

CITY OF WHITE OAK, TEXAS
FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

PRINCIPAL OFFICIALS

September 30, 2009

CITY COUNCIL

JOSEPH CARRINGTON, MAYOR

GREGORY HULETT, MAYOR PRO TEM

KYLE KUTCH

KELLY MITCHELL

BARBARA RAY

LANCE NOLL

CITY COORDINATOR

CHARLIE SMITH

CITY SECRETARY

SHERRY ROBERTS

CITY OF WHITE OAK, TEXAS
 SEPTEMBER 30, 2009
 TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditors' Report on Financial Statements	1
Management's Discussion and Analysis (Required Supplementary Information)	3
<u>Basic Financial Statements</u>	
Government-wide Financial Statements:	
Statement of Net Assets	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet - Governmental Funds	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	17
Statement of Net Assets - Proprietary Fund	18
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund	19
Statement of Cash Flows - Proprietary Fund	20
Notes to the Financial Statements	21
<u>Required Supplementary Information</u>	
Budgetary Comparison Schedule:	
General Fund	33
Schedule of Funding Progress - Texas Municipal Retirement System	34
OTHER SUPPLEMENTAL INFORMATION	
Budgetary Comparison Schedule:	
Proprietary Fund	37
COMPLIANCE SECTION	
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 <u>Government Auditing Standards</u>	41
Schedule of Prior Audit Findings	43
Schedule of Findings and Questioned Costs	44
Corrective Action Plan	45
Schedule of Grant Revenues and Expenditures - Community Development Block Grant/Project No. 729057	46
Schedule of Grant Revenues and Expenditures - Community Development Block Grant/Project No. 729720	47

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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, 2009, 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, 2009, and the respective changes in financial position and, where applicable, cash flows 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, 2010 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.

Our audit was conducted for the purpose of forming opinions on the financial statements which 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, 2010

**CITY OF WHITE OAK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009**

The 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, 2009. 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, 2009 by \$16,867,462 (net assets). Of this amount, \$2,956,554 (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 decreased by \$ 320,864 for the year ended September 30, 2009.

As of September 30, 2009, the City's governmental funds reported an ending fund balance of \$2,672,914. This resulted in a decrease of \$29,884 in comparison with the prior year 2008 fund balance of \$2,702,798.

The City's total long term debt decreased by \$292,425 to \$ 4,704,806 at the end of fiscal year of 2009. Capital expenditures included \$ 559,580 for water and sewer plant that improvements that were funded by Certificates of Obligation.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net 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.

CITY OF WHITE OAK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
September 30, 2009

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 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.

**CITY OF WHITE OAK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
September 30, 2009**

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 \$16,867,462 as of September 30, 2009. Analyzing the net assets and net expenses of governmental and business-type activities separately, the Governmental net assets are \$9,465,053 and the business-type activities net assets are \$7,402,409. 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.

CITY OF WHITE OAK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
September 30, 2009

Table 1
Summary of Net Assets

	Governmental Activities <u>2009</u>	Business-type Activities <u>2009</u>	Total <u>2009</u>	Governmental Activities <u>2008</u>	Business-type Activities <u>2008</u>	Total <u>2008</u>
Current and other assets	\$ 2,761,764	\$ 2,867,261	\$ 5,629,025	\$ 2,910,784	\$ 3,301,673	\$ 6,212,457
Capital Assets	<u>\$ 6,795,649</u>	<u>\$ 9,351,694</u>	<u>\$ 16,147,343</u>	<u>\$ 7,078,706</u>	<u>\$ 9,295,313</u>	<u>\$ 16,374,019</u>
TOTAL ASSETS	\$ 9,557,413	\$ 12,218,955	\$ 21,776,368	\$9,989,490	\$ 12,596,986	\$22,586,476
Current Liabilities	\$ 92,360	\$ 151,546	\$ 243,906	\$ 209,002	\$ 224,148	\$ 433,150
Non-Current Liabilities	<u>\$ 0</u>	<u>\$ 4,665,000</u>	<u>\$ 4,665,000</u>	<u>\$ 0</u>	<u>\$ 4,965,000</u>	<u>\$ 4,965,000</u>
TOTAL LIABILITIES	\$ 92,360	\$ 4,816,546	\$ 4,908,906	\$ 209,002	\$ 5,189,148	\$ 5,398,150
Net Assets:						
Invested in capital assets, net of related debt	\$ 6,795,649	\$ 6,927,895	\$ 13,723,554	\$ 7,078,706	\$ 6,991,910	\$14,070,616
Restricted	\$ 0	\$ 187,364	\$ 187,364	\$0	\$ 378,556	\$ 378,556
Unrestricted	<u>\$ 2,669,404</u>	<u>\$ 287,150</u>	<u>\$ 2,956,554</u>	<u>\$ 2,701,782</u>	<u>\$ 37,372</u>	<u>\$ 2,739,154</u>
TOTAL NET ASSETS	\$ 9,465,053	\$ 7,402,409	\$ 16,867,462	\$ 9,780,488	\$ 7,407,838	\$17,188,326

