



***City of White Oak, Texas***

***Annual Financial Statements***

***For the Fiscal Year Ended  
September 30, 2014***

**CITY OF WHITE OAK, TEXAS**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2014

## Introductory Section

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City of White Oak, Texas  
Annual Financial Report  
For The Year Ended September 30, 2014

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**CITY OF WHITE OAK, TEXAS**

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2014

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Elected Officials

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<u>Name</u>	<u>Office</u>
Rick May	Mayor
Dr. Barbara Ray	Mayor Pro-Tem
Lance Noll	Councilmember
Kyle Kutch	Councilmember
Greg Hulett	Councilmember
Jerry Blankenship	Councilmember

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Appointed Officials

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<u>Name</u>	<u>Position</u>
Charlie Smith	City Coordinator
Sherry Roberts	City Secretary
Deborah Waddell	City Judge
Daryl Atkinson	City Attorney

## Financial Section

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

Certified Public Accountants

P.O. Box 3167  
Longview, Texas 75606

1501 Colony Circle  
Longview, Texas 75604

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## Independent Auditors' Report

Honorable Mayor and City Council  
City of White Oak, Texas

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of White Oak, Texas ("the City") as of and for the year ended September 30, 2014, 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 of 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 auditors' 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, 2014, 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 and schedule of funding progress for OPEB benefits identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2015 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 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 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 9, 2015

**CITY OF WHITE OAK, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2014**

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, 2014. 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, 2014 is \$17,565,409.
- The combined change in net position is an increase of \$691,542.
- The total fund balance in the general fund is \$2,882,566. This reflects an increase of \$141,864 from the previous fiscal year.
- The total net position for the City's Enterprise (Water & Sewer) Fund is \$8,175,034, which was a decrease of \$87,948 from fiscal year 2013.
- As of September 30, 2014, the General Fund has \$2,820,770 in unrestricted funds and the Enterprise Fund has \$1,136,987.
- The City's long-term debt decreased by \$545,000, leaving a balance due of \$8,180,000. This increase reflects the principal payments on two Certificate of Obligations, but does not include the Premium on Issuance of Debt for the newly acquired 2013 Certificate of Obligation, which are all in the Enterprise Fund. The General Fund has no long-term debt except for accrued compensated absences, which at the end of FY 13/14 was \$45,786.

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but not used sick and vacation time). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting, as opposed to the modified accrual basis used in prior reporting models.

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

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

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

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

## **REPORTING THE CITY’S MOST SIGNIFICANT FUNDS**

### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by state law and by bond covenants. However, the City can establish other funds to help control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City’s two kinds of funds – governmental and proprietary – use different accounting approaches.

### **Governmental funds**

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

The City of White Oak maintains one governmental fund.

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

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

### **Other Information**

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

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

The City's combined net position was \$17,565,409 as of September 30, 2014. Analyzing the net position and net expenses of governmental and business-type activities separately, the Governmental net position is \$9,390,375 and the business-type activities net position is \$8,175,034. This analysis focuses on the net position (figure 1) and changes in general revenues (figure 3) 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.

**Figure 1** is the "Summary of Net Position." This is a summary of the "Statement of Net Position." 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, donors, or the City itself. The City's restricted net position (1%) is for debt service, court security and technology, cable PEG fees, drug seizure funds, and the remaining funds for this high school baseball field renovation.

*Unrestricted* net position (22.4%) is resources not included in the other components. These resources can be considered usable for any purpose.

FIGURE 1 - Summary of Net Position  
September 30, 2014

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>		<i>Component Unit - WOEDCO</i>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Current & other assets	3,031,431	2,917,380	10,081,928	10,360,156	13,113,359	13,277,536	1,134,995	517,741
Capital Assets	6,526,222	5,880,536	6,842,276	7,000,443	13,368,498	12,880,979	-	83
<b>TOTAL ASSETS</b>	<b>9,557,653</b>	<b>8,797,916</b>	<b>16,924,204</b>	<b>17,360,599</b>	<b>26,481,857</b>	<b>26,158,515</b>	<b>1,134,995</b>	<b>517,824</b>
Current Liabilities	167,278	187,031	629,558	195,383	796,836	382,414	141,050	552
Non-Current Liabilities	-	-	8,119,612	8,902,236	8,119,612	8,902,236	793,363	-
<b>TOTAL LIABILITIES</b>	<b>167,278</b>	<b>187,031</b>	<b>8,749,170</b>	<b>9,097,619</b>	<b>8,916,448</b>	<b>9,284,650</b>	<b>934,413</b>	<b>552</b>
<b>Net Position:</b>								
Invested in capital assets	6,526,222	5,880,536	6,842,276	7,000,443	13,368,498	12,880,979	-	83
Restricted for debt service	-	-	195,771	509,728	195,771	509,728	-	-
Restricted for grant projects	-	-	-	-	-	-	-	-
Restricted for other purposes	60,999	43,698	-	-	60,999	43,698	200,582	517,189
Unrestricted	2,803,154	2,686,651	1,136,987	752,809	3,940,141	3,439,460	-	-
<b>TOTAL NET POSITION</b>	<b>9,390,375</b>	<b>8,610,885</b>	<b>8,175,034</b>	<b>8,262,980</b>	<b>17,565,409</b>	<b>16,873,865</b>	<b>200,582</b>	<b>517,272</b>

### Changes in Net Position

**Figure 2** is the "Change in Net Position." This is a summary of the "Statement of Activities." As shown in Figure 1, the net position of the City's governmental activities increased \$779,490 and the business-type activities net position decreased \$87,948. A detailed examination of all the elements affecting net position can be found in Figure 2. The ending net position amount in Figure 2 should match the total net position in Figure 1.

The net position in the governmental activities increased by \$779,490 but at the fund level, it increased \$141,864. The reconciliation between the increase in fund balance and the increase to net position illustrates the difference in reporting between the modified accrual basis used in the general fund and the full-accrual basis used at the government-wide level.

The net position in the Water & Sewer Fund decreased \$87,948. In fiscal year 2013, there was a prior period adjustment of \$19,089, which is the result of the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* during fiscal year 12/13. GASB 65 implementation removes debt issuance costs previously capitalized and amortized from the Statement of Net Position.

