CITY OF WHITE OAK, TEXAS

FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

PRINCIPAL OFFICIALS

September 30, 2010

CITY COUNCIL

RICK MAY, MAYOR

BARBARA RAY, MAYOR PRO-TEM
LANCE NOLL
KYLE KUTCH
CHARLIE OWENS
KELLY MITCHELL

CITY COORDINATOR

CHARLIE SMITH

CITY SECRETARY

SHERRY ROBERTS

CITY OF WHITE OAK, TEXAS
SEPTEMBER 30, 2010
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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of White Oak, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of White Oak, Texas, as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of White Oak, Texas, as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 2, 2011 on our consideration of the City of White Oak's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of White Oak, Texas' basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. This budgetary comparison schedule has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Karen A. Jacks & Associates, P.C.

Karen A. Jacks & Associates, P.C.

March 2, 2011

CITY OF WHITE OAK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010

This discussion and analysis of the City of White Oak's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended September 30, 2010. It should be read in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

The assets of the City of White Oak exceeded its liabilities at the close of the fiscal year ending September 30, 2010 by $17,149,945 (net assets). Of this amount, $2,754,475 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.

The City's total net assets increased by $282,483 for the year ended September 30, 2010.

As of September 30, 2010, the City's governmental funds reported an ending fund balance of $2,658,448. This resulted in a decrease of $14,466 in comparison with the prior year 2009 fund balance of $2,672,914.

The City's total long-term debt decreased by $318,386 to $ 4,386,420 at the end of fiscal year 2010. Capital expenditures included $ 657,531 for water and sewer plant improvements that were funded by Certificates of Obligation and Revenue Bonds.

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 Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Net Assets 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 assets 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 Assets 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 Assets and the Statement of Activities, the City is divided into three kinds of activities:

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

Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer services are reported here.

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. Some funds are required to be established by state law and by bond covenants. However, the City can establish other funds to help it 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 Assets 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. These services are reported in the proprietary fund. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets 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 but provide more detail and additional information, such as cash flows, for proprietary funds.

The City of White Oak maintains one enterprise fund. The City uses the enterprise fund 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.

THE CITY AS WHOLE – GOVERNMENT-WIDE FINANCIAL STATEMENTS

The City's combined net assets were $17,149,945 as of September 30, 2010. Analyzing the net assets and net expenses of governmental and business-type activities separately, the Governmental net assets are $9,248,938 and the business-type activities net assets are $7,901,007. This analysis focuses on the net assets (table 1) and changes in general revenues (table 2) and significant expenses of the City's governmental and business-type activities.

The largest portion of the City's net assets 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.

Table 1
Summary of Net Assets

	Governmental Activities ***2010***	*Business-type Activities* ***2010***	***Total 2010***	*Governmental Activities* ***2009***	*Business-type Activities* ***2009***	***Total 2009***
Current and other assets	2,810,007	2,547,180	5,357,187	2,761,764	2,867,261	5,629,025
Capital Assets	6,577,316	10,145,116	16,722,432	6,795,649	9,351,694	16,147,343
TOTAL ASSETS	**$ 9,387,323**	**$ 12,692,296**	**$22,079,619**	**$ 9,557,413**	**$12,218,955**	**$ 21,776,368**
Current Liabilities	138,385	441,289	579,674	92,360	151,546	243,906
Non-Current Liabilities	0	4,350,000	4,350,000	0	4,665,000	4,665,000
TOTAL LIABILITIES	**$ 138,385**	**$ 4,791,289**	**$ 4,929,674**	**$ 92,360**	**$ 4,816,546**	**$ 4,908,906**
Net Assets:						
Invested in capital assets, net of related debt	6,577,316	7,475,470	14,052,786	6,795,649	6,927,895	13,723,544
Restricted	0	342,684	342,684	0	187,364	187,364
Unrestricted	2,671,622	82,853	2,754,475	2,669,404	287,150	2,956,554
TOTAL NET ASSETS	**$ 9,248,938**	**$ 7,901,007**	**$17,149,945**	**$9,465,053**	**$ 7,402,409**	**$ 16,867,462**

GOVERNMENTAL ACTIVITIES

General Fund revenues increased by 3.2%, or $86,590, when compared to the prior year. Ad valorem tax revenue decreased $21,592 (1.3%) compared to the prior year as the result of a 1.6% decrease in net assessed valuation of property values. Total net assessed value was $ 335,551,859 versus the prior year of $ 340,876,750. The tax rate of $ 0.48 per $100 was unchanged from last year. Sales tax revenue decreased by $78,345 (13.6%) as result of the recession that began in December, 2008 and was in a weak recovery period during 2010. Fines & forfeitures were up $2,285 (1.7%) from the previous year. Investment income was down $8,075 (26.4%) due to interest rate reductions because of the economic recession.

Table 2
General Revenues

	2010	***2009***	***Incr. / (Decr.)***
Taxes	2,090,717	2,190,654	(99,937)
Franchise Fees	320,766	290,607	30,159
Investment Income	22,552	30,627	(8,075)
Other	10,969	(3,511)	14,480
TOTAL	**$ 2,445,004**	**$ 2,508,377**	**$ (63,373)**

Government and Business-type activities increased the City's net assets by $282,483 from FY 2009. The key elements in this increase are as follows:

