the amount of \$647,498.78 to replace the 1997 Pierce Truck.

Proprietary funds. In 2022 we received a State Infrastructure Loan to help with the relocation of water lines on George Richey due to the expansion of the existing road.

REQUEST FOR INFORMATION

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

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Basic Financial Statements

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CITY OF WHITE OAK, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2021

| | Primary Government | | | |
|---|----------------------------|-----------------------------|----------------------|-------------------|
| | Governmental Activities | Business-type Activities | Total | Component Unit |
| ASSETS: | | | | |
| Cash | \$ 165,802 | \$ 32,417 | \$ 198,219 | \$ 442,263 |
| Temporary Investments | 3,036,882 | 1,535,047 | 4,571,929 | -- |
| Receivables (Net of Allowances for Uncollectibles): | | | | |
| Taxes | 242,947 | -- | 242,947 | 75,996 |
| Accounts | -- | 476,734 | 476,734 | -- |
| Other | 59,502 | -- | 59,502 | -- |
| Prepaid Expenses | 2,502 | -- | 2,502 | -- |
| Restricted Assets: | | | | |
| Temporary Investments | -- | 2,336,168 | 2,336,168 | -- |
| Notes Receivable | -- | -- | -- | 118,172 |
| Capital Assets (Net of Accumulated Depreciation) | 6,036,011 | 11,716,784 | 17,752,795 | -- |
| Total Assets | <u>9,543,646</u> | <u>16,097,150</u> | <u>25,640,796</u> | <u>636,431</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | | | |
| Deferred Outflow Related to Pensions | 186,459 | 52,142 | 238,601 | -- |
| Deferred Outflow Related to OPEB | 27,268 | 7,626 | 34,894 | -- |
| Total Deferred Outflows of Resources | <u>213,727</u> | <u>59,768</u> | <u>273,495</u> | <u>--</u> |
| LIABILITIES: | | | | |
| Accounts Payable | 142,025 | 70,745 | 212,770 | -- |
| Accrued Wages Payable | 24,420 | 6,915 | 31,335 | -- |
| Accrued Interest Payable | -- | 14,146 | 14,146 | -- |
| Customer Deposits | -- | 204,665 | 204,665 | -- |
| Accrual for Compensated Absences | 57,887 | 19,087 | 76,974 | -- |
| Noncurrent Liabilities- | | | | |
| Due within one year | -- | 495,000 | 495,000 | -- |
| Due in more than one year | -- | 6,970,108 | 6,970,108 | -- |
| Net Pension Liability | 74,952 | 20,960 | 95,912 | -- |
| Net OPEB Liability | 149,065 | 41,686 | 190,751 | -- |
| Total Liabilities | <u>448,349</u> | <u>7,843,312</u> | <u>8,291,661</u> | <u>--</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | | |
| Deferred Inflows Related to Pensions | 479,009 | 133,954 | 612,963 | -- |
| Deferred Inflows Related to OPEB | 11,905 | 3,329 | 15,234 | -- |
| Total Deferred Inflows of Resources | <u>490,914</u> | <u>137,283</u> | <u>628,197</u> | <u>--</u> |
| NET POSITION: | | | | |
| Net Investment in Capital Assets | 6,036,011 | 6,286,676 | 12,322,687 | -- |
| Restricted For: | | | | |
| Other Purposes | 150,837 | 745,001 | 895,838 | 636,431 |
| Unrestricted | 2,631,262 | 1,144,646 | 3,775,908 | -- |
| Total Net Position | <u>\$ 8,818,110</u> | <u>\$ 8,176,323</u> | <u>\$ 16,994,433</u> | <u>\$ 636,431</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, 2021

| Functions/Programs | Expenses | Program Revenues | | |
|--|---------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| PRIMARY GOVERNMENT: | | | | |
| Governmental Activities: | | | | |
| General Government | \$ 1,070,748 | \$ 66,523 | \$ -- | \$ -- |
| Public Safety | 1,827,181 | 104,993 | 304,654 | -- |
| Public Works | 742,159 | -- | -- | -- |
| Recreation | 480,921 | 2,700 | 1,000 | 243,000 |
| Total Governmental Activities | <u>4,121,009</u> | <u>174,216</u> | <u>305,654</u> | <u>243,000</u> |
| Business-type Activities: | | | | |
| Water and Sewer | <u>2,788,715</u> | <u>2,732,123</u> | <u>--</u> | <u>--</u> |
| Total Business-type Activities | <u>2,788,715</u> | <u>2,732,123</u> | <u>--</u> | <u>--</u> |
| Total Primary Government | <u>\$ 6,909,724</u> | <u>\$ 2,906,339</u> | <u>\$ 305,654</u> | <u>\$ 243,000</u> |
| COMPONENT UNIT: | | | | |
| White Oak Economic Development Corporation | <u>\$ 407,921</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> |
| General Revenues: | | | | |
| Property Taxes | | | | |
| Franchise Fees | | | | |
| Sales Tax | | | | |
| Investment income | | | | |
| Contributions | | | | |
| 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 |
|----------------------------|-----------------------------|----------------------|---------------------|
| \$ (1,004,225) | | \$ (1,004,225) | |
| (1,417,534) | | (1,417,534) | |
| (742,159) | | (742,159) | |
| (234,221) | | (234,221) | |
| <u>(3,398,139)</u> | | <u>(3,398,139)</u> | |
| | | | |
| -- | \$ (56,592) | (56,592) | |
| -- | (56,592) | (56,592) | |
| <u>(3,398,139)</u> | <u>(56,592)</u> | <u>(3,454,731)</u> | |
| | | | |
| | | | \$ <u>(407,921)</u> |
| | | | |
| 2,270,657 | -- | 2,270,657 | -- |
| 352,940 | -- | 352,940 | -- |
| 798,303 | -- | 798,303 | 450,257 |
| 5,301 | 2,182 | 7,483 | 1,892 |
| 1,242,748 | 783,250 | 2,025,998 | -- |
| 64,264 | -- | 64,264 | -- |
| <u>4,734,213</u> | <u>785,432</u> | <u>5,519,645</u> | <u>452,149</u> |
| 1,336,074 | 728,840 | 2,064,914 | 44,228 |
| 7,482,036 | 7,447,483 | 14,929,519 | 592,203 |
| <u>\$ 8,818,110</u> | <u>\$ 8,176,323</u> | <u>\$ 16,994,433</u> | <u>\$ 636,431</u> |