FIGURE 2 - Change in Net Position September 30, 2014

	Governmental Activities		Business-type Activities		Total		Component Unit - WOEDCO	
	2014	2013	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>								
<i>Program Revenues:</i>								
Charges for service	182,585	270,718	2,114,083	2,179,377	2,296,668	2,450,095	-	-
Operating Grants & Contributions	40,484	-			40,484	-		
Capital Grants & Contributions	1,021,910	-			1,021,910	-		
<i>General Revenues:</i>								
Taxes	2,569,675	2,490,743	-	-	2,569,675	2,490,743	301,408	268,845
Franchise Fees	375,701	361,824	-	-	375,701	361,824		-
Other	6,688	24,832	3,972	22,709	10,660	47,541	554,896	2,138
<b>Total Revenues</b>	<b>4,197,043</b>	<b>3,148,117</b>	<b>2,118,055</b>	<b>2,202,086</b>	<b>6,315,098</b>	<b>5,350,203</b>	<b>856,304</b>	<b>270,983</b>
<b>Expenses:</b>								
General Government	812,502	760,397	-	-	812,502	760,397		
Public Safety	1,639,784	1,603,259	-	-	1,639,784	1,603,259		
Public Works	526,659	485,111	-	-	526,659	485,111		
Development Services	48,197	37,381	-	-	48,197	37,381		
Culture & Recreation	390,411	327,004	-	-	390,411	327,004		
Water Utilities	-	-	2,206,003	2,265,010	2,206,003	2,265,010		
<b>Total Expenses</b>	<b>3,417,553</b>	<b>3,213,152</b>	<b>2,206,003</b>	<b>2,265,010</b>	<b>5,623,556</b>	<b>5,478,162</b>	<b>1,172,994</b>	<b>354,804</b>
Transfers In (Out)	-	-	-	-	-	-		
<i>Change in Net Position</i>	<b>779,490</b>	<b>(65,035)</b>	<b>(87,948)</b>	<b>(62,924)</b>	<b>691,542</b>	<b>(127,959)</b>	<b>(316,690)</b>	<b>(83,821)</b>
<i>Prior Period Adjustment</i>	-	-	-	(19,089)	-	(19,089)		
<b>Net Position, Beginning</b>	<b>8,610,885</b>	<b>8,675,920</b>	<b>8,262,982</b>	<b>8,344,993</b>	<b>16,873,868</b>	<b>17,020,913</b>	<b>517,272</b>	<b>601,093</b>
<b>Net Position, Ending</b>	<b>9,390,375</b>	<b>8,610,885</b>	<b>8,175,034</b>	<b>8,262,980</b>	<b>17,565,410</b>	<b>16,873,865</b>	<b>200,582</b>	<b>517,272</b>

### **Governmental Activities**

Public Safety is the City's largest expense in the governmental fund. It accounts for nearly 48% of all expenses. Public Safety includes police, fire, fire marshal, code enforcement, and building inspection departments. The General Government category accounts for 24% of the general fund budget. The general fund includes most of city hall staff and court employees. This fund also includes expenses for the City's streetlights, tax collections, and the contract expense for the Humane Society. Public works (streets department) makes up 15% of the general fund expenses. The remaining 13% consists of the Parks Department, which includes the maintenance of all city grounds, playgrounds, ball fields, and splash pad. The park supervisor is simultaneously the City's animal control officer. Development services included one-half of the WOEDCO director's salary and benefits because this position also handled all community development responsibilities. This position was removed from the FY 14/15 budget.

In regards to the government-wide financial statements, the total general fund expenses for this fiscal year were \$3,417,553 and are \$204,401 less than FY 2013. Total revenue for FY 2014 was \$4,197,043, which is \$1,048,926 more than the previous fiscal year. The large increase was due to the loan proceeds from WOEDCO for the high school baseball park renovation. The revenue that funded these expenses came from a variety of different sources. Property taxes accounted for 47% of the general fund revenue, followed with loan proceeds of 25% from WOEDCO for the high school baseball field project, then sales and use tax revenue accounted for 14% of the total general fund revenue. The City of White Oak has a sales tax rate of 8.25%. From the 8.25%, the State of Texas receives 6.25%, Gregg County receives .5%, and the City receives 1.5%. Out of the City's 1.5%, .5% is issued to the White Oak

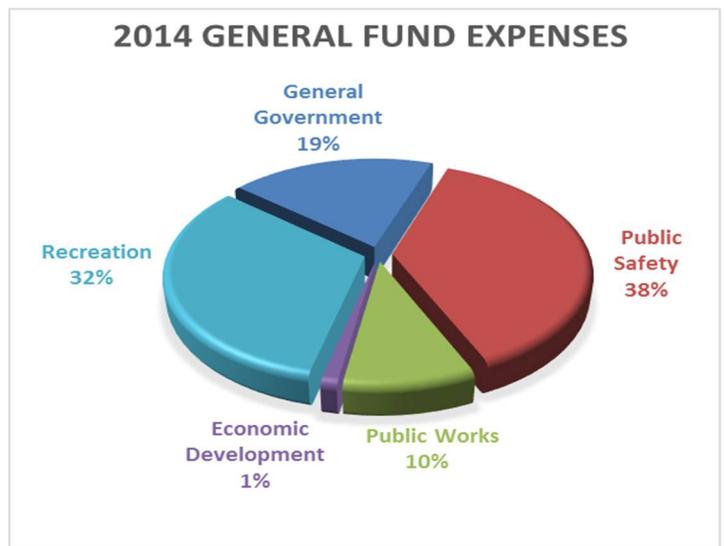
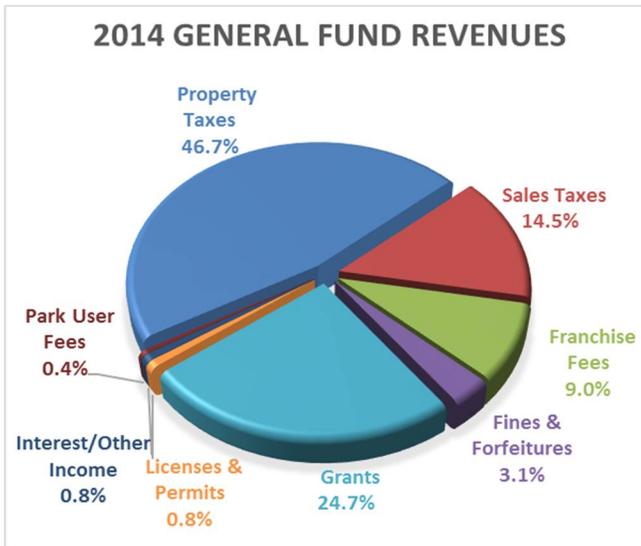
Economic Development Corporation (“WOEDCO”). Franchise fee revenue was 9% of the total. The City collects franchise fees from electric, gas, cable, phone, and sanitation providers. Municipal court fines accounted for 3% of total revenue. The remaining 2% consists of investment and rent income, zoning fees, and other small miscellaneous revenue. **Figure 3** provides a graphic representation of the City’s revenues by source.