GOVERNMENTAL ACTIVITIES

General Fund revenues decreased by 2.6%, or \$73,955, when compared to the prior year. Ad valorem tax revenue increased \$93,258 (6.2%) compared to the prior year as the result of increased values of real property. Total net assessed value was \$ 340,876,750 versus the prior year of \$ 319,390,783. The tax rate of \$ 0.48 per \$100 was unchanged from last year. Sales tax revenue decreased by \$66,785 (10.4%) as result of the recession that began in December, 2008 and continued through the fiscal year. Fines & forfeitures were up \$7,550 (6.1%) from the previous year. Investment income was down \$63,064 (67.3%) due to interest rate reductions as a result of the economic recession.

Table 2
General Revenues

	<u>2009</u>	<u>2008</u>	<u>Incr. / (Deer.)</u>
Taxes	\$ 2,185,573	\$ 2,159,100	\$ 26,473
Franchise Fees	\$ 290,607	\$ 283,733	\$ 6,874
Investment Income	\$ 30,627	\$ 93,691	\$ (63,064)
Other	<u>\$ 226,297</u>	<u>\$ 270,535</u>	<u>\$ (44,238)</u>
TOTAL	\$ 2,733,104	\$ 2,807,059	\$ (73,955)

CITY OF WHITE OAK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
September 30, 2009

Government and Business-type activities decreased the City's net assets by \$320,864 from FY 2008. The key elements in this decrease are as follows:

Table 3
Changes in Net Assets

	Governmental Activities <u>2009</u>	Business-type Activities <u>2009</u>	<u>Total 2009</u>	Governmental Activities <u>2008</u>	Business-type Activities <u>2008</u>	<u>Total 2008</u>
Revenues:						
Program Revenues:						
Charges for service and grants	\$ 198,279	\$ 1,848,339	\$ 2,046,618	\$ 216,439	\$ 1,983,011	\$ 2,199,450
General Revenues:						
Taxes	\$ 2,190,654	\$ 0	\$ 2,190,654	\$ 2,152,026	\$ 0	\$ 2,152,026
Franchise Fees	\$ 290,607	\$ 0	\$ 290,607	\$ 283,733	\$ 0	\$ 283,733
Other	\$ 27,116	\$ 27,146	\$ 54,262	\$ 141,137	\$ 42,169	\$ 183,306
TOTAL REVENUES	\$ 2,706,656	\$ 1,836,354	\$ 4,582,141	\$ 2,793,335	\$ 2,025,180	\$ 4,818,515
Expenses:						
General Government	\$ 697,079	\$ 0	\$ 697,079	\$ 680,586	\$ 0	\$ 680,586
Public Safety	\$ 1,443,474	\$ 0	\$ 1,443,474	\$ 1,480,524	\$ 0	\$ 1,480,524
Public works	\$ 619,837	\$ 0	\$ 619,837	\$ 649,275	\$ 0	\$ 649,275
Development services	\$ 35,387	\$ 0	\$ 35,387	\$ 32,801	\$ 0	\$ 32,801
Culture and recreation	\$ 226,314	\$ 0	\$ 226,314	\$ 200,685	\$ 0	\$ 200,685
Debt Service	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Water Utilities	\$ 0	\$ 1,880,914	\$ 1,880,914	\$ 0	\$ 2,106,113	\$ 2,106,113
TOTAL EXPENSES	\$ 3,022,091	\$ 1,841,783	\$ 4,903,005	\$ 3,043,871	\$ 2,106,113	\$ 5,149,984
Transfers In (Out)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Change in Net Assets	\$ (315,435)	\$ (5,429)	\$ (320,864)	\$ (250,537)	\$ (80,933)	\$ (331,470)
Net Assets, beginning	\$ 9,780,488	\$ 7,407,838	\$17,188,326	\$ 10,031,025	\$ 7,488,771	\$ 17,519,796
Net Assets, ending	\$ 9,465,053	\$ 7,402,409	\$16,867,462	\$ 9,780,488	\$ 7,407,838	\$ 17,188,326