CITY OF WHITE OAK, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2021

| | General Fund |
|--|-------------------------|
| | <hr/> |
| ASSETS: | |
| Cash | \$ 165,802 |
| Temporary Investments | 3,036,882 |
| Receivables: | |
| Taxes | 242,947 |
| Miscellaneous | 59,502 |
| Prepaid Expenses | 2,502 |
| TOTAL ASSETS | <u>\$ 3,507,635</u> |
| LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE: | |
| LIABILITIES: | |
| Accounts Payable | \$ 142,025 |
| Accrued Wages Payable | 24,420 |
| TOTAL LIABILITIES | <u>166,445</u> |
| DEFERRED INFLOWS OF RESOURCES: | |
| Deferred Property Taxes | 73,178 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>73,178</u> |
| FUND BALANCE: | |
| Fund Balance - Nonspendable | 2,502 |
| Fund Balance - Restricted | 150,837 |
| Fund Balance - Unassigned | 3,114,673 |
| TOTAL FUND BALANCE | <u>3,268,012</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE | <u>\$ 3,507,635</u> |

The accompanying notes are an integral part of this statement.

CITY OF WHITE OAK, TEXASRECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

| | |
|--|---------------------|
| Total fund balances - governmental funds balance sheet | \$ 3,268,012 |
| 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. | 6,036,011 |
| Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. | 73,178 |
| Payables for compensated absences which are not due in the current period are not reported in the funds. | (57,887) |
| Recognition of the City's net pension liability is not reported in the funds. | (74,952) |
| Deferred Resource Inflows related to the pension plan are not reported in the funds. | (479,009) |
| Deferred Resource Outflows related to the pension plan are not reported in the funds. | 186,459 |
| Recognition of the City's net OPEB liability is not reported in the funds. | (149,065) |
| Deferred Resource Inflows related to the OPEB plan are not reported in the funds. | (11,905) |
| Deferred Resource Outflows related to the OPEB plan are not reported in the funds. | 27,268 |
| Net position of governmental activities - Statement of Net Position | \$ <u>8,818,110</u> |

The accompanying notes are an integral part of this statement.

CITY OF WHITE OAK, TEXASSTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

| | General Fund |
|---|----------------------------|
| REVENUES: | |
| Property Taxes | \$ 2,262,648 |
| Franchise Fees | 352,940 |
| Sales Tax | 798,303 |
| Licenses, Permits and Fees | 38,619 |
| Fines, Forfeitures, and Penalties | 102,519 |
| Park User Fees | 2,700 |
| Investment Income | 5,301 |
| Contributions and Grants | 548,654 |
| Service Charges and Fees | 30,378 |
| Miscellaneous | 64,266 |
| TOTAL REVENUES | <u>4,206,328</u> |
| EXPENDITURES: | |
| General Government | 1,086,413 |
| Public Safety | 2,009,968 |
| Public Works | 514,570 |
| Recreation | 501,165 |
| TOTAL EXPENDITURES | <u>4,112,116</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>94,212</u> |
| OTHER FINANCING SOURCES (USES) | |
| Transfer In (Out) - Net | <u>--</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>--</u> |
| NET CHANGE IN FUND BALANCE | 94,212 |
| FUND BALANCE - BEGINNING | 3,173,800 |
| FUND BALANCE - ENDING | <u><u>\$ 3,268,012</u></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, 2021

| | |
|--|---------------------|
| Net change in fund balances - total governmental funds | \$ 94,212 |
| Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because: | |
| Capital outlays are not reported as expenses in the SOA. | 408,007 |
| The depreciation of capital assets used in governmental activities is not reported in the funds. | (640,307) |
| Infrastructure acquired through an intergovernmental project is not recorded in the funds. | 1,242,748 |
| Certain property tax revenues are deferred in the funds. This is the change in these amounts this year. | 8,009 |
| Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds. | 10,664 |
| Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL. | 184,876 |
| The City's share of the unrecognized deferred inflows and outflows for the pension plan was amortized. | 211,840 |
| Pension expense relating to GASB 68 is recorded in the SOA but not in the funds. | (171,975) |
| OPEB contributions made after the measurement date but in current FY were de-expended & reduced NPL. | 2,099 |
| The City's share of the unrecognized deferred inflows and outflows for the OPEB plan was amortized. | (3,349) |
| OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds. | (10,749) |
| Rounding difference | (1) |
| Change in net position of governmental activities - Statement of Activities | \$ <u>1,336,074</u> |

The accompanying notes are an integral part of this statement.