FIGURE 3 - General Fund Revenues September 30, 2014

	2014	2013	Increase / (Decrease)
Property Taxes	1,961,816	1,953,053	8,763
Sales Taxes	607,859	537,690	70,169
Franchise Fees	375,701	361,824	13,877
Fines & Forfeitures	131,602	157,796	(26,194)
Grants	1,037,394	67,002	970,392
Licenses & Permits	32,683	27,641	5,042
Interest/Other Income	31,688	24,832	6,856
Park User Fees	18,300	18,279	21
<b>TOTAL REVENUE</b>	<b>4,197,043</b>	<b>3,148,117</b>	<b>1,048,926</b>

FIGURE 4 - General Fund Expenses September 30, 2014

	2014	2013	Increase / (Decrease)
General Government	788,105	925,427	(137,322)
Public Safety	1,547,860	1,611,930	(64,070)
Public Works	383,399	307,829	75,570
Economic Development	48,197	36,570	11,627
Recreation	1,322,115	286,133	1,035,982
<b>TOTAL REVENUE</b>	<b>4,089,676</b>	<b>3,167,889</b>	<b>921,787</b>



**Business-Type Activities**

Business-type activities consist of water, sewer, and sanitation revenues and expenses. Total revenue for the Water & Sewer Fund was \$2,118,055. Water sales alone made up 61% of this revenue. Sewer revenue was 31% of the total. The remaining 8% comes from sanitation fees, penalties, installation and reconnect fees, interest income, and various miscellaneous fees. The following chart (**Figure 5**) provides a graphic representation of the City’s business-type revenues by source.

Total operating expenses for FY 2014 for the Water & Sewer Fund were \$1,941,645. Depreciation accounted for 29% of this total. The cost to obtain, treat, and deliver treated water was 44% of the total expenditures, while the cost of collecting and treating sewage was 20%. The remaining 7% was for miscellaneous expenses and customer accounting.

FIGURE 5 - Water & Sewer Fund Revenues September 30, 2014

	2014	2013	Increase / (Decrease)
Water Revenue	1,294,408	1,362,671	(68,263)
Sewer Revenue	666,208	628,915	37,293
Sanitation Revenue	62,379	62,945	(566)
Installment Fees	54,480	53,325	1,155
Penalties	36,376	37,345	(969)
Other Revenues	4,204	31,248	(27,044)
Grant Proceeds	-	25,637	(25,637)
<b>TOTAL REVENUE</b>	<b>2,118,055</b>	<b>2,202,086</b>	<b>(84,031)</b>

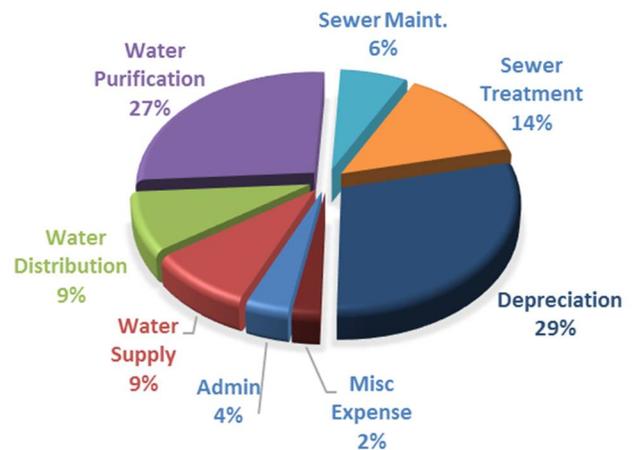
### 2014 WATER & SEWER FUND REVENUES



FIGURE 6 - Water & Sewer Fund Expenses September 30, 2014

	2014	2013	Increase / (Decrease)
Administration	71,824	69,001	2,823
Water Supply	170,848	130,987	39,861
Water Distribution	168,970	151,944	17,026
Water Purification	522,684	494,799	27,885
Sanitary Sewer Maintenance	128,487	187,431	(58,944)
Sanitary Sewer Treatment	267,261	255,004	12,257
Depreciation	565,972	564,656	1,316
Miscellaneous Expense	45,599	49,999	(4,400)
<b>TOTAL REVENUE</b>	<b>1,941,645</b>	<b>1,903,821</b>	<b>37,824</b>

### 2014 WATER & SEWER FUND EXPENSES



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

## **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.

In response to the issuance of *Governmental Accounting Standards Board (GASB) #54-Fund Balance Reporting and Governmental Fund Type Definitions*, a new Fund Balance Policy was approved by the White Oak City Council on September 13, 2011. The purpose of the policy is to establish a key element of the financial stability of the City by setting guidelines for fund balance. Under GASB 54, fund balances are required to be reported, according to the following classifications:

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

The *unassigned* fund balance in the general fund on September 30, 2014 was \$2,820,770 and is 98% of the total fund balance. The *non-spendable* fund balance at year-end was \$797 and consisted of prepaid expenditures. The *restricted* fund balance at year-end was \$60,999, which is the total of municipal court security, court technology fees, cable PEG fees, drug seizure funds, and the remaining amount left from the WOEDCO loan proceeds for the high school baseball field renovation. This amount can only be used for restricted purposes according to the State of Texas and/or federal law. The unassigned fund balance represents 11.5 months of operating expenditures, which is 5.5 months more than the six-month minimum unassigned fund balance required by the *Fund Balance Policy*.

To compare the fiscal year’s actual ending amounts to the adopted budget, the *Budgetary Comparison Schedule* on page 46 is utilized. In the general fund this year, revenues were \$76,682 more than expected, primarily due to unexpected increases in sales and use tax revenue and the licenses, permits, and fees category. Property tax collections were higher than expected. General fund expenditures were \$146,856 under budget, which is the result from all the department heads working together to keep expenditures at a minimum. Total expenditures for FY 2014 were \$4,089,676, creating an \$141,864 excess of revenues over expenditures, when the original adopted budget was balanced.

The total general fund balance at the end of the current fiscal year was \$2,882,566; an increase of \$141,864 in comparison with the prior year’s decrease of \$11,601. The original general fund revenue budget was \$3,065,989 and original expenditure budget was \$3,065,989. There were several budget amendments approved for FY 13/14. Revenue amendments were made for the receipt of the high school baseball field loan from WOEDCO, a private donation to the police department, and a grant from the East Texas Council of Governments for a PSAP recorder for the police department. The amendments for unexpected expenditures were for the baseball field project, the PSAP recorder, severance for two employees, and for the new contract amount for ambulance service. This fiscal year is the first year that White Oak has ever had to pay to house an ambulance service in town. The unexpected revenue in combination with careful spending by department heads resulted in a savings of \$141,864.