CITY OF WHITE OAK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
September 30, 2009

GENERAL FUND

Total expenditures for the 2009 fiscal year were \$ 2,762,988 which was lower versus the prior year by \$ 250,447 or 8.3% and \$ 247,672 less than the budget of \$ 3,010,660 or 8.2%. The favorable budget variance was primarily due to reduced spending in the public safety programs of \$ 148,742. There is no long-term debt for the general fund other than \$ 39,806 for accrual for compensated absences.

BUSINESS TYPE ACTIVITIES (WATER AND SEWER FUND)

Operating revenues of the City's business-type activities were \$1,809,208 in fiscal year 2009 as compared to \$ 1,964,900 in the budget. This was due primarily to water sales which were \$ 151,007 less than budget. Net income on the budget basis for fiscal year 2009 was \$ 185,551 as compared to a loss of \$ 94,134 for the prior year and \$ 66,665 for the budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2009 the City had \$16,122,757 (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 decrease (including additions and deletions) of \$224,843 over the prior year. A Fixed Asset Module was added to the accounting software system in fiscal year 2008 and updates continued in fiscal year 2009 that included disposition of assets that are no longer owned by the City.

Table 4
CAPITAL ASSETS

	Governmental Activities <u>2009</u>	Business-type Activities <u>2009</u>	<u>TOTAL 2009</u>	Governmental Activities <u>2008</u>	Business-type Activities <u>2008</u>	<u>TOTAL 2008</u>
Land	\$ 201,297	\$ 96,824	\$ 298,121	\$ 201,297	\$ 96,824	\$ 298,121
Construction in Progress	\$ 0	\$ 142,148	\$ 142,148	\$ 0	\$ 248,107	\$ 248,107
Building and Improvements	\$ 722,503	\$ 101,005	\$ 823,508	\$ 729,722	\$ 106,802	\$ 836,524
Infrastructure	\$ 5,031,186	\$ 0	\$ 5,031,186	\$ 5,277,804	\$ 0	\$ 5,277,804
Furniture/Equip/Machinery	\$ 840,663	\$ 143,428	\$ 984,091	\$ 869,883	\$ 117,825	\$ 987,708
Water & Sewer System	\$ 0	\$8,843,703	\$ 8,843,703	\$ 0	\$ 8,699,336	\$ 8,699,336
TOTAL	\$ 6,795,649	\$9,327,108	\$ 16,122,757	\$ 7,078,706	\$ 9,268,894	\$ 16,347,600

**THE CITY OF WHITE OAK,
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
September 30, 2009**

Debt Administration

At the end of the current fiscal year, the City had \$4,665,000 in certificates of obligation and revenue bonds outstanding. This represents a decrease of \$300,000 compared to the prior year. The following table shows the debt outstanding at September 30, 2009.