CITY OF WHITE OAK, TEXAS

STATEMENT OF NET POSITION

ENTERPRISE FUND

SEPTEMBER 30, 2021

| | Enterprise Fund <hr/> Water and Sewer Fund <hr/> |
|--|---|
| ASSETS: | |
| Current Assets: | |
| Cash | \$ 32,417 |
| Temporary Investments | 1,535,047 |
| Accounts Receivable | 476,734 |
| Restricted Assets: | |
| Temporary Investments | 2,336,168 |
| Noncurrent Assets: | |
| Land | 96,823 |
| Construction in Progress | 38,250 |
| Capital Assets, Net | 11,581,711 |
| TOTAL ASSETS | <hr/> 16,097,150 <hr/> |
| DEFERRED OUTFLOWS OF RESOURCES: | |
| Deferred Outflow Related to Pensions | 52,142 |
| Deferred Outflow Related to OPEB | 7,626 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <hr/> 59,768 <hr/> |
| LIABILITIES: | |
| Current Liabilities: | |
| Accounts Payable | 70,745 |
| Accrued Wages | 6,915 |
| Accrual for Compensated Absences | 19,087 |
| Accrued Interest Payable | 14,146 |
| Customer Deposits | 204,665 |
| Noncurrent Liabilities: | |
| Due Within One Year | 495,000 |
| Due in More Than One Year | 6,970,108 |
| Net Pension Liability | 20,960 |
| Net OPEB Liability | 41,686 |
| TOTAL LIABILITIES | <hr/> 7,843,312 <hr/> |
| DEFERRED INFLOWS OF RESOURCES: | |
| Deferred Inflows Related to Pensions | 133,954 |
| Deferred Inflows Related to OPEB | 3,329 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <hr/> 137,283 <hr/> |
| NET POSITION: | |
| Net Investment in Capital Assets | 6,286,676 |
| Restricted for Infrastructure Projects | 745,001 |
| Unrestricted | 1,144,646 |
| TOTAL NET POSITION | <hr/> \$ 8,176,323 <hr/> |

CITY OF WHITE OAK, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

| | Enterprise Fund Water and Sewer Fund |
|--|--|
| OPERATING REVENUES: | |
| Water Revenue | \$ 1,673,523 |
| Sewer Revenue | 873,269 |
| Sanitation Revenue | 53,438 |
| Penalties | 39,285 |
| Installment Fees | 54,369 |
| Miscellaneous Revenue | 38,239 |
| TOTAL OPERATING REVENUES | <u>2,732,123</u> |
| OPERATING EXPENSES: | |
| Administration | 57,742 |
| Fleet Maintenance | 51,922 |
| Water Supply | 127,451 |
| Water Distribution | 205,768 |
| Water Purification | 500,155 |
| Sanitary Sewer Maintenance | 171,630 |
| Sanitary Sewer Treatment | 273,266 |
| Depreciation | 704,979 |
| Franchise Fee | 20,000 |
| Miscellaneous Expense | 38,479 |
| TOTAL OPERATING EXPENSES | <u>2,151,392</u> |
| OPERATING INCOME | 580,731 |
| NON-OPERATING REVENUES (EXPENSES): | |
| Investment Proceeds | 2,182 |
| Intergovernmental Projects | (446,012) |
| Debt Service - Interest and Fees | (166,311) |
| Debt Issuance Costs | (25,000) |
| TOTAL NON OPERATING REVENUES (EXPENSES) | <u>(635,141)</u> |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS | (54,410) |
| Capital Grants and Contributions | <u>783,250</u> |
| CHANGE IN NET POSITION | 728,840 |
| TOTAL NET POSITION- BEGINNING | <u>7,447,483</u> |
| TOTAL NET POSITION - ENDING | <u><u>\$ 8,176,323</u></u> |