Table 3
Changes in Net Assets

	Governmental Activities ***2010***	*Business-type Activities* ***2010***	***Total 2010***	*Governmental Activities* ***2009***	*Business-type Activities* ***2009***	***Total 2009***
Revenues:						
Program Revenues:						
Charges for service and grants	348,242	2,403,363	2,751,605	198,279	1,848,339	2,046,618
General Revenues:						
Taxes	2,077,419	0	2,077,419	2,180,492	0	2,180,492
Franchise Fees	320,766	0	320,766	290,607	0	290,607
Other	46,819	11,005	57,824	37,278	27,146	64,424
TOTAL REVENUES	**$ 2,793,246**	**$2,414,368**	**$5,207,614**	**$2,706,656**	**$ 1,875,485**	**$4,582,141**
Expenses:						
General Government	681,368	0	681,368	697,079	0	697,079
Public Safety	1,555,303	0	1,555,303	1,443,474	0	1,443,474
Public works	494,995	0	494,995	619,837	0	619,837
Development Services	36,879	0	36,879	35,387	0	35,387
Culture & recreation	240,816	0	240,816	226,314	0	226,314
Water Utilities	0	1,915,770	1,915,770	0	1,880,914	1,880,914
TOTAL EXPENSES	**$ 3,009,361**	**$1,915,770**	**$4,925,131**	**$ 3,022,091**	**$ 1,880,914**	**$4,903,005**
Transfers In (Out)	0	0	0	0	0	0
Change in Net Assets	(216,115)	498,598	282,483	(315,435)	(5,429)	(320,864)
Net Assets, beginning	9,465,053	$7,402,409	$16,867,462	9,780,488	7,407,838	17,188,326
Net Assets, ending	**$ 9,248,938**	**$7,901,007**	**$17,149,945**	**$ 9,465,053**	**$ 7,402,409**	**$16,867,462**

GENERAL FUND

Total expenditures for the 2010 fiscal year were $ 2,826,158 which was higher versus the prior year by $ 63,170 or 2.2% and $200,726 less than the budget of $3,026,884 or 7.1%. The favorable budget variance was primarily due to the cancellation of capital street improvements for the 2010 budget year. The police department showed a negative variance with the final budget because of calculation errors in the original budget.

BUSINESS TYPE ACTIVITES (WATER AND SEWER FUND)

Revenues of the City's business-type activities were $2,041,555 in fiscal year 2010 as compared to $ 1,809,208 for fiscal year 2009. This $232,347 or 12.8% increase resulted from an increase in water and sewer customers, more volume used, and a sewer fee increase that went into effect in November 2009. Net income for fiscal year 2010 was $47,708 as compared to $185,551 for the prior year and compared to a budgeted net loss of $21,936 for fiscal year 2010. The water and sewer fund owes the general fund $195,959 at the end of fiscal year 2010. A small payment was made towards this balance in fiscal year 2010 and a greater amount will be transferred in fiscal year 2011.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2010 the City had $16,699,678 (net of accumulated depreciation) invested in a broad range of capital assets. The capital assets are comprised of police and fire equipment, building, park facilities, road, bridges, water and sewer lines, drainage improvements, and water and sewer treatment plants. This amount represents a net increase (including additions and deletions) of $576,921 over the prior year. There are several projects under construction including improvements to the north standpipe, water plant, and several grant projects. All projects should be completed in fiscal year 2011. A Fixed Asset Module was added to the accounting software system in fiscal year 2008 and updates continued in fiscal year 2010 that included disposition of assets that are no longer owned by the City.

Table 4
CAPITAL ASSETS

	Governmental Activities ***2010***	*Business-type Activities* ***2010***	*TOTAL* ***2010***	*Governmental Activities* ***2009***	*Business-type Activities* ***2009***	*TOTAL* ***2009***
Land	201,297	96,824	298,121	201,297	96,824	298,121
Construction in Progress	0	1,266,801	1,266,801	0	142,148	142,148
Building& Improvements	687,134	95,208	782,342	722,503	101,005	823,508
Infrastructure	4,977,461	0	4,977,461	5,031,186	0	5,031,186
Furniture/Equip/Machinery	711,424	132,166	843,590	840,663	143,428	984,091
Water & Sewer System	0	8,531,363	8,531,363	0	8,843,703	8,843,703
TOTAL	**$ 6,577,316**	**$ 10,122,362**	**$ 16,699,678**	**$ 6,795,649**	**$ 9,327,108**	**$ 16,122,757**

Debt Administration

At the end of the current fiscal year, the City had $4,350,000 in certificates of obligation and revenue bonds outstanding. This represents a decrease of $315,000 compared to the prior year. The following table shows the debt outstanding at September 30, 2010.

Table 5
Outstanding Debt

	Governmental Activities ***2010***	*Business-type Activities* ***2010***	***Total 2010***	*Governmental Activities* ***2009***	*Business-type Activities* ***2009***	***Total 2009***
Cert of Obligation	0	3,575,000	3,575,000	0	3,750,000	3,750,000
Revenue Bonds	0	775,000	775,000	0	915,000	15,000
TOTALS	**$ 0**	**$ 4,350,000**	**$4,350,000**	**$ 0**	**$ 4,665,000**	**$4,665,000**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds

At the end of the current fiscal year, the City's governmental fund reported a fund balance of $2,658,448. The General Fund's ending balance decreased $14,466 over the prior year of $2,672,914. The fund balance represents 11.3 months of operating expenses or 94% which is well above the typical minimum of 25% to 50%.

At the end of September 30, 2010, the City's Proprietary (Water and Waste Water) Fund had a fund balance of $7,901,007. This is an increase of $498,598 compared to the prior year. Of this amount, $ 82,853 was for unrestricted use which represents less than one month of operating expenses.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Governmental funds

The City's elected and appointed officials considered many factors when setting the fiscal year 2011 budget, tax rate and fees that will be charged. Real property values for fiscal year 2011 increased 1.3% over the previous year and mineral and gas values increased over 2.1% from the prior year. Because of two consecutive years of the decline of sales tax revenue, property values, and interest income, the council deemed it necessary to increase the ad valorem property tax to $.52/100. All but $66,500 of requested capital expenditures was put on hold until further notice. Budgeted expenditures were cut over $99,000 to obtain a balanced budget.