**Table 5
Outstanding Debt**

	Governmental Activities	Business-type Activities	<u>Total-2009</u>	Governmental Activities	Business-type Activities	<u>Total-2008</u>
	<u>2009</u>	<u>2009</u>		<u>2008</u>	<u>2008</u>	
Cert of Obligation	\$ 0	\$ 3,750,000	\$ 3,750,000	\$ 0	\$ 3,920,000	\$ 3,920,000
Revenue Bonds	\$ 0	\$ 915,000	\$ 915,000	\$ 0	\$ 1,045,000	\$ 1,045,000
TOTALS	\$ 0	\$ 4,665,000	\$ 4,665,000	\$ 0	\$ 4,965,000	\$ 4,965,000

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 \$2,672,914. The General Fund's ending balance decreased \$29,884 over the prior year of \$2,702,798. The fund balance represents 13.2 months of operating expenses or 110% which is well above the typical minimum of 25% to 50%.

At the end of September 30, 2009, the City's Proprietary (Water and Waste Water) Fund had a fund balance of \$7,402,409. This is a decrease of \$5,429 compared to the prior year. Of this amount, \$ 287,150 was for unrestricted use which represents 2.7 months of operating expenses or 25%.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2010 budget, tax rate and fees that will be charged for business-type activities.

Governmental funds

Real property values for fiscal year 2010 increased 4.8% over the previous year, but mineral and gas values decreased over 31% from the prior year. Even with the overall decrease in property values, the city was able to maintain the tax rate of \$0.48 from the previous year without compromising the level of services provided to its citizens. The City partnered with WOEDCO to fund city park improvements that are allowed by law from economic development funds. The improvements include a new concession and restrooms for the boys' baseball and girls' softball fields, a new girls' t-ball field, and pedestrian bridge for foot traffic between the boys' and girls' fields. In order to fund this from the general fund, a tax increase of \$0.066 would have been necessary.

Proprietary funds

In fiscal year 2010, the budget includes an increase in sewer fees to service \$ 2,572,603 of debt issued for major improvements to our sewer plant infrastructure since 2004. The increase for sewer rates will be \$5 a month for the first 2000 gallons used and is the first increase since 2004. Additionally, a price increase from our sanitation provider, Allied Waste, will be passed on to our customers. These improvements will upgrade equipment and provide additional capacity to serve the citizens of White Oak for many years to come. Our water and sewer rates continue to be competitive with surrounding cities.

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, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	WOEDCO
ASSETS				
Cash	\$ 164,054	\$ 133,361	\$ 297,415	\$ 142,915
Temporary investments	2,260,455	90,101	2,350,556	196,490
Receivables (net of allowance for uncollectibles):				
Taxes	118,822	-	118,822	41,263
Accounts	-	306,975	306,975	-
Other	4,726	-	4,726	544
Internal balances	205,831	(205,831)	-	-
Prepaid expenses	7,876	-	7,876	-
Restricted assets:				
Temporary investments	-	2,542,655	2,542,655	-
Notes receivable	-	-	-	460,711
Debt issuance costs	-	24,586	24,586	-
Capital assets (net of accumulated depreciation):				
Land	201,297	96,824	298,121	-
Buildings and improvements	722,503	101,005	823,508	-
Water and sewer system	-	8,843,703	8,843,703	-
Machinery and equipment	840,663	143,428	984,091	3,034
Infrastructure	5,031,186	-	5,031,186	-
Construction in progress	-	142,148	142,148	-
Total assets	<u>9,557,413</u>	<u>12,218,955</u>	<u>21,776,368</u>	<u>844,957</u>
LIABILITIES				
Accounts payable	37,245	46,405	83,650	-
Accrued wages payable	14,163	3,820	17,983	-
Unearned revenue	1,146	-	1,146	-
Payable from restricted assets				
Accrued interest	-	15,978	15,978	-
Meter deposits	-	76,360	76,360	-
Accrual for compensated absences	39,806	8,983	48,789	-
Noncurrent liabilities:				
Due within one year	-	315,000	315,000	-
Due in more than one year	-	4,350,000	4,350,000	-
Total liabilities	<u>92,360</u>	<u>4,816,546</u>	<u>4,908,906</u>	<u>-</u>
NET ASSETS				
Invested in capital assets, net of related debt	6,795,649	6,927,895	13,723,544	3,034
Restricted for debt service	-	187,364	187,364	-
Unrestricted	2,669,404	287,150	2,956,554	841,923
Total net assets	<u>\$ 9,465,053</u>	<u>\$ 7,402,409</u>	<u>\$ 16,867,462</u>	<u>\$ 844,957</u>