CITY OF WHITE OAK, TEXAS
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

| | Enterprise Fund Water and Sewer Fund |
|---|---|
| Cash Flows from Operating Activities: | |
| Cash Received from Customers | \$ 2,702,407 |
| Cash Payments to Employees for Services | (677,460) |
| Cash Payments to Other Suppliers for Goods and Services | (833,082) |
| Cash Payments to General Fund for Franchise Fee | (20,000) |
| Net Cash Provided (Used) by Operating Activities | <u>1,171,865</u> |
| Cash Flows from Non-capital Financing Activities: | |
| Net Borrowings from (Repayments to) Other Funds | (890) |
| Net Cash Provided (Used) by Non-capital Financing Activities | <u>(890)</u> |
| Cash Flows from Capital and Related Financing Activities: | |
| Principal and Interest Paid | (654,154) |
| Debt Issuance Costs | (25,000) |
| Proceeds from Issuance of Debt | 2,060,000 |
| Acquisition or Construction of Capital Assets | (619,400) |
| Intergovernmental Projects | (446,012) |
| Grant proceeds | 783,250 |
| Net Cash Provided (Used) for Capital & Related Financing Activities | <u>1,098,684</u> |
| Cash Flows from Investing Activities: | |
| Interest and Dividends on Investments | 2,182 |
| Net Cash Provided (Used) for Investing Activities | <u>2,182</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 2,271,841 |
| Cash and Cash Equivalents at Beginning of Year | 1,631,791 |
| Cash and Cash Equivalents at End of Year | <u>\$ 3,903,632</u> |
| Reported on Statement of Net Position as: | |
| Cash | \$ 32,417 |
| Temporary Investments | 1,535,047 |
| Restricted Temporary Investments | 2,336,168 |
| Total Cash and Cash Equivalents | <u>\$ 3,903,632</u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | |
| Operating Income | \$ 580,731 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities | |
| Depreciation | 704,979 |
| Change in Assets and Liabilities: | |
| Decrease (Increase) in Receivables | (37,691) |
| Increase (Decrease) in Accounts Payable | (23,516) |
| Increase (Decrease) in Accrued Wages Payable | 1,195 |
| Increase (Decrease) in Compensated Absences | (2,539) |
| Increase (Decrease) in Customer Deposits | 7,975 |
| Increase (Decrease) in Pension Liabilities | (62,662) |
| Increase (Decrease) in OPEB Liabilities | 3,393 |
| Total Adjustments | <u>591,134</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 1,171,865</u> |

The accompanying notes are an integral part of this statement.

CITY OF WHITE OAK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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 activities.

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

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

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

The City reports the following major governmental fund:

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

The City reports the following major enterprise fund:

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

b. Measurement Focus, Basis of Accounting

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

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

CITY OF WHITE OAK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

4. Financial Statement Amounts

a. Cash and Cash Equivalents

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

b. Property Taxes

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

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. The allowance for uncollectible taxes at September 30, 2021 is \$38,857.

c. 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</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 |

CITY OF WHITE OAK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

f. Receivable and Payable Balances

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

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

CITY OF WHITE OAK, TEXAS
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FOR THE YEAR ENDED SEPTEMBER 30, 2021

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. 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

CITY OF WHITE OAK, TEXAS
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fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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 did not implement any new standards from the Governmental Accounting Standards Board (GASB).

B. 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, 2021 the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$198,219 and the bank balance was \$292,889. The City's cash deposits at September 30, 2021 and during the year ended September 30, 2021 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 adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

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

The City's investments at September 30, 2021 are shown below:

| <u>Investment or Investment Type</u> | <u>Maturity</u> | <u>Fair Value</u> |
|--------------------------------------|-----------------|---------------------|
| Texas CLASS | Avg 53 days | \$ 6,908,097 |
| Total Investments | | <u>\$ 6,908,097</u> |

CITY OF WHITE OAK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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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, 2021, the City's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

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

b. Custodial Credit Risk

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

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

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

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.

CITY OF WHITE OAK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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Public Funds Investment Pools

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

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

Texas CLASS

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

C. Capital Assets

Capital asset activity for the year ended September 30, 2021, was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|-----------------------|--------------|------------|--------------------|
| <u>Governmental activities:</u> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 386,742 | \$ 2,020 | \$ -- | \$ 388,762 |
| Construction in progress | 163,884 | -- | 163,884 | -- |
| Total capital assets not being depreciated | 550,626 | 2,020 | 163,884 | 388,762 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 1,049,505 | 275,262 | -- | 1,324,767 |
| Equipment | 2,543,216 | 119,303 | 203,772 | 2,458,747 |
| Infrastructure | 9,091,950 | 1,418,056 | -- | 10,510,006 |
| Total capital assets being depreciated | 12,684,671 | 1,812,621 | 203,772 | 14,293,520 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (643,702) | (37,527) | -- | (681,229) |
| Equipment | (1,856,556) | (123,694) | (203,772) | (1,776,478) |
| Infrastructure | (5,709,478) | (479,086) | -- | (6,188,564) |
| Total accumulated depreciation | (8,209,736) | (640,307) | (203,772) | (8,646,271) |
| Total capital assets being depreciated, net | 4,474,935 | 1,172,314 | -- | 5,647,249 |
| Governmental activities capital assets, net | \$ 5,025,561 | \$ 1,174,334 | \$ 163,884 | \$ 6,036,011 |