**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 assets of \$16,924,204 exceeded liabilities of \$8,749,170, reporting a net position of \$8,175,034. This reflects a net decrease of \$87,948 from the previous year. Within the net position total, \$6,842,276 consisted of capital assets. The amount *restricted* for debt service was \$195,771. The *unrestricted* fund balance at year-end was \$1,136,987.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The City of White Oak's investment in capital assets for its governmental and business-type activities as of September 30, 2014 totals \$16,950,236 (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 FY 2013 and FY 2014. For a more in depth review of capital assets, please see Note D – Capital Assets in the "Notes to Financial Statements" on Pages 38.

In fiscal year 13/14, approximately \$1,106,564 was spent on general fund capital outlay. This fiscal year's projects include:

- PSAP recorder for the police department
- Softball field improvements
- Baseball field improvements
- High school baseball field renovation
- Network server for city hall (expense shared with enterprise fund)
- Extension of Ron Boyett Street.

The high school baseball field renovation was not 100% complete by fiscal year-end; therefore, it was added to construction in progress and will be added to the fixed asset schedule in fiscal year 14/15. The renovation project is a collaboration between the city, school, and WOEDCO. A non-profit organization (NPO) was created to accept donations for the loan repayment and/or other park needs. WOEDCO borrowed the funds for the project and is responsible for remitting the principal and interest payments. The city, school, and WOEDCO entered an interlocal agreement in which each entity is responsible for \$250,000 and the remaining loan balance will be paid by donations received through the NPO.

There was almost \$351,000 in capital outlay added to the enterprise fund's fixed asset schedule. These projects include:

- Variable-frequency drive pump at the water treatment plant
- Water treatment plant backwash upgrade
- Booster pump at the Big Sandy Creek pump station
- New truck for the wastewater collection department
- Water treatment plant clarifier rehabilitation project
- City hall network server (expense shared with general fund)
- Wastewater treatment plant expansion project
- Water Meter Replacement Program

The water treatment plant clarifier rehabilitation project was paid for by the 2013 Certificate of Obligation funds and was completed by fiscal year-end. The wastewater treatment plant expansion and water meter replacement program were not completed by fiscal year-end and were added to construction in progress. These projects are also funded with the 2013 Certificate of Obligation. The wastewater treatment plant expansion is a requirement by the Texas Commission on Environmental Quality (TCEQ). The existing aerators are at near capacity due to population growth, and the expansion will allow for future growth. The water meter replacement program is a citywide radio-read meter replacement. Radio-read water meters replaced old meters in Book 1 during fiscal year 09/10.

FIGURE 7 - Capital Assets  
September 30, 2014

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Land	373,746	373,746	96,824	96,824	470,570	470,570
Construction in Progress	1,055,301	28,090	676,863	11,885	1,732,164	39,975
Buildings & Improvements	542,872	582,283	75,740	80,474	618,612	662,757
Infrastructure	4,094,451	4,338,824	-	-	4,094,451	4,338,824
Furniture, Equip, & Machinery	459,851	557,592	167,886	126,705	627,737	684,297
Water & Sewer System	-	-	9,406,702	9,670,474	9,406,702	9,670,474
<b>TOTAL</b>	<b>6,526,221</b>	<b>5,880,535</b>	<b>10,424,015</b>	<b>9,986,362</b>	<b>16,950,236</b>	<b>15,866,897</b>

**Debt Administration**

Long-term obligations: At the end of the current fiscal year, the City had an outstanding total bonded debt of \$8,180,000 consisting of two Certificate of Obligations, all of which are in the Water & Sewer Fund. Also included in the Water & Sewer Fund is the Premium on Issuance of Debt for the newly acquired 2013 Certificate of Obligation in the amount of \$164,612. All debt payments were paid when due and decreased the debt total from FY 2013 by \$545,000. (See Note E – Long-Term Obligations) A breakdown in balances per debt type is below in **Figure 8**. The General Fund has no debt except for the Accrual for Compensated Absences, which at the end of fiscal year 13/14 was \$45,786.

FIGURE 8 - Outstanding Debt  
September 30, 2014

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Certificate of Obligations	-	-	8,180,000	8,400,000	8,180,000	8,400,000
Revenue Bonds	-	-	-	325,000	-	325,000
Premium on Issuance of Debt - 2013 Certificate of Obligation	-	-	164,613	177,236	164,613	177,236
Accrual for Compensated Absences	45,786	46,448	-	-	45,786	46,448
<b>TOTAL</b>	<b>45,786</b>	<b>46,448</b>	<b>8,344,613</b>	<b>8,902,236</b>	<b>8,390,399</b>	<b>8,948,684</b>

The City’s bond rating with Standard & Poor’s is classified as an “AA” rating. An “AA” rating by S&P means the entity has a very strong capability to meet financial commitments.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES**

**Governmental funds**

In the 2015 Budget, general fund revenues and transfers are budgeted to decrease 23% from the 2014 budget year. The variance is largely due to the loan funds received from WOEDCO in fiscal year 13/14. Certified assessed taxable valuations decreased from the preceding year approximately \$5,542,598 or (-1.45%). The tax rate for fiscal year 14/15 was increased \$.01168/100 from \$.52011/100 to the effective rate of \$.53179/100. The taxable assessed property decrease and increasing the tax rate to the \$.53179/100 effective rate resulted in \$14,829 more tax revenue than fiscal year 13/14. Industrial Tangible Personal Property represented the largest loss of taxable assessed property, while the oil and gas minerals category also had a significant decrease; however, helping to offset the decreases was a very significant increase in single-family residential property. In order to obtain a balanced budget, it was necessary to delete one full-time position, which was within the General Administration department (city hall). It was also necessary not to fund the city’s portion of the WOEDCO director/Community Development position. These responsibilities will be dispersed among current employees. Statewide sales tax revenue, including White Oak’s, continue to show

improvement. Sales tax revenue is the most unpredictable city revenue and is a reflection of the local and state economy.

The only capital outlay scheduled for FY 14/15 is the replacement of a manifold at the splash pad and the sealcoating of Robin and Justin Lanes and Creekbend Street. The FY 14/15 adopted budgeted expenditures is over \$1,030,000 lower than FY 13/14's amended budget due to the high school baseball field project.

At the end of FY 2014, unemployment in the Longview area was 4.2%<sup>1</sup>, which was lower than the state's 4.81% unemployment rate. Gasoline prices had fell to below \$3 a gallon by the end of September 2014 and could have a negative effect on our local economy and the budget for fiscal year 14/15.