Proprietary funds

In fiscal year 2011, the only price increase will be from our sanitation provider, Allied Waste. This is an annual CPI increase which is passed on to our customers. There is $1,138,135 budgeted for capital expenditures but only $37,069 will be actually spent out of user fee revenue. The remaining amount will be paid for by the unused funds of the 2008 Certificate of Obligation that was obtained specifically for water and sewer projects. These improvements will upgrade equipment and the

water plant which will provide additional capacity to serve the citizens of White Oak for many years to come. Our water and sewer rates continue to be lower than the local and state averages.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances. 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. 17.

BASIC FINANCIAL STATEMENTS

CITY OF WHITE OAK, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	WOEDCO
ASSETS				
Cash	$ 1,562,757	$ 98,938	$ 1,661,695	$ 63,021
Temporary investments	905,015	-	905,015	57,614
Receivables (net of allowance for uncollectibles):				
Taxes	140,387	-	140,387	45,396
Accounts	-	392,011	392,011	-
Other	1,844	114,237	116,081	340
Internal balances	195,959	(195,959)	-	-
Prepaid expenses	4,045	-	4,045	-
Restricted assets:				
Cash	-	2,137,953	2,137,953	-
Notes receivable	-	-	-	457,645
Debt issuance costs	-	22,754	22,754	-
Capital assets (net of accumulated depreciation):				
Land	201,297	96,824	298,121	-
Buildings and improvements	687,134	95,208	782,342	-
Water and sewer system	-	8,531,363	8,531,363	-
Machinery and equipment	711,424	132,166	843,590	2,338
Infrastructure	4,977,461	-	4,977,461	-
Construction in progress	-	1,266,801	1,266,801	-
Total assets	9,387,323	12,692,296	22,079,619	626,354
LIABILITIES				
Accounts payable	84,221	333,995	418,216	175
Accrued wages payable	17,744	5,258	23,002	-
Payable from restricted assets				
Accrued interest	-	14,853	14,853	-
Meter deposits	-	79,745	79,745	-
Accrual for compensated absences	36,420	7,438	43,858	-
Noncurrent liabilities:				
Due within one year	-	330,000	330,000	-
Due in more than one year	-	4,020,000	4,020,000	-
Total liabilities	138,385	4,791,289	4,929,674	175
NET ASSETS				
Invested in capital assets, net of related debt	6,577,316	7,475,470	14,052,786	2,338
Restricted for debt service	-	342,684	342,684	-
Unrestricted	2,671,622	82,853	2,754,475	623,841
Total net assets	$ 9,248,938	$ 7,901,007	$ 17,149,945	$ 626,179

(The accompanying notes are an integral part of these financial statements.)

CITY OF WHITE OAK, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
					Primary Government			Component Unit
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	WOEDCO
Primary government:								
Governmental activities:								
General government	$ 681,368	$ 19,336	$ -	$ -	$ (662,032)	$ -	$ (662,032)	$ -
Public safety	1,555,303	134,206	-	-	(1,421,097)	-	(1,421,097)	-
Public works	494,995	-	-	-	(494,995)	-	(494,995)	-
Developmental services	36,879	-	-	-	(36,879)	-	(36,879)	-
Recreation	240,816	-	194,700	-	(46,116)	-	(46,116)	-
Total governmental activities	3,009,361	153,542	194,700	-	(2,661,119)	-	(2,661,119)	-
Business-type activities:								
Water utilities	1,915,770	2,041,555	-	361,808	-	487,593	487,593	-
Total primary government	$ 4,925,131	$ 2,195,097	$ 194,700	$ 361,808	$ (2,661,119)	$ 487,593	$ (2,173,526)	$ -
Component unit:								
WOEDCO	$ 475,314	-	-	-	-	-	-	(475,314)
	General revenues							
	Property taxes				1,591,144	-	1,591,144	-
	Sales taxes				499,573	-	499,573	249,786
	Franchise taxes				320,766	-	320,766	-
	Unrestricted investment earnings				22,552	11,005	33,557	6,750
	Miscellaneous				29,298	-	29,298	-
	Gain/loss on sale of assets				(18,329)	-	(18,329)	-
	Total general revenues and transfers				2,445,004	11,005	2,456,009	256,536
	Change in net assets				(216,115)	498,598	282,483	(218,778)
	Net assets - beginning				9,465,053	7,402,409	16,867,462	844,957
	Net assets - ending				$ 9,248,938	$ 7,901,007	$ 17,149,945	$ 626,179

(The accompanying notes are an integral part of these financial statements.)

CITY OF WHITE OAK, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	General Fund
ASSETS AND OTHER DEBITS:	
Cash	$ 1,562,757
Temporary investments	905,015
Due from other funds	195,959
Receivables:	
Taxes	140,387
Miscellaneous	1,844
Prepaid expenditures	4,045
TOTAL ASSETS	$ 2,810,007
LIABILITIES AND FUND BALANCE:	
LIABILITIES:	
Accounts payable	$ 84,221
Unearned revenue	49,594
Accrued wages	17,744
TOTAL LIABILITIES	151,559
FUND BALANCE	
Fund balance - unreserved	2,628,480
Fund balance - reserved	29,968
TOTAL FUND BALANCE	2,658,448
TOTAL LIABILITIES AND FUND BALANCE	$ 2,810,007

(The accompanying notes are an integral part of these financial statements.)

CITY OF WHITE OAK, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

Total fund balances - governmental funds balance sheet	$ 2,658,448
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds	6,577,316
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	49,594
Payables for compensated absences which are not due in the current period are not reported in the funds.	(36,420)
Net assets of governmental activities - statement of net assets	$ 9,248,938

(The accompanying notes are an integral part of these financial statements.)