CITY OF WHITE OAK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

| | 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 | -- | 38,250 |
| Total capital assets not being depreciated | 96,823 | 38,250 | -- | 135,073 |
| Capital assets being depreciated: | | | | |
| Water and sewer system | 23,335,716 | 101,116 | -- | 23,436,832 |
| Buildings | 255,590 | -- | -- | 255,590 |
| Machinery & equipment | 1,240,923 | 480,033 | 16,092 | 1,704,864 |
| Total capital assets being depreciated | 24,832,229 | 581,149 | 16,092 | 25,397,286 |
| Less accumulated depreciation for: | | | | |
| Water and sewer system | (11,704,979) | (604,793) | -- | (12,309,772) |
| Buildings | (208,252) | (4,734) | -- | (212,986) |
| Machinery & equipment | (1,213,458) | (95,451) | (16,092) | (1,292,817) |
| Total accumulated depreciation | (13,126,689) | (704,978) | (16,092) | (13,815,575) |
| Total capital assets being depreciated, net | 11,705,540 | (123,829) | -- | 11,581,711 |
| Business-type activities capital assets, net | \$ 11,802,363 | \$ (85,579) | \$ -- | \$ 11,716,784 |

Beginning balances have been restated to correctly report capital assets by category.

Depreciation was charged to functions as follows:

| | |
|--------------------|-------------------|
| General Government | \$ 21,756 |
| Public Safety | 124,117 |
| Public Works | 25,032 |
| Recreation | 244,082 |
| | <u>\$ 640,307</u> |

D. 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, 2021, are as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Amounts Due Within One Year |
|----------------------------------|----------------------|---------------------|-------------------|---------------------|-----------------------------------|
| <u>Governmental activities:</u> | | | | | |
| Compensated absences * | \$ 68,551 | \$ -- | \$ 10,664 | \$ 57,887 | -- |
| Net pension liability* | 323,467 | -- | 248,515 | 74,952 | -- |
| Total OPEB liability* | 125,111 | 23,954 | -- | 149,065 | -- |
| Total governmental activities | <u>\$ 517,129</u> | <u>\$ 23,954</u> | <u>\$ 259,179</u> | <u>\$ 281,904</u> | <u>\$ --</u> |
| <u>Business-type activities:</u> | | | | | |
| Certificates of Obligation | \$ 5,800,000 | \$ -- | \$ 475,000 | \$ 5,325,000 | 495,000 |
| State infrastructure loan | -- | 2,060,000 | -- | 2,060,000 | -- |
| Unamortized premium | 91,642 | -- | 11,534 | 80,108 | -- |
| Net pension liability | 90,355 | -- | 69,395 | 20,960 | -- |
| Total OPEB liability | 34,948 | 6,738 | -- | 41,686 | -- |
| Total business-type activities | <u>\$ 6,016,945</u> | <u>\$ 2,066,738</u> | <u>\$ 555,929</u> | <u>\$ 7,527,754</u> | <u>\$ 495,000</u> |

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FOR THE YEAR ENDED SEPTEMBER 30, 2021

* 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 | | |
|---------------------------|----------------------------|--------------|--------------|
| | Certificates of Obligation | | |
| | Principal | Interest | Total |
| 2022 | \$ 495,000 | \$ 161,467 | \$ 656,467 |
| 2023 | 510,000 | 143,612 | 653,612 |
| 2024 | 375,000 | 128,413 | 503,413 |
| 2025 | 385,000 | 117,013 | 502,013 |
| 2026 | 400,000 | 105,238 | 505,238 |
| 2027-2031 | 2,185,000 | 327,656 | 2,512,656 |
| 2032-2033 | 975,000 | 29,475 | 1,004,475 |
| Totals | \$ 5,325,000 | \$ 1,012,874 | \$ 6,337,874 |

| Year Ending September 30, | Business-type Activities | | |
|---------------------------|--------------------------|------------|--------------|
| | Installment Loan | | |
| | Principal | Interest | Total |
| 2022 | \$ -- | \$ -- | \$ -- |
| 2023 | -- | -- | -- |
| 2024 | 105,000 | 15,788 | 120,788 |
| 2025 | 110,000 | 30,303 | 140,303 |
| 2026 | 110,000 | 28,597 | 138,597 |
| 2027-2031 | 575,000 | 116,948 | 691,948 |
| 2032-2036 | 625,000 | 70,835 | 695,835 |
| 2037-2040 | 535,000 | 20,847 | 555,847 |
| Totals | \$ 2,060,000 | \$ 283,318 | \$ 2,343,318 |

3. Outstanding Debt

Debt outstanding at September 30, 2021, consists of the following

| Description | Interest Rate | Maturity Date | Balance |
|--|---------------|---------------|---------------------|
| <u>Business-type activities</u> | | | |
| Series 2008 Certificates of Obligation | 3.5-4.25% | 09/30/2023 | \$ 755,000 |
| Series 2013 Certificates of Obligation | 1.5-3.25% | 03/01/2033 | 4,570,000 |
| State Infrastructure Bank Loan | 0-1.55% | 09/01/2040 | 2,060,000 |
| | | | <u>\$ 7,385,000</u> |

E. 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 2021, 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

CITY OF WHITE OAK, TEXAS
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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.

F. Pension Plan

1. Plan Description

The City participates as one of 895 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.tmrs.com.

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

2. Benefits Provided

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

At retirement, the 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, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefits | 34 |
| Inactive employees entitled to but not yet receiving benefits | 17 |
| Active employees | 43 |
| Total covered employees | <u>94</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.