### **Proprietary funds**

The upcoming fiscal year 14/15 Water & Sewer Fund budget includes a rate table change for both water and sewer fees. The tier has not been changed since October 2011. The base water rate changed from \$12.00 for the first 2,000 gallons to \$14.00 for the first 3,000 gallons used. The City Council approved a water rate tier with a focus on conservation. The estimated 16% revenue increase from user fees will help fund the principal and interest payments on the 2008 and 2013 Certificate of Obligations and several capital expenses:

- 1-ton chlorine scales-water treatment plant
- Chlorinators and regulators for 1-ton cylinders of chlorine
- Water treatment plant generator replacement
- Clamp-on flow meter at the Big Sandy Creek pumping station
- Manhole rehabilitation
- Polyblend mixer at the wastewater treatment plant
- Drilling of a new water well

The City's primary source of water comes from the Big Sandy Creek, west of Gladewater. The City Council approved the funding to drill a water well for the City to have a backup water source when the creek runs low. The project is estimated to cost around \$300,000; Approximately \$276,000 of the remaining funds from the 2008 Certificate of Obligation will be used to help fund this project and the remaining expense will come from current revenue sources. The wastewater treatment plant expansion will continue throughout the 2014/2015 fiscal year and may even run into FY 15/16. This project is funded with the 2013 Certificate of Obligation funds.

Budget expenses for fiscal year 14/15 are down approximately 7% from last fiscal year. There is around a \$500,000 decrease in capital outlay expense due to some of the \$5.4 million 2013 Certificate of Obligation funds used in fiscal year 13/14. However, the budget for non-cash expenses increased to allow a reimbursement transfer of \$150,000 from the enterprise fund to the general fund for administrative expenses.

### **REQUEST FOR INFORMATION**

The financial report is designed to provide an overview of the municipality's financials for those with an interest in this area. 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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<sup>1</sup> *Bureau of Labor Statistics.* (2015, 03 31). Retrieved from U.S. Department of Labor: <http://data.bls.gov>

## Basic Financial Statements

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## CITY OF WHITE OAK, TEXAS

## STATEMENT OF NET POSITION

SEPTEMBER 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	WOEDCO
<b>ASSETS:</b>				
Cash	\$ 1,241,731	\$ 781,245	\$ 2,022,976	\$ 137,389
Temporary Investments	1,653,747	200,572	1,854,319	--
Receivables (Net of Allowances for Uncollectibles):				
Taxes	133,847	--	133,847	53,237
Accounts	--	400,662	400,662	40,000
Other	1,309	--	1,309	450,000
Prepaid Expenses	797	--	797	--
Restricted Assets:				
Cash	--	5,117,711	5,117,711	--
Notes Receivable	--	--	--	454,369
Capital Assets (Net of Accumulated Depreciation)	6,526,222	10,424,014	16,950,236	--
Total Assets	<u>9,557,653</u>	<u>16,924,204</u>	<u>26,481,857</u>	<u>1,134,995</u>
<b>LIABILITIES:</b>				
Accounts Payable	83,199	218,148	301,347	13,541
Accrued Wages Payable	38,293	9,891	48,184	--
Accrued Interest Payable	--	22,007	22,007	--
Customer Deposits	--	137,050	137,050	--
Accrual for Compensated Absences	45,786	17,462	63,248	--
Noncurrent Liabilities-				
Due within one year	--	225,000	225,000	127,509
Due in more than one year	--	8,119,612	8,119,612	793,363
Total Liabilities	<u>167,278</u>	<u>8,749,170</u>	<u>8,916,448</u>	<u>934,413</u>
<b>NET POSITION:</b>				
Net Investment in Capital Assets	6,526,222	6,842,276	13,368,498	--
Restricted For:				
Debt Service	--	195,771	195,771	--
Other Purposes	60,999	--	60,999	200,582
Unrestricted	2,803,154	1,136,987	3,940,141	--
Total Net Position	<u>\$ 9,390,375</u>	<u>\$ 8,175,034</u>	<u>\$ 17,565,409</u>	<u>\$ 200,582</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, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental Activities:				
General Government	\$ 812,502	\$ 32,683	\$ --	\$ --
Public Safety	1,639,784	131,602	40,484	--
Public Works	526,659	--	--	--
Economic Development	48,197	--	--	--
Recreation	390,411	18,300	--	1,021,910
Total Governmental Activities	<u>3,417,553</u>	<u>182,585</u>	<u>40,484</u>	<u>1,021,910</u>
Business-type Activities:				
Water and Sewer	<u>2,206,003</u>	<u>2,114,083</u>	<u>--</u>	<u>--</u>
Total Business-type Activities	<u>2,206,003</u>	<u>2,114,083</u>	<u>--</u>	<u>--</u>
Total Primary Government	<u>\$ 5,623,556</u>	<u>\$ 2,296,668</u>	<u>\$ 40,484</u>	<u>\$ 1,021,910</u>
<b>COMPONENT UNIT:</b>				
WOEDCO	<u>\$ 1,172,994</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
General Revenues:				
Property Taxes				
Franchise Tax				
Sales Tax				
Investment income				
Contributions				
Miscellaneous				
Gain/Loss on Disposition of Assets				
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

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	WOEDCO
\$ (779,819)		\$ (779,819)	
(1,467,698)		(1,467,698)	
(526,659)		(526,659)	
(48,197)		(48,197)	
649,799		649,799	
<u>(2,172,574)</u>		<u>(2,172,574)</u>	
--	\$ (91,920)	(91,920)	
--	(91,920)	(91,920)	
<u>(2,172,574)</u>	<u>(91,920)</u>	<u>(2,264,494)</u>	
			\$ (1,172,994)
1,961,816	--	1,961,816	--
375,701	--	375,701	--
607,859	--	607,859	301,408
19,391	16,148	35,539	4,949
1,571	--	1,571	550,000
11,502	--	11,502	--
<u>(25,776)</u>	<u>(12,176)</u>	<u>(37,952)</u>	<u>(53)</u>
2,952,064	3,972	2,956,036	856,304
779,490	(87,948)	691,542	(316,690)
8,610,885	8,262,982	16,873,867	517,272
<u>\$ 9,390,375</u>	<u>\$ 8,175,034</u>	<u>\$ 17,565,409</u>	<u>\$ 200,582</u>

**CITY OF WHITE OAK, TEXAS**  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2014

	<u>General Fund</u>
<b>ASSETS:</b>	
Cash	\$ 1,241,731
Temporary Investments	1,653,747
Receivables:	
Taxes	133,847
Miscellaneous	1,309
Prepaid Expenses	797
<b>TOTAL ASSETS</b>	<b><u>\$ 3,031,431</u></b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE:</b>	
<b>LIABILITIES:</b>	
Accounts Payable	\$ 83,199
Accrued Wages Payable	38,293
<b>TOTAL LIABILITIES</b>	<b><u>121,492</u></b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Deferred Property Taxes	<u>27,373</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>27,373</u></b>
<b>FUND BALANCE:</b>	
Fund Balance - Nonspendable	797
Fund Balance - Restricted	60,999
Fund Balance - Unassigned	<u>2,820,770</u>
<b>TOTAL FUND BALANCE</b>	<b><u>2,882,566</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>	<b><u>\$ 3,031,431</u></b>

The accompanying notes are an integral part of this statement.