CITY OF WHITE OAK, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	General Fund
REVENUES:	
Property taxes	$ 1,577,846
Franchise taxes	320,766
Sales taxes	499,573
Licenses, permits and fees	19,336
Fines, forfeitures and penalties	134,206
Investment income	22,552
Grant revenues	194,700
Miscellaneous	42,713
TOTAL REVENUES	2,811,692
EXPENDITURES:	
General government	644,424
Public safety	1,481,579
Public works	323,830
Developmental services	35,592
Recreation	340,733
TOTAL EXPENDITURES	2,826,158
EXCESS (DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	(14,466)
OTHER FINANCING SOURCES (USES):	
Transfers	-
TOTAL OTHER FINANCING SOURCES (USES)	-
NET CHANGE IN FUND BALANCE	(14,466)
FUND BALANCE, OCTOBER 1, 2009	2,672,914
FUND BALANCE, SEPTEMBER 30, 2010	$ 2,658,448

(The accompanying notes are an integral part of these financial statements.)

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, 2010

Net change in fund balances - total governmental funds	$ (14,466)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	281,097
The depreciation of capital assets used in governmental activities is not reported in the funds.	(467,686)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	13,298
All proceeds from the sale of capital assets are reported in the funds but not the SOA.	(13,415)
The loss on disposition of capital assets is not reported in the funds.	(18,329)
(Increase) decrease in accrual for compensated absences.	3,386
Change in net assets of governmental activities - statement of activities	$ (216,115)

(The accompanying notes are an integral part of these financial statements.)

CITY OF WHITE OAK, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2010

	Water Utilities
ASSETS:	
Current assets:	
Cash	$ 98,938
Accounts receivable	392,011
Other receivables	114,237
Restricted assets:	
Cash	2,137,953
Noncurrent assets:	
Debt issuance costs	22,754
Land	96,824
Construction in progress	1,266,801
Capital assets, net	8,758,737
TOTAL ASSETS	12,888,255
LIABILITIES:	
Current liabilities:	
Accounts payable	333,995
Accrued wages	5,258
Accrual for compensated absences	7,438
Due to other funds	195,959
Payable from restricted assets:	
Accrued interest payable	14,853
Customer deposits	79,745
Noncurrent liabilities:	
Due within one year	330,000
Due in more than one year	4,020,000
TOTAL LIABILITIES	4,987,248
NET ASSETS	
Invested in capital assets, net of related debt	7,475,470
Restricted for debt repayment	342,684
Unrestricted	82,853
TOTAL NET ASSETS	$ 7,901,007

(The accompanying notes are an integral part of these financial statements.)

CITY OF WHITE OAK, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Water Utilities
OPERATING REVENUES:	
Water revenue	$ 1,264,728
Sewer revenue	652,119
Sanitation revenue	62,931
Penalties	32,448
Installment fees	25,604
Miscellaneous revenue	3,725
TOTAL OPERATING REVENUES	2,041,555
OPERATING EXPENSES:	
Administration	67,439
Water supply	130,154
Water distribution	153,593
Water purification	489,457
Sanitary sewer maintenance	166,508
Sanitary sewer treatment	191,515
Depreciation and amortization	524,415
Miscellaneous	6,031
TOTAL OPERATING EXPENSES	1,729,112
OPERATING INCOME	312,443
NONOPERATING REVENUES (EXPENSES)	
Investment proceeds	11,005
Grant proceeds	361,808
Debt service - interest	(183,858)
Debt service - fees	(2,800)
TOTAL NONOPERATING REVENUES (EXPENSES)	186,155
TRANSFERS	-
CHANGE IN NET ASSETS	498,598
TOTAL NET ASSETS - BEGINNING	7,402,409
TOTAL NET ASSETS - ENDING	$ 7,901,007

(The accompanying notes are an integral part of these financial statements.)

CITY OF WHITE OAK, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Water Utilities
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash receipts from customers for water sales and sewer service	$ 1,959,903
Cash payments to employees	(387,415)
Cash payments for goods and services	(682,835)
NET CASH PROVIDED BY OPERATING ACTIVITIES	889,653
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Loans repaid to other funds	(9,872)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	(9,872)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of capital assets	(1,164,800)
Grant proceeds	247,571
Principal paid on debt	(315,000)
Interest paid on debt	(184,983)
Fees paid on debt	(2,800)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(1,420,012)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment proceeds	11,005
NET CASH PROVIDED BY INVESTING ACTIVITIES	11,005
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(529,226)
CASH AND CASH EQUIVALENTS - OCTOBER 1, 2009	2,766,117
CASH AND CASH EQUIVALENTS - SEPTEMBER 30, 2010	$ 2,236,891
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	$ 312,443
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	524,415
(Increase) decrease in accounts receivable	(85,036)
Increase (decrease) in customer deposits	3,385
Increase (decrease) in accounts payable	134,553
Increase (decrease) in accrued wages	1,438
Increase (decrease) in accrual for compensated absences	(1,545)
Total adjustments	577,210
Net cash provided by operating activities	$ 889,653

(The accompanying notes are an integral part of these financial statements.)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the City of White Oak, Texas, conform to generally accepted accounting principles as applied to governmental entities.

A. FINANCIAL REPORTING ENTITY

For financial reporting purposes, the City of White Oak includes all funds that are controlled by or dependent on the City's executive and legislative branches (the Mayor or the Council, respectively). Control by or dependence on the City is determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the City, obligation of the City to finance any deficits that may occur, or receipt of significant subsidies from the City.

COMPONENT UNIT

In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

DISCRETELY PRESENTED COMPONENT UNIT

White Oak Economic Development Corporation (WOEDCO). 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. WOEDCO is reported in a separate column to emphasize that it is legally separate from the City. Separate financial statements for WOEDCO may be obtained by contacting their office in the White Oak municipal building.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City reports the following major governmental fund:

The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary fund:

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities, subject to this same limitation. The City has elected to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Utilities Fund are charges to customers for sales and services. All revenues not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. BUDGETS AND BUDGETARY ACCOUNTING

The budget for the general fund is adopted on a basis consistent with the modified accrual basis of accounting. The proprietary fund budget is adopted on a basis consistent with the accrual basis of accounting except for depreciation, which is not budgeted and debt principal and capital outlay, which are budgeted. The budget comparison for the proprietary fund has been adjusted to reflect these differences. In addition, capital outlays funded with the unexpended proceeds of certificate of obligation indebtedness are not reflected in the budgetary comparison for the proprietary fund because they are not included in the City's operating budget for that fund. Unexpended budget appropriations lapse at year end and do not carry forward to future periods.