CITY OF WHITE OAK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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 14.09% and 14.40% in calendar years 2021 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2021 were \$320,989, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

5. Actuarial Assumptions:

The Total Pension Liability in the December 31, 2020 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 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 2021 are summarized in the following table:

CITY OF WHITE OAK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return (Arithmetic)</u> |
|-----------------------|--------------------------|--|
| Global Equity | 30.0% | 5.30% |
| Core Fixed Income | 10.0% | 1.25% |
| Non-Core Fixed Income | 20.0% | 4.14% |
| Real Return | 10.0% | 3.85% |
| Real Estate | 10.0% | 4.00% |
| Absolute Return | 10.0% | 3.48% |
| Private Equity | 10.0% | 7.75% |
| Total | <u>100.0%</u> | |

6. Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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 Liability

| | <u>Increase (Decrease)</u> | | |
|---|--------------------------------|------------------------------------|------------------------------|
| | <u>Total Pension Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Net Pension Liability</u> |
| | <u>(a)</u> | <u>(b)</u> | <u>(a) - (b)</u> |
| Balance at 12/31/2019 | \$ 13,343,728 | \$ 12,929,906 | \$ 413,822 |
| Changes for the year | | | |
| Service cost | 432,093 | -- | 432,093 |
| Interest | 899,203 | -- | 899,203 |
| Difference between expected and actual experience | (183,986) | -- | (183,986) |
| Changes of assumptions | -- | -- | -- |
| Contributions - employer | -- | 330,089 | (330,089) |
| Contributions - employee | -- | 160,459 | (160,459) |
| Net investment income | -- | 981,270 | (981,270) |
| Benefit payments, including refunds of employee contributions | (476,508) | (476,508) | -- |
| Administrative expense | -- | (6,351) | 6,351 |
| Other changes | -- | (247) | 247 |
| Net changes | <u>670,802</u> | <u>988,712</u> | <u>(317,910)</u> |
| Balance at 12/31/2020 | <u>\$ 14,014,530</u> | <u>\$ 13,918,618</u> | <u>\$ 95,912</u> |

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

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability (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.

| | <u>1% Decrease in Discount Rate</u> | <u>Discount Rate</u> | <u>1% Increase in Discount Rate</u> |
|--------------------------------------|-------------------------------------|----------------------|-------------------------------------|
| | <u>5.75%</u> | <u>6.75%</u> | <u>7.75%</u> |
| City's net pension liability (asset) | \$ 2,019,302 | \$ 95,912 | \$ (1,486,311) |

CITY OF WHITE OAK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

9. Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2021, the City recognized pension expense of \$304,667.

At September 30, 2021, 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 | \$ -- | \$ 245,574 |
| Changes in actuarial assumptions | 2,025 | -- |
| Difference between projected and actual investment earnings | -- | 367,389 |
| Contributions subsequent to the measurement date | 236,576 | -- |
| Total | <u>\$ 238,601</u> | <u>\$ 612,963</u> |

\$236,576 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, 2022. 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: | |
| 2021 | \$ (253,115) |
| 2022 | (71,567) |
| 2023 | (263,184) |
| 2024 | (23,072) |
| | <u>\$ (610,938)</u> |

G. 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 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.

CITY OF WHITE OAK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|---|-----------|
| Inactive employees currently receiving benefits | 25 |
| Inactive employees entitled to but not yet receiving benefits | 2 |
| Active employees | 43 |
| Total | <u>70</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 .06% and .16% for calendar years 2020 and 2021, respectively. The City's contributions to the SDBF for the year ended September 30, 2021 were \$3,038, and were equal to the required contributions.

4. Total OPEB Liability

The City's Total OPEB Liability was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

5. Actuarial Assumptions

The total OPEB liability in the December 31, 2020 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 | 2.00% |
| 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. |
| 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. |

CITY OF WHITE OAK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

The actuarial assumptions used in the December 31, 2020 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 2.00% and was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

6. Changes in the Total OPEB Liability

| | | |
|--|----|----------------|
| Total OPEB liability - beginning of year | \$ | 160,059 |
| Changes for the year: | | |
| Service Cost | | 9,628 |
| Interest on total OPEB liability | | 4,515 |
| Differences between expected and actual experience | | (5,017) |
| Changes in assumptions or other inputs | | 22,941 |
| Benefit payments | | (1,375) |
| Net changes | | <u>30,692</u> |
| Total OPEB liability - end of year | \$ | <u>190,751</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 2.00%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.00%) or 1% higher (3.00%) than the current rate.

| | 1% Decrease in Discount Rate 1.00% | Discount Rate 2.00% | 1% Increase in Discount Rate 3.00% |
|---------------------------|--|---------------------------|--|
| City's net OPEB liability | \$ 227,651 | \$ 190,751 | \$ 160,996 |

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$14,143. At September 30, 2021, 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 | \$ -- | \$ 15,234 |
| Change in assumptions and other inputs | 32,208 | -- |
| Contributions made subsequent to measurement date | 2,686 | -- |
| Total | <u>\$ 34,894</u> | <u>\$ 15,234</u> |

The \$2,686 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, 2022. The other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