(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, 2009

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes In Net Assets			Component Unit WOEDCO
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total	
				Governmental Activities	Business-type Activities		
Primary government:							
Governmental activities:							
General government	\$ 697,079	\$ 23,655	\$ -	\$ (673,424)	\$ -	\$ (673,424)	\$ -
Public safety	1,443,474	131,921	8,669	(1,302,884)	-	(1,302,884)	-
Public works	619,837	-	7,734	(612,103)	-	(612,103)	-
Developmental services	35,387	-	-	(35,387)	-	(35,387)	-
Recreation	226,314	-	26,300	(200,014)	-	(200,014)	-
Total governmental activities	<u>3,022,091</u>	<u>155,576</u>	<u>42,703</u>	<u>(2,823,812)</u>	<u>-</u>	<u>(2,823,812)</u>	<u>-</u>
Business-type activities:							
Water utilities	1,880,914	1,809,208	39,131	-	(32,575)	(32,575)	-
Total primary government	\$ 4,903,005	\$ 1,964,784	\$ 81,834	\$ (2,823,812)	\$ (32,575)	\$ (2,856,387)	\$ -
Component unit:							
WOEDCO	\$ 276,497	-	-	-	-	-	(276,497)
General revenues							
Property taxes				1,612,736	-	1,612,736	-
Sales taxes				577,918	-	577,918	288,959
Franchise taxes				290,607	-	290,607	-
Unrestricted investment earnings				30,627	32,150	62,777	8,233
Miscellaneous				28,018	-	28,018	-
Gain/loss on sale of assets				(31,529)	(5,004)	(36,533)	-
Transfers				-	-	-	-
Total general revenues and transfers				<u>2,508,377</u>	<u>27,146</u>	<u>2,535,523</u>	<u>297,192</u>
Change in net assets				(315,435)	(5,429)	(320,864)	20,695
Net assets - beginning				9,780,488	7,407,838	17,188,326	824,262
Net assets - ending				<u>\$ 9,465,053</u>	<u>\$ 7,402,409</u>	<u>\$ 16,867,462</u>	<u>\$ 844,957</u>

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

CITY OF WHITE OAK, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009

	<u>General Fund</u>
ASSETS AND OTHER DEBITS:	
Cash	\$ 164,054
Temporary investments	2,260,455
Due from other funds	205,831
Receivables:	
Taxes	118,822
Miscellaneous	4,726
Prepaid expenditures	<u>7,876</u>
TOTAL ASSETS	<u><u>\$ 2,761,764</u></u>
LIABILITIES AND FUND BALANCE:	
LIABILITIES:	
Accounts payable	\$ 37,245
Unearned revenue	37,442
Accrued wages	<u>14,163</u>
TOTAL LIABILITIES	<u>88,850</u>
FUND BALANCE	
Fund balance - unreserved	2,646,146
Fund balance - reserved	<u>26,768</u>
TOTAL FUND BALANCE	<u>2,672,914</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 2,761,764</u></u>

(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, 2009

Total fund balances - governmental funds balance sheet	\$ 2,672,914
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	6,795,649
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	36,296
Payables for compensated absences which are not due in the current period are not reported in the funds.	<u>(39,806)</u>
Net assets of governmental activities - statement of net assets	<u>\$ 9,465,053</u>

(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, 2009

	General Fund
REVENUES:	
Property taxes	\$ 1,607,655
Franchise taxes	290,607
Sales taxes	577,918
Licenses, permits and fees	23,655
Fines, forfeitures and penalties	131,921
Investment income	30,627
Grant revenues	42,703
Miscellaneous	28,018
TOTAL REVENUES	2,733,104
EXPENDITURES:	
General government	667,727
Public safety	1,413,439
Public works	458,190
Developmental services	34,694
Recreation	188,938
TOTAL EXPENDITURES	2,762,988
EXCESS (DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	(29,884)
OTHER FINANCING SOURCES (USES):	
Transfers	-
TOTAL OTHER FINANCING SOURCES (USES)	-
NET CHANGE IN FUND BALANCE	(29,884)
FUND BALANCE, OCTOBER 1, 2008	2,702,798
FUND BALANCE, SEPTEMBER 30, 2009	\$ 2,672,914