Budget controls are imposed at the fund level and require Council approval for amendment.

E. INTERFUND RECEIVABLES AND PAYABLES

Any short-term advances between funds that may exist are accounted for in the appropriate interfund receivable and payable accounts.

F. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G. CASH EQUIVALENTS

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

H. RISK MANAGEMENT

The city is exposed to various risks of loss related to torts, thefts, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2010, the City purchased insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding liability insurance coverage for each of the past three fiscal years.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. 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:

Asset Class	Years
Buildings	10-50
Building improvements	15-30
Land improvements	10-60
Streets & roads	10-60
Water & sewer lines	10-75
Infrastructure	10-50
Machinery & equipment	3-25
Vehicles	3-5
Office equipment	3-5
Computer equipment	3-5
Intangibles	2-40

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

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:

Violation	Action Taken
None	Not applicable

Deficit Fund Balances or Fund Net Assets of Individual Funds
Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

Fund Name	Deficit Amount	Remarks
None	Not applicable	Not applicable

NOTE 3 - PROPERTY TAXES

The City's property tax is levied each October 1 on the assessed value listed as of the previous January 1 for all real and personal property located in the City. The assessment ratio of the City is 100 percent of market value. The assessed value for the roll as of January 1, 2009 upon which the 2010 fiscal-year levy was based, was $309,985,769 and the tax levy was set at $.52 per $100 of assessed valuation.

Taxes were due in January following the October 1 statement date. Tax collections during the fiscal year ended September 30, 2010, for the fiscal 2010 tax levy were 98 percent of the total tax levy for that year.

Delinquent taxes as of September 30, 2010, were $75,661.

The allowance for uncollectible tax receivables is 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, 2010 is $26,067.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the period ended September 30, 2010 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 201,297	$ -	$ -	$ 201,297
Total capital assets not being depreciated	201,297	-	-	201,297
Capital assets being depreciated:				
Buildings & Improvements	982,545	-	-	982,545
Infrastructure	7,021,436	228,316	-	7,249,752
Furniture and equipment	1,872,983	82,492	75,220	1,880,255
Total capital assets being depreciated	9,876,964	310,808	75,220	10,112,552
Less accumulated depreciation for:				
Buildings & Improvements	(260,042)	(35,369)	-	(295,411)
Infrastructure	(1,990,250)	(282,041)	-	(2,272,291)
Furniture and equipment	(1,032,320)	(179,987)	(43,476)	(1,168,831)
Total accumulated depreciation	(3,282,612)	(497,397)	(43,476)	(3,736,533)
Total capital assets being depreciated, net	6,594,352	(186,589)	31,744	6,376,019
Governmental activities capital assets, net	$ 6,795,649	$ (186,589)	$ 31,744	$ 6,577,316
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 96,824	$ -	$ -	$ 96,824
Construction in progress	142,148	1,124,653	-	1,266,801
Total capital assets, not being depreciated	238,972	1,124,653	-	1,363,625
Capital assets being depreciated:				
Water and sewer system	15,660,593	176,454	-	15,837,047
Buildings	255,590	-	-	255,590
Machinery and equipment	428,761	16,729	17,194	428,296
Total capital assets being depreciated	16,344,944	193,183	17,194	16,520,933
Less accumulated depreciation for:				
Water and sewer system	(6,816,890)	(488,794)	-	(7,305,684)
Buildings	(154,585)	(5,797)	-	(160,382)
Machinery and equipment	(285,333)	(27,991)	(17,194)	(296,130)
Total accumulated depreciation	(7,256,808)	(522,582)	(17,194)	(7,762,196)
Total capital assets being depreciated, net	9,088,136	(329,399)	-	8,758,737
Business-type activities capital assets, net	$ 9,327,108	$ 795,254	$ -	$ 10,122,362

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to departments of the primary government as follows:

Governmental activities:	
General government	$ 36,880
Public safety	126,966
Public works	192,646
Recreation	111,194
Total depreciation expense - governmental activities	467,686
Business-type activities:	
Water utilities	522,582
Total depreciation expense - business-type activities	522,582

NOTE 5 - LONG-TERM DEBT

Long-term debt transactions for the year ended September 30, 2010, are summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities:					
Accrual for Compensated Absences	$ 39,806	$ -	$ 3,386	$ 36,420	$ -
Total Governmental Activities	$ 39,806	$ -	$ 3,386	$ 36,420	$ -
Business-type Activities:					
Certificates of Obligation					
Series 1999, interest at 5.05%, maturing 3/01/2014	$ 870,000	$ -	$ 155,000	$ 715,000	$ 165,000
Series 2008, interest at 3.50-4.25%, maturing 3/01/2023	2,880,000	-	20,000	2,860,000	20,000
Revenue Bonds					
Series 2001, interest at 3.20-3.95%, maturing 3/01/2015	915,000	-	140,000	775,000	145,000
Total Business-Type Activities	$ 4,665,000	$ -	$ 315,000	$ 4,350,000	$ 330,000
Total Long-term Debt	$ 4,704,806	$ -	$ 318,386	$ 4,386,420	$ 330,000

Aggregate maturities of long-term debt subsequent to September 30, 2010 are as follows:

Business-type activities:

Year Ending September 30	Principal	Interest	Total
2011	$ 330,000	$ 171,108	$ 501,108
2012	345,000	156,437	501,437
2013	370,000	140,754	510,754
2014	380,000	124,173	504,173
2015	270,000	110,244	380,244
2016-2020	1,545,000	369,766	1,914,766
2021-2023	1,110,000	66,246	1,176,246
	$ 4,350,000	$ 1,138,728	$ 5,488,728

NOTE 6 - EMPLOYEE BENEFITS

A. 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.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and city matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

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

Deposit Rate:	7%
Matching Rates (City to Employee):	2-1
A member is vested after:	5 yrs

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age.