CITY OF WHITE OAK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

| Measurement Year Ending Dec 31 | | |
|-----------------------------------|----|---------------|
| 2021 | \$ | 4,286 |
| 2022 | | 2,992 |
| 2023 | | 4,315 |
| 2024 | | 3,782 |
| 2025 | | 1,599 |
| | \$ | <u>16,974</u> |

H. 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, 2021.

I. Restricted Fund Balance and Net Position

As of September 30, 2021, fund balances and net position restricted for specific purposes were as follows:

| | General Fund | Governmental Activities | Proprietary Fund | Business- Type Activities |
|--|-------------------|----------------------------|---------------------|---------------------------------|
| Building Security Fee | \$ 16,269 | \$ 16,269 | \$ -- | \$ -- |
| Court Technology Fee | 1,856 | 1,856 | -- | -- |
| Drug Seizure Funds | 2,771 | 2,771 | -- | -- |
| Cable PEG Fees | 129,941 | 129,941 | -- | -- |
| Restricted for Infrastructure Projects | -- | -- | 745,001 | 745,001 |
| | <u>\$ 150,837</u> | <u>\$ 150,837</u> | <u>\$ 745,001</u> | <u>\$ 745,001</u> |

J. Subsequent Events

Management has evaluated subsequent events through April 4, 2022, the date on which the financial statements were available to be issued.

The City borrowed \$2,950,000 from the State Infrastructure Bank in November, 2021. Proceeds will be used in connection with utility relocations on SH42.

The City issued \$4,580,000 in refunding bonds in December, 2021 to fully refund the 2013 Certificates of Obligation.

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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, 2021

EXHIBIT B-1

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Property Taxes | \$ 2,264,490 | \$ 2,276,090 | \$ 2,262,648 | \$ (13,442) |
| Franchise Fees | 353,500 | 352,000 | 352,940 | 940 |
| Sales Tax | 700,000 | 730,000 | 798,303 | 68,303 |
| Licenses, Permits and Fees | 38,900 | 38,900 | 38,619 | (281) |
| Fines, Forfeitures, and Penalties | 123,000 | 97,000 | 102,519 | 5,519 |
| Park User Fees | 5,000 | 5,000 | 2,700 | (2,300) |
| Investment Income | 51,200 | 7,200 | 5,301 | (1,899) |
| Contributions and Grants | 7,580 | 553,705 | 548,654 | (5,051) |
| Service Charges and Fees | 30,025 | 30,025 | 30,378 | 353 |
| Miscellaneous | 1,850 | 63,450 | 64,266 | 816 |
| TOTAL REVENUES | <u>3,575,545</u> | <u>4,153,370</u> | <u>4,206,328</u> | <u>52,958</u> |
| EXPENDITURES: | | | | |
| General Government | 770,098 | 1,100,354 | 1,086,413 | 13,941 |
| Public Safety | 2,024,732 | 2,051,414 | 2,009,968 | 41,446 |
| Public Works | 487,499 | 559,599 | 514,570 | 45,029 |
| Recreation | 278,016 | 521,016 | 501,165 | 19,851 |
| TOTAL EXPENDITURES | <u>3,560,345</u> | <u>4,232,383</u> | <u>4,112,116</u> | <u>120,267</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>15,200</u> | <u>(79,013)</u> | <u>94,212</u> | <u>173,225</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer In (Out) - Net | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| NET CHANGE IN FUND BALANCE | <u>15,200</u> | <u>(79,013)</u> | <u>94,212</u> | <u>173,225</u> |
| FUND BALANCE - BEGINNING | <u>3,173,800</u> | <u>3,173,800</u> | <u>3,173,800</u> | <u>--</u> |
| FUND BALANCE - ENDING | <u>\$ 3,189,000</u> | <u>\$ 3,094,787</u> | <u>\$ 3,268,012</u> | <u>\$ 173,225</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, | | | | | | |
|---|-------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Total pension liability: | | | | | | | |
| Service cost | \$ 432,093 | \$ 414,039 | \$ 387,503 | \$ 378,388 | \$ 376,608 | \$ 348,630 | \$ 349,571 |
| Interest | 899,203 | 856,401 | 815,873 | 774,393 | 746,628 | 730,905 | 703,154 |
| Changes of benefit terms | -- | -- | -- | -- | -- | -- | -- |
| Differences between expected and actual experience | (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 | (476,508) | (509,723) | (473,880) | (525,883) | (438,795) | (417,974) | (500,512) |
| Net change in total pension liability | 670,802 | 608,466 | 605,071 | 583,962 | 453,975 | 616,078 | 355,646 |
| Total pension liability - beginning | 13,343,728 | 12,735,262 | 12,130,191 | 11,546,229 | 11,092,254 | 10,476,176 | 10,120,530 |
| Total pension liability - ending (a) | \$ 14,014,530 | \$ 13,343,728 | \$ 12,735,262 | \$ 12,130,191 | \$ 11,546,229 | \$ 11,092,254 | \$ 10,476,176 |
| Plan fiduciary net position: | | | | | | | |
| Contributions - employer | \$ 330,089 | \$ 311,195 | \$ 307,424 | \$ 313,248 | \$ 303,702 | \$ 296,098 | \$ 271,868 |
| Contributions - employee | 160,459 | 154,492 | 147,902 | 142,942 | 140,976 | 132,271 | 137,307 |
| Net investment income | 981,270 | 1,738,243 | (347,966) | 1,423,501 | 650,242 | 14,178 | 525,208 |
| Benefit payments, including refunds of employee contributions | (476,508) | (509,723) | (473,880) | (525,883) | (438,795) | (417,974) | (500,512) |
| Administrative expense | (6,351) | (9,824) | (6,727) | (7,379) | (7,346) | (8,637) | (5,484) |
| Other | (247) | (294) | (351) | (374) | (394) | (427) | (451) |
| Net change in plan fiduciary net position | 988,712 | 1,684,089 | (373,598) | 1,346,055 | 648,385 | 15,509 | 427,936 |
| Plan fiduciary net position - beginning | 12,929,906 | 11,245,817 | 11,619,415 | 10,273,360 | 9,624,975 | 9,609,466 | 9,181,530 |
| Plan fiduciary net position - ending (b) | \$ 13,918,618 | \$ 12,929,906 | \$ 11,245,817 | \$ 11,619,415 | \$ 10,273,360 | \$ 9,624,975 | \$ 9,609,466 |
| City's net pension liability - ending (a) - (b) | \$ 95,912 | \$ 413,822 | \$ 1,489,445 | \$ 510,776 | \$ 1,272,869 | \$ 1,467,279 | \$ 866,710 |
| Plan fiduciary net position as a percentage of the total pension liability | 99.32% | 96.90% | 88.30% | 95.79% | 88.98% | 86.77% | 91.73% |
| Covered-employee payroll | \$ 2,292,273 | \$ 2,207,033 | \$ 2,112,887 | \$ 2,042,037 | \$ 2,013,945 | \$ 1,889,588 | \$ 1,961,531 |
| City's net pension liability as a percentage of covered-employee payroll | 4.18% | 18.75% | 70.49% | 25.01% | 63.20% | 77.65% | 44.19% |