**CITY OF WHITE OAK, TEXAS**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2014

Total fund balances - governmental funds balance sheet	\$ 2,882,566
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.	6,526,222
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	27,373
Payables for compensated absences which are not due in the current period are not reported in the funds.	<u>(45,786)</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 9,390,375</u>

The accompanying notes are an integral part of this statement.

**CITY OF WHITE OAK, TEXAS**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	General Fund
	<u>                    </u>
<b>REVENUES:</b>	
Property Taxes	\$ 1,970,537
Franchise Tax	375,701
Sales Tax	607,859
Licenses, Permits and Fees	32,683
Fines, Forfeitures, and Penalties	131,602
Park User Fees	18,300
Investment Income	19,391
Contributions and Grants	1,063,965
Miscellaneous	11,502
<b>TOTAL REVENUES</b>	<u>4,231,540</u>
<b>EXPENDITURES:</b>	
General Government	788,105
Public Safety	1,547,860
Public Works	383,399
Economic Development	48,197
Recreation	1,322,115
<b>TOTAL EXPENDITURES</b>	<u>4,089,676</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>141,864</u>
NET CHANGE IN FUND BALANCE	141,864
FUND BALANCE - BEGINNING	2,740,702
FUND BALANCE - ENDING	<u>\$ 2,882,566</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, 2014

Net change in fund balances - total governmental funds	\$ 141,864
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,106,564
The depreciation of capital assets used in governmental activities is not reported in the funds.	(435,104)
The gain or loss on the sale of capital assets is not reported in the funds.	(25,775)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(8,721)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	<u>662</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 779,490</u>

The accompanying notes are an integral part of this statement.

**CITY OF WHITE OAK, TEXAS**

STATEMENT OF NET POSITION

ENTERPRISE FUNDS

SEPTEMBER 30, 2014

	Enterprise Fund <u>Water Utilities Fund</u>
<b>ASSETS:</b>	
Current Assets:	
Cash	\$ 781,245
Temporary Investments	200,572
Accounts Receivable	400,662
Restricted Assets:	
Cash	5,117,711
Noncurrent Assets:	
Land	96,823
Construction in Progress	676,863
Capital Assets, Net	9,650,328
TOTAL ASSETS	<u>\$ 16,924,204</u>
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable	\$ 218,148
Accrued Wages	9,891
Accrual of Compensated Absences	17,462
Payable from Restricted Assets:	
Accrued Interest Payable	22,007
Customer Deposits	137,050
Noncurrent Liabilities:	
Due Within One Year	225,000
Due in More Than One Year	8,119,612
TOTAL LIABILITIES	<u>8,749,170</u>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	6,842,276
Restricted for Debt Service	195,771
Unrestricted	1,136,987
TOTAL NET POSITION	<u>\$ 8,175,034</u>

The accompanying notes are an integral part of this statement.

**CITY OF WHITE OAK, TEXAS**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION - ENTERPRISE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Enterprise Fund <u>Water Utilities Fund</u>
<b>OPERATING REVENUES:</b>	
Water Revenue	\$ 1,294,408
Sewer Revenue	666,208
Sanitation Revenue	62,379
Penalties	36,376
Installment Fees	54,480
Miscellaneous Revenue	232
TOTAL OPERATING REVENUES	<u>2,114,083</u>
<b>OPERATING EXPENSES:</b>	
Administration	71,824
Water Supply	170,848
Water Distribution	168,970
Water Purification	522,684
Sanitary Sewer Maintenance	128,487
Sanitary Sewer Treatment	267,261
Depreciation	565,972
Miscellaneous Expense	45,599
TOTAL OPERATING EXPENSES	<u>1,941,645</u>
OPERATING INCOME	172,438
<b>NON-OPERATING REVENUES (EXPENSES):</b>	
Investment Proceeds	16,148
Gain (Loss) on Disposition of Assets	(12,176)
Debt Service - Interest	(261,808)
Debt Service - Issuance Costs and Fees	(2,550)
TOTAL NON OPERATING REVENUES (EXPENSES)	<u>(260,386)</u>
CHANGE IN NET POSITION	(87,948)
TOTAL NET POSITION- BEGINNING	8,262,982
TOTAL NET POSITION - ENDING	<u>\$ 8,175,034</u>

The accompanying notes are an integral part of this statement.

**CITY OF WHITE OAK, TEXAS**  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Water Utilities
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Customers	\$ 2,133,081
Cash Payments to Employees for Services	(526,678)
Cash Payments to Other Suppliers for Goods and Services	(830,340)
Net Cash Provided by Operating Activities	<u>776,063</u>
<b>Cash Flows from Non-capital Financing Activities:</b>	
Transfers From (To) Other Funds	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>--</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Principal and Interest Paid	(824,357)
Acquisition or Construction of Capital Assets	(838,377)
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(1,662,734)</u>
<b>Cash Flows from Investing Activities:</b>	
Purchase of Investments	(300,000)
Interest Earnings	15,290
Net Cash Provided (Used) for Investing Activities	<u>(284,710)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,171,381)
Cash and Cash Equivalents at Beginning of Year	6,970,051
Cash and Cash Equivalents at End of Year	<u>\$ 5,798,670</u>
Classified as:	
Current assets - unrestricted	\$ 781,245
Current assets - restricted	5,017,425
	<u>\$ 5,798,670</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating Income	\$ 172,438
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	565,972
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	3,524
Increase (Decrease) in Accounts Payable	14,766
Increase (Decrease) in Accrued Wages Payable	3,318
Increase (Decrease) in Accrued Compensated Absences	570
Increase (Decrease) in Customer Deposits	15,475
Total Adjustments	<u>603,625</u>
Net Cash Provided by Operating Activities	<u>\$ 776,063</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, 2014

A. Summary of Significant Accounting Policies

The combined financial statements of the 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 GASB Statement No. 14, "The Financial Reporting Entity," 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. GASB Statement No. 14 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 Statement.