B. CONTRIBUTIONS

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. 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 finances the portion of an active member's projected benefit allocated annually; 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.

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

Net Pension Obligation (NPO) at the Beginning of Period		-
ANNUAL PENSION COST:		
Annual required contribution (ARC)	276,696	
Interest on NPO	-	
Adjustment to the ARC	-	276,696
Contributions made		276,696
Increase in NPO		-
NPO at the end of the period		$ -

NOTE 6 - EMPLOYEE BENEFITS (CONTINUED)

The funded status as of December, 31, 2009, the most recent actuarial valuation date, is as follows:

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/09
Actuarial Value of Assets	$ 2,446,070
Actuarial Accrued Liability	4,379,093
Percentage Funded	55.86%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	1,933,023
Annual Covered Payroll	1,684,965
UAAL as a Percentage of Covered Payroll	114.72%

The City's annual pension cost, the percentage of annual pension cost contributed to the plan, and the net pension obligation for FY2010 and the two preceding years were as follows:

Fiscal Year Ended	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
09/30/08	205,885	100%	-
09/30/09	254,019	100%	-
09/30/10	276,696	100%	-

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 by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

C. 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 2010, 2009 and 2008 were $3,261, $3,108 and $1,129, respectively, which equaled the required contributions each year.

NOTE 7 - INTERFUND BALANCES AND ACTIVITIES

Balances due to and from other funds at September 30, 2010, consisted of the following:

Due To Fund	Due From Fund	Amount	Reason
General Fund	Water Utilities Fund	$ 195,959	Long-term loan

This balance is not expected to be repaid within FY11.

NOTE 8 - RESERVED FUND BALANCE

As of September 30, 2010, fund balances reserved for specific purposes were as follows:

General Fund	
Municipal Court Security Fees	$ 11,262
Municipal Court Technology Fees	18,706
	$ 29,968

NOTE 9 - ACCRUAL FOR 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 unusued vacation time may be approved by the City Coordinator. Unused vacation is compensated at the employee's current rate of pay upon termination.

The accompanying financial statements report accrued vacation benefits as of September 30, 2010.

NOTE 10 - DEPOSITS AND INVESTMENTS

Cash Deposits
Deposits - At September 30, 2010, the carrying amounts of the City's bank balances were $3,799,648. The City's cash deposits at September 30, 2010 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 address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City did not adhere to the requirements of the Act. Quarterly reports did not include all required elements.

Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposits, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper.

The City's investments at September 30, 2010, are shown below.

Investment or Investment Type	Maturity	Fair Value
Texpool	N/A	$ 5,015
Certificates of Deposit	Various	900,000
Total Investments		$ 905,015

NOTE 10 - DEPOSITS AND INVESTMENTS (CONTINUED)

Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

At September 30, 2010, the City's investments, other than those which are obligations of or guaranteed by the U.S. Government, are rated to credit quality as follows:

Investment	Standard & Poor's Rating
Texpool	AAAm

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

In accordance with GASB Statement No. 31, 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.

NOTE 10 - DEPOSITS AND INVESTMENTS (CONTINUED)

Public Funds Investment Pools

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

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

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Contingencies
The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

Liabilities
Various claims and lawsuits are pending against the City. In the opinion of City management, after consultation with legal counsel, the potential loss on all claims and lawsuits will not materially affect the City's financial position.

Commitments
The City had the following contractual obligations at September 30, 2010 in connection with construction projects:

Contractor - Standpipe Improvements	$	152,682
Contractor - Water Line Improvements		28,130
Contractor - Water Treatment Plant Improvements		1,212,097
	$	1,392,909

These projects will be funded with remaining proceeds of the 2008 Certificates of Obligation and with grant funds.

NOTE 12 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 2, 2011, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

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CITY OF WHITE OAK, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Property taxes	$ 1,589,329	$ 1,589,329	$ 1,577,846	$ (11,483)
Franchise taxes	298,900	298,900	320,766	21,866
Sales taxes	620,000	620,000	499,573	(120,427)
Licenses, permits and fees	12,500	12,500	19,336	6,836
Fines, forfeitures and penalties	134,700	134,700	134,206	(494)
Investment income	18,000	18,000	22,552	4,552
Grant revenues	194,854	219,341	194,700	(24,641)
Miscellaneous	29,450	29,450	42,713	13,263
TOTAL REVENUES	2,897,733	2,922,220	2,811,692	(110,528)
EXPENDITURES:				
General government	671,510	662,182	644,424	17,758
Public safety	1,396,369	1,440,914	1,481,579	(40,665)
Public works	509,961	524,132	323,830	200,302
Developmental services	36,346	37,102	35,592	1,510
Recreation	333,547	362,554	340,733	21,821
TOTAL EXPENDITURES	2,947,733	3,026,884	2,826,158	200,726
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(50,000)	(104,664)	(14,466)	90,198
OTHER FINANCING SOURCES (USES):				
Transfers	50,000	50,000	-	(50,000)
TOTAL OTHER FINANCING SOURCES (USES)	50,000	50,000	-	(50,000)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	(54,664)	(14,466)	40,198
FUND BALANCE, OCTOBER 1, 2009	2,672,914	2,672,914	2,672,914	-
FUND BALANCE, SEPTEMBER 30, 2010	$ 2,672,914	$ 2,618,250	$ 2,658,448	$ 40,198