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

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

| | Fiscal Year | | | | | | |
|---|--------------|--------------|-----------|--------------|--------------|--------------|--------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| Actuarially determined contribution | \$ 320,989 | \$ 337,926 | 307,424 | \$ 313,248 | \$ 312,854 | \$ 304,098 | \$ 280,911 |
| Contributions in relation to the actuarially determined contribution | (320,989) | (337,926) | (307,424) | (313,248) | (312,854) | (304,098) | (280,911) |
| Contribution deficiency (excess) | \$ -- | \$ -- | -- | \$ -- | \$ -- | \$ -- | \$ -- |
| Covered-employee payroll | \$ 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 | 14.17% | 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 | 2020 | 2019 | 2018 |
| Actuarially determined contribution | \$ 3,038 | \$ 1,416 | \$ 1,246 | \$ 1,092 |
| Contributions in relation to the actuarially determined contribution | (3,038) | (1,416) | (1,246) | (1,092) |
| Contribution deficiency (excess) | \$ -- | \$ -- | \$ -- | \$ -- |
| Covered-employee payroll | \$ 2,265,238 | \$ 2,360,341 | \$ 2,181,253 | \$ 2,068,301 |
| Contributions as a percentage of covered-employee payroll | 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, | | | |
|--|-------------------------------------|-------------------|-------------------|-------------------|
| | 2020 | 2019 | 2018 | 2017 |
| Total OPEB liability: | | | | |
| Service cost | \$ 9,628 | \$ 7,063 | \$ 6,339 | \$ 5,309 |
| Interest | 4,515 | 5,184 | 4,890 | 4,801 |
| Changes of benefit terms | -- | -- | -- | -- |
| Differences between expected and actual experience | (5,017) | (11,683) | (8,868) | -- |
| Changes of assumptions or other inputs | 22,941 | 23,970 | (9,541) | 11,234 |
| Benefit payments | (1,375) | (1,324) | (1,056) | (1,225) |
| Net change in total OPEB liability | 30,692 | 23,210 | (8,236) | 20,119 |
| Total OPEB liability - beginning | 160,059 | 136,849 | 145,085 | 124,966 |
| Total OPEB liability - ending | <u>\$ 190,751</u> | <u>\$ 160,059</u> | <u>\$ 136,849</u> | <u>\$ 145,085</u> |
| Covered payroll | \$ 2,292,273 | \$ 2,207,033 | \$ 2,112,887 | \$ 2,042,029 |
| Total OPEB liability as a percentage of covered-employee payroll | 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, 2021

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 | 25 years |
| 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, 2021

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 | 2.00% based on the Fidelity Index's "20-year Municipal GO AA Index" rate as of December 31, 2020. |
| 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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Chanie A. Johnson, CPA

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

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

To the Mayor and City Council:

We have audited, in accordance with 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, 2021, 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 April 4, 2022.

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 City of White Oak, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of City of White Oak, Texas' internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

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
April 4, 2022

CITY OF WHITE OAK, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

A. Summary of Auditors' Results

1. Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

B. Financial Statement Findings

NONE