2. Discretely Presented Component Unit

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

**CITY OF WHITE OAK, TEXAS**  
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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. 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 Utilities Fund. The water utilities fund operates the water distribution system, the sewage treatment plant, sewage pumping stations, and collection systems.

b. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City does not consider revenues collected more than sixty days after its year-end to be available in the current period. Revenues from local sources consist primarily of property and sales 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, 2014

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, 2014 is \$16,351.

c. Prepaid Items

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

d. Capital Assets

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

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

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

e. Receivable and Payable Balances

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

**CITY OF WHITE OAK, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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

f. 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.

g. Interfund Activity

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

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

**Committed Fund Balance** - represents amounts that can only be used for a specific purpose because of a formal action by the City 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. Assignment 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.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to

**CITY OF WHITE OAK, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
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have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

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 did not have deferred outflows of resources to report in its government-wide or 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 did not have deferred inflows of resources to report in its government-wide or proprietary fund financial statements for the current year.

j. 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.

k. Fund Balance Flow Assumptions

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

l. Estimates

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

**CITY OF WHITE OAK, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**B. Compliance and Accountability**

1. Finance-Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

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

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

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

**C. Deposits and Investments**

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

Cash Deposits:

At September 30, 2014, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$8,995,006 and the bank balance was \$9,098,810. The City's cash deposits at September 30, 2014 and during the year ended September 30, 2014, 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.

**CITY OF WHITE OAK, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

The City's investments at September 30, 2014 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Certificates of Deposit	6-12 months	\$ 1,954,605
Total Investments		<u>\$ 1,954,605</u>

Analysis of Specific Deposit and Investment Risks:

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

a. Credit Risk

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

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**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**D. Capital Assets**

Capital asset activity for the year ended September 30, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 373,746	\$ --	\$ --	\$ 373,746
Construction in progress	28,090	1,027,211	--	1,055,301
Total capital assets not being depreciated	<u>401,836</u>	<u>1,027,211</u>	<u>--</u>	<u>1,429,047</u>
Capital assets being depreciated:				
Buildings and improvements	990,045	--	10,989	979,056
Infrastructure	7,470,794	62,740	232,525	7,301,009
Furniture and equipment	2,020,594	16,613	143,650	1,893,557
Total capital assets being depreciated	<u>10,481,433</u>	<u>79,353</u>	<u>387,164</u>	<u>10,173,622</u>
Less accumulated depreciation for:				
Buildings and improvements	(407,762)	(37,988)	(9,566)	(436,184)
Infrastructure	(3,131,970)	(283,784)	(209,196)	(3,206,558)
Furniture and equipment	(1,463,002)	(113,332)	(142,628)	(1,433,706)
Total accumulated depreciation	<u>(5,002,734)</u>	<u>(435,104)</u>	<u>(361,390)</u>	<u>(5,076,448)</u>
Total capital assets being depreciated, net	<u>5,478,699</u>	<u>(355,751)</u>	<u>25,774</u>	<u>5,097,174</u>
Governmental activities capital assets, net	<u>\$ 5,880,535</u>	<u>\$ 671,460</u>	<u>\$ 25,774</u>	<u>\$ 6,526,221</u>

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	\$ 96,824	\$ --	\$ --	\$ 96,824
Construction in progress	11,885	664,978	--	676,863
Total capital assets not being depreciated	<u>108,709</u>	<u>664,978</u>	<u>--</u>	<u>773,687</u>
Capital assets being depreciated:				
Water and sewer system	18,239,065	276,411	34,009	18,481,467
Buildings	255,590	--	--	255,590
Machinery and equipment	463,774	74,414	--	538,188
Total capital assets being depreciated	<u>18,958,429</u>	<u>350,825</u>	<u>34,009</u>	<u>19,275,245</u>
Less accumulated depreciation for:				
Water and sewer system	(8,568,591)	(528,005)	(21,831)	(9,074,765)
Buildings	(175,116)	(4,734)	--	(179,850)
Machinery and equipment	(337,069)	(33,233)	--	(370,302)
Total accumulated depreciation	<u>(9,080,776)</u>	<u>(565,972)</u>	<u>(21,831)</u>	<u>(9,624,917)</u>
Total capital assets being depreciated, net	<u>9,877,653</u>	<u>(215,147)</u>	<u>12,178</u>	<u>9,650,328</u>
Business-type activities capital assets, net	<u>\$ 9,986,362</u>	<u>\$ 449,831</u>	<u>\$ 12,178</u>	<u>\$ 10,424,015</u>

Depreciation was charged to governmental functions as follows:

General Government	\$ 27,141
Public Safety	106,455
Public Works	182,615
Recreation	118,893
	<u>\$ 435,104</u>

**CITY OF WHITE OAK, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**E. 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, 2014, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Compensated absences *	\$ 46,448	\$ --	\$ 662	\$ 45,786	--
Total governmental activities	<u>\$ 46,448</u>	<u>\$ --</u>	<u>\$ 662</u>	<u>\$ 45,786</u>	<u>\$ --</u>
<u>Business-type activities:</u>					
Certificates of obligation	\$ 8,400,000	\$ --	\$ 220,000	\$ 8,180,000	225,000
Revenue bonds	325,000	--	325,000	--	--
Unamortized premium	177,236	--	12,624	164,612	--
Total business-type activities	<u>\$ 8,902,236</u>	<u>\$ --</u>	<u>\$ 557,624</u>	<u>\$ 8,344,612</u>	<u>\$ 225,000</u>

\* Other long-term liabilities

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

Liability	Activity Type	Fund
Compensated absences	Governmental	General

**2. Debt Service Requirements**

Debt service requirements on long-term debt at September 30, 2014, are as follows:

Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2015	\$ 225,000	\$ 260,948	\$ 485,948
2016	405,000	250,929	655,929
2017	415,000	236,873	651,873
2018	430,000	222,604	652,604
2019	445,000	207,804	652,804
2020-2024	2,315,000	803,878	3,118,878
2025-2029	2,055,000	461,425	2,516,425
2030-2033	1,890,000	117,955	2,007,955
Totals	<u>\$ 8,180,000</u>	<u>\$ 2,562,416</u>	<u>\$ 10,742,416</u>

**3. Outstanding Debt**

Debt outstanding at September 30, 2014, consists of the following:

Description	Interest Rate	Maturity Date	Balance 09/30/14
<u>Business-type activities</u>			
Series 2008 Certificates of Obligation	3.5-4.25%	03/01/2023	\$ 2,760,000
Series 2013 Certificates of Obligation	1.5-3.25%	03/01/2033	5,420,000
			<u>\$ 8,180,000</u>

**CITY OF WHITE OAK, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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F. 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 2014, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

G. Pension Plan

1. Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at [www.TMRS.com](http://www.TMRS.com).