CITY OF WHITE OAK, TEXAS
SCHEDULE OF FUNDING PROGRESS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1)/(2)	(2) - (1)		(4) / (5)
12/31/07	3,466,301	5,083,865	68.2%	1,617,564	1,444,234	112.0%
12/31/08	3,032,985	4,831,818	62.8%	1,798,833	1,549,014	116.1%
12/31/09	2,446,070	4,379,093	55.9%	1,933,023	1,684,965	114.7%

OTHER SUPPLEMENTAL INFORMATION

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CITY OF WHITE OAK, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS-
BUDGET (NON-GAAP BASIS) AND ACTUAL - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts		Actual GAAP	Adjustments Budget	Actual Budget	Variance with Final Budget Positive
	Original	Final	Basis	Basis	Basis	(Negative)
OPERATING REVENUES:						
Water revenue	$ 1,216,364	$ 1,216,364	$ 1,264,728	$ -	$ 1,264,728	$ 48,364
Sewer revenue	636,036	636,036	652,119	-	652,119	16,083
Sanitation revenue	47,605	47,605	62,931	-	62,931	15,326
Penalties	23,000	23,000	32,448	-	32,448	9,448
Installment fees	30,500	30,500	25,604	-	25,604	(4,896)
Miscellaneous revenue	2,000	2,000	3,725	-	3,725	1,725
TOTAL OPERATING REVENUES	1,955,505	1,955,505	2,041,555	-	2,041,555	86,050
OPERATING EXPENSES:						
Administration	66,469	67,262	67,439	-	67,439	(177)
Water supply	134,679	134,679	130,154	-	130,154	4,525
Water distribution	154,223	161,027	153,593	-	153,593	7,434
Water purification	452,000	454,248	489,457	-	489,457	(35,209)
Sanitary sewer maintenance	174,389	171,089	166,508	-	166,508	4,581
Sanitary sewer treatment	209,122	209,851	191,515	-	191,515	18,336
Depreciation and amortization	-	-	524,415	(524,415)	-	-
Miscellaneous	7,000	7,000	6,031	-	6,031	969
Capital outlay	857,271	857,271	-	660,305	660,305	196,966
TOTAL OPERATING EXPENSES	2,055,153	2,062,427	1,729,112	135,890	1,865,002	197,425
OPERATING INCOME (LOSS)	(99,648)	(106,922)	312,443	(135,890)	176,553	283,475
NONOPERATING REVENUES (EXPENSES)						
Investment proceeds	18,000	18,000	11,005	-	11,005	(6,995)
Loss on disposition of assets	-	-	-	-	-	-
Grant proceeds	569,969	569,969	361,808	-	361,808	(208,161)
Debt service - interest	(184,983)	(184,983)	(183,858)	-	(183,858)	1,125
Debt service - fees	(3,000)	(3,000)	(2,800)	-	(2,800)	200
Debt service - principal	(315,000)	(315,000)	-	(315,000)	(315,000)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	84,986	84,986	186,155	(315,000)	(128,845)	(213,831)
TRANSFERS	-	-	-	-	-	-
NET INCOME (LOSS)	(14,662)	(21,936)	498,598	(450,890)	47,708	69,644
NET ASSETS - BEGINNING	7,402,409	7,402,409	7,402,409	-	7,402,409	-
NET ASSETS - ENDING	$ 7,387,747	$ 7,380,473	$ 7,901,007	$ (450,890)	$ 7,450,117	$ 69,644

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COMPLIANCE SECTION

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KAREN A. JACKS & ASSOCIATES, P.C.

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INDEPENDENT AUDITORS' REPORT

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 the financial statements of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of White Oak, Texas, as of and for the year ended September 30, 2010, which collectively comprise the City of White Oak, Texas' basic financial statements and have issued our report thereon dated March 2, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of White Oak, Texas' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of White Oak, Texas', internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of White Oak, Texas' internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of White Oak, Texas' financial statements are free of 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.

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We noted certain matters that we reported to management of City of White Oak, Texas, in a separate letter dated March 2, 2011.

This report is intended for the information and use of management; City Council; and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Karen A. Jacks & Associates, P.C.

Karen A. Jacks & Associates, P.C.

Longview, Texas
March 2, 2011

CITY OF WHITE OAK, TEXAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Findings Relating to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

Program	Finding	Status
Finding #2009-1	City staff had not adjusted all financial statement accounts to reflect accurate year-end balances prior to the start of the audit. Material audit adjustments were required to correct these balances.	This finding was not repeated in the current year.

CITY OF WHITE OAK, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

A. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified			
Internal control over financial reporting:				
Material weakness(es) identified?	_____	Yes	X	No
Significant deficiency(ies) 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
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2010

None required.

CITY OF WHITE OAK, TEXAS
SCHEDULE OF GRANT REVENUES AND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Federal Grantor: U.S. Department of Housing and Urban Development
Pass Through Grantor: Texas Department of Rural Affairs
CFDA Number 14.228
Project Number 729057
Contract Period 05/07/2009 - 05/06/2011

		Actual					
		Prior Years		Current Year			
	Budget	Federal	Local	Federal	Local	Total	Variance
REVENUE							
Federal/State	$ 158,000	$ 13,375	$ -	$ 143,225	$ -	$ 156,600	$ (1,400)
Local	32,000	-	500	-	34,021	34,521	2,521
TOTAL REVENUE	190,000	13,375	500	143,225	34,021	191,121	1,121
EXPENDITURES							
Federal/State:							
Water Facilities	119,000	-	-	119,000	-	119,000	-
Engineering	21,000	4,375	-	16,625	-	21,000	-
Administration	18,000	9,000	500	7,600	-	17,100	900
Local:							
Water Facilities	31,000	-	-	-	34,021	34,021	(3,021)
Administration	1,000	-	-	-	-	-	1,000
TOTAL EXPENDITURES	190,000	13,375	500	143,225	34,021	191,121	(1,121)
EXCESS REVENUE OVER EXPENDITURES	$ -	$ -	$ -	$ -	$ -	$ -	$ -

CITY OF WHITE OAK, TEXAS
SCHEDULE OF GRANT REVENUES AND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Federal Grantor: U.S. Department of Housing and Urban Development
Pass Through Grantor: Texas Department of Rural Affairs
CFDA Number 14.225
Project Number 729720
Contract Period 09/15/2009 - 09/14/2011

		Actual					
		Prior Years		Current Year			
	Budget	Federal	Local	Federal	Local	Total	Variance
REVENUE							
Federal/State	$ 240,182	$ -	$ -	$ 197,165	$ -	$ 197,165	$ (43,017)
ARRA Funding	6,693	-	-	6,693	-	6,693	-
Local	49,375	-	5,107	-	26,893	32,000	(17,375)
TOTAL REVENUE	296,250	-	5,107	203,858	26,893	235,858	(60,392)
EXPENDITURES							
Federal/State:							
Water Facilities	198,182	-	-	157,665	-	157,665	40,517
Water Facilities - ARRA	6,693		-	6,693	-	6,693	-
Engineering	42,000	-	-	39,500	-	39,500	2,500
Local:							
Water Facilities	19,375	-	-	-	15,000	15,000	4,375
Administration	30,000	-	5,107	-	11,893	17,000	13,000
TOTAL EXPENDITURES	296,250	-	5,107	203,858	26,893	235,858	60,392
EXCESS REVENUE OVER EXPENDITURES	$ -	$ -	$ -	$ -	$ -	$ -	$ -

CITY OF WHITE OAK, TEXAS
SCHEDULE OF GRANT REVENUES AND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Federal Grantor: U.S. Department of Housing and Urban Development
Pass Through Grantor: Texas Department of Rural Affairs
CFDA Number 14.228
Project Number DRS010202
Contract Period 12/01/2009 - 11/30/2011

		Actual					
		Prior Years		Current Year			
	Budget	Federal	Local	Federal	Local	Total	Variance
REVENUE							
Federal/State	$ 170,794	$ -	$ -	$ 14,725	$ -	$ 14,725	$ (156,069)
Local	3,206	-	-	-	-	-	(3,206)
TOTAL REVENUE	174,000	-	-	14,725	-	14,725	(159,275)
EXPENDITURES							
Federal/State:							
Sewer Facilities	136,794	-	-	-	-	-	136,794
Engineering	20,000		-	8,000	-	8,000	12,000
Planning/Project Delivery	14,000	-	-	6,725	-	6,725	7,275
Local:							
Sewer Facilities	3,206	-	-	-	-	-	3,206
TOTAL EXPENDITURES	174,000	-	-	14,725	-	14,725	159,275
EXCESS REVENUE OVER EXPENDITURES	$ -	$ -	$ -	$ -	$ -	$ -	$ -

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March 2, 2011

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

In planning and performing our audit of the financial statements of the City of White Oak, Texas for the year ended September 30, 2010, we considered the City's internal control over financial reporting to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The following paragraphs summarize our comments and suggestions regarding those matters. We previously reported on the City's internal control based on an audit performed in accordance with *Government Auditing Standards* in a report dated March 2, 2011. This letter does not affect our report dated March 2, 2011, on the financial statements of the City of White Oak, Texas.

PRIOR YEAR CONSIDERATIONS

Cash Management

In previous audits, we reported that the City's water fund share of the pooled checking account was in overdraft on the books. In addition, the water fund also owed the payroll account. For financial statement reporting purposes, those balances were reclassified and reported as loans from the General Fund. We recommended that City management monitor cash balances in the pooled checking account on a monthly basis to insure that each fund is maintaining an appropriate share of cash in that account and to insure that each fund is credited properly with interest earned on its investments. We also recommended that City staff develop a plan for repaying the balance owed to the general fund.

As of September 30, 2010, the Water Fund owed the General Fund $195,959, a reduction of $9,872 from the prior year.

Capital Asset Transfers

While performing audit procedures related to capital assets in the prior year, we were informed by City staff that there were vehicles originally purchased by the water fund that were being used by the general fund and vice versa. Audit adjustments were made to correctly record these assets in the correct funds. We recommended that City staff develop a system for tracking these assets so that these transfers are recorded correctly in the accounting records. All assets were recorded in the proper funds at September 30, 2010 and we consider this matter to be closed.

Water Billings

During our prior year audit, we observed that the current water rates had not been entered into the billing software correctly. As a result, accounts were underbilled for the year ended September 30, 2009. We recommended that the billing system be checked for accuracy each time that the rates change. As of September 30, 2010, the water rates in the billing software were correct. Therefore, we consider this matter to be closed.

Municipal Court Revenue

During our prior audit, we observed that municipal court revenue was not deposited on a timely basis throughout the fiscal year. In some cases, collections were held for up to two weeks before deposits were made. We recommended that these deposits be made at least weekly.

Deposits were made more frequently during the year ended September 30, 2010 and we consider this matter to be closed.

Interest and Sinking Transfers

During the year ended September 30, 2009, transfers to interest and sinking funds to retire the City's debt were not made in equal amounts each month. During the months of February-September of 2009, staff only transferred enough to make an interest payment that was due in September. As a result, much larger transfers were needed in subsequent months to accumulate enough resources for the next payment. The City's bond advisor has provided a schedule of estimated monthly contributions for the remaining lives of all outstanding debt issues. We recommended that management consider making monthly transfers based upon these estimates. During the year ended September 30, 2010, staff began making

transfers based upon the schedule. We consider this matter to be closed.

CURRENT YEAR CONSIDERATIONS

None.

We will review the status of these comments during our next audit engagement. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Thank you for the opportunity to work for the City of White Oak, Texas and for the many courtesies extended to us during our visit to your offices.

Karen A. Jacks & Associates, P.C.

Karen A. Jacks & Associates, P.C.