The plan provisions are adopted by the City Council, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	2013	2014
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

2. Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

**CITY OF WHITE OAK, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e., the December 31, 2013 valuation will determine the contribution rate beginning January 1, 2015).

The annual pension cost and net pension obligation/(asset) are as follows:

	09/30/14	09/30/13	09/30/12
Annual Required Contribution (ARC)	\$ 270,378	\$ 253,632	\$ 255,062
Interest on Net Pension Obligation	--	--	--
Adjustment to the ARC	--	--	--
Annual Pension Cost (APC)	<u>270,378</u>	<u>253,632</u>	<u>255,062</u>
Contributions Made	<u>270,378</u>	<u>253,632</u>	<u>255,062</u>
Increase (decrease) in net pension	--	--	--
Net Pension Obligation/(Asset), Beginning of Year	--	--	--
Net Pension Obligation/(Asset), End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

Valuation Date	12/31/11	12/31/12	12/31/13
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	26.3 years; Closed Period	25.4 years; Closed Period	30.0 years; Closed Period
Amortization Period for New Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-Yr Smoothed Market	10-Yr Smoothed Market	10-Yr Smoothed Market
Actuarial Assumptions:			
Investment Return *	7.0%	7.0%	7.0%
Projected Salary Increases *	Varies by age/ service	Varies by age/ service	Varies by age/ service
* Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

**3. Funded Status and Funding Progress**

In October 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31,

**CITY OF WHITE OAK, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

2013 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2013, the most recent actuarial valuation date, is presented as follows:

Actuarial Valuation Date		12/31/13
Actuarial Value of Assets	\$	8,643,127
Actuarial Accrued Liability (AAL)	\$	10,120,530
Funded Ratio		85.4%
Unfunded AAL (UAAL)	\$	1,477,403
Covered Payroll	\$	1,911,821
UAAL as a Percentage of Covered Payroll		77.3%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

4. Supplemental Death Benefits Fund

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City 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 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); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

The 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.

The City's contributions to the TMRS SDBF for the years ended 2014, 2013 and 2012 were \$3,142, \$3,041, and \$3,014, respectively, which equaled the required contributions each year.

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.

**CITY OF WHITE OAK, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

2. Litigation

No reportable litigation was pending against the City at September 30, 2014.

3. Commitments

The City had the following outstanding contractual commitments at September 30, 2014:

Project	Fund	Amount	Funding Source
Baseball Facility Improvements	General	\$ 54,930	White Oak Economic Development Corporation Grant/Loan
Water Meter Replacement	Enterprise	24,288	2013 Certificate of Obligation Proceeds

As of September 30, 2014, the City has a commitment under an interlocal agreement with the White Oak Economic Development Corporation to fund the debt service on a loan obtained to finance the baseball facility improvements. A schedule of future payments follows:

FY2015	\$ 60,000
FY2016	60,000
FY2017	60,000
FY2018	60,000
	<u>\$ 240,000</u>

I. Restricted Fund Balance

As of September 30, 2014, fund balances restricted for specific purposes were as follows:

General Fund	
Municipal Court Security Fees	\$ 12,523
Municipal Court Technology Fees	3,821
Drug Seizure Funds	1,580
Cable PEG Fees	40,968
Baseball Facility Improvements	2,107
	<u>\$ 60,999</u>

J. Subsequent Events

Management has evaluated subsequent events through April 9, 2015, the date on which the financial statements were available to be issued.

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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, 2014

**EXHIBIT B-1**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property Taxes	\$ 1,947,589	\$ 1,947,589	\$ 1,970,537	\$ 22,948
Franchise Tax	343,900	343,900	375,701	31,801
Sales Tax	575,000	575,000	607,859	32,859
Licenses, Permits and Fees	19,200	19,200	32,683	13,483
Fines, Forfeitures, and Penalties	136,600	136,600	131,602	(4,998)
Park User Fees	24,000	24,000	18,300	(5,700)
Investment Income	12,000	12,000	19,391	7,391
Contributions and Grants	3,100	1,091,969	1,063,965	(28,004)
Miscellaneous	4,600	4,600	11,502	6,902
<b>TOTAL REVENUES</b>	<u>3,065,989</u>	<u>4,154,858</u>	<u>4,231,540</u>	<u>76,682</u>
<b>EXPENDITURES:</b>				
General Government	749,835	781,744	788,105	(6,361)
Public Safety	1,520,287	1,555,657	1,547,860	7,797
Public Works	463,954	486,569	383,399	103,170
Economic Development	38,160	51,900	48,197	3,703
Recreation	293,752	1,360,662	1,322,115	38,547
<b>TOTAL EXPENDITURES</b>	<u>3,065,989</u>	<u>4,236,532</u>	<u>4,089,676</u>	<u>146,856</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>--</u>	<u>(81,674)</u>	<u>141,864</u>	<u>223,538</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>--</u>	<u>(81,674)</u>	<u>141,864</u>	<u>223,538</u>
<b>FUND BALANCE - BEGINNING</b>	<u>2,740,702</u>	<u>2,740,702</u>	<u>2,740,702</u>	<u>--</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 2,740,702</u>	<u>\$ 2,659,028</u>	<u>\$ 2,882,566</u>	<u>\$ 223,538</u>

**CITY OF WHITE OAK, TEXAS**  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS  
 TEXAS MUNICIPAL RETIREMENT SYSTEM  
 YEAR ENDED SEPTEMBER 30, 2014

**EXHIBIT B-2**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/11	\$ 7,540,457	\$ 8,885,946	\$ 1,345,489	84.9%	\$ 1,803,500	74.6%
12/31/12	8,114,430	9,508,034	1,393,604	85.3%	2,021,047	69.0%
12/31/13	8,643,127	10,120,530	1,477,403	85.4%	1,911,821	77.3%

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## Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

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

Certified Public Accountants

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## 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

Honorable Mayor and City Council  
City of White Oak, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of White Oak, Texas, as of and for the year ended September 30, 2014, 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 9, 2015.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of White Oak, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an

opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*Karen A. Jacks & Associates, P.C.*

Karen A. Jacks & Associates, P.C.  
Longview, Texas  
April 9, 2015

**CITY OF WHITE OAK, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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

**CITY OF WHITE OAK, TEXAS**  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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

**CITY OF WHITE OAK, TEXAS**  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

None required.

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