(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, 2009

Net change in fund balances - total governmental funds	\$ (29,884)
<p>Amounts reported for governmental activities in the statement of activities ("SOA") are different because:</p>	
Capital outlays are not reported as expenses in the SOA.	214,161
The depreciation of capital assets used in governmental activities is not reported in the funds.	(465,689)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	5,081
The loss on disposition of capital assets is not reported in the funds.	(31,529)
(Increase) decrease in accrual for compensated absences.	<u>(7,575)</u>
Change in net assets of governmental activities - statement of activities	<u><u>\$ (315,435)</u></u>

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

CITY OF WHITE OAK, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2009

	Water Utilities
ASSETS:	
Current assets:	
Cash	\$ 133,361
Temporary investments	90,101
Accounts receivable	306,975
Restricted assets:	
Temporary investments	2,542,655
Noncurrent assets:	
Debt issuance costs	24,586
Land	96,824
Construction in progress	142,148
Capital assets, net	9,088,136
TOTAL ASSETS	12,424,786
LIABILITIES:	
Current liabilities:	
Accounts payable	46,405
Accrued wages	3,820
Accrual for compensated absences	8,983
Due to other funds	205,831
Payable from restricted assets:	
Accrued interest payable	15,978
Customer deposits	76,360
Noncurrent liabilities:	
Due within one year	315,000
Due in more than one year	4,350,000
TOTAL LIABILITIES	5,022,377
NET ASSETS	
Invested in capital assets, net of related debt	6,927,895
Restricted for debt repayment	187,364
Unrestricted	287,150
TOTAL NET ASSETS	\$ 7,402,409

(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, 2009

	Water Utilities
OPERATING REVENUES:	
Water revenue	\$ 1,170,993
Sewer revenue	535,060
Sanitation revenue	44,118
Penalties	27,740
Installment fees	26,891
Miscellaneous revenue	4,406
TOTAL OPERATING REVENUES	1,809,208
OPERATING EXPENSES:	
Administration	64,102
Water supply	94,427
Water distribution	154,424
Water purification	478,717
Sanitary sewer maintenance	153,720
Sanitary sewer treatment	203,862
Depreciation and amortization	525,521
Miscellaneous	6,315
TOTAL OPERATING EXPENSES	1,681,088
OPERATING INCOME	128,120
NONOPERATING REVENUES (EXPENSES)	
Investment proceeds	32,150
Loss on disposition of assets	(5,004)
Grant proceeds	39,131
Debt service - interest	(197,076)
Debt service - fees	(2,750)
TOTAL NONOPERATING REVENUES (EXPENSES)	(133,549)
TRANSFERS	-
CHANGE IN NET ASSETS	(5,429)
TOTAL NET ASSETS - BEGINNING	7,407,838
TOTAL NET ASSETS - ENDING	\$ 7,402,409

(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, 2009

	Water Utilities
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash receipts from customers for water sales and sewer service	\$ 1,770,567
Cash payments to employees	(377,831)
Cash payments for goods and services	(852,535)
NET CASH PROVIDED BY OPERATING ACTIVITIES	540,201
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Cash borrowed from other funds	-
Loans repaid to other funds	(9,844)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	(9,844)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of capital assets	(594,121)
Proceeds from sale of assets	7,215
Grant proceeds	39,131
Principal paid on debt	(300,000)
Interest paid on debt	(198,144)
Fees paid on debt	(2,750)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(1,048,669)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment proceeds	32,150
NET CASH PROVIDED BY INVESTING ACTIVITIES	32,150
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(486,162)
CASH AND CASH EQUIVALENTS - OCTOBER 1, 2008	3,252,279
CASH AND CASH EQUIVALENTS - SEPTEMBER 30, 2009	\$ 2,766,117
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 128,120
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	525,521
(Increase) decrease in accounts receivable	(41,906)
Increase (decrease) in customer deposits	3,265
Increase (decrease) in accounts payable	(79,853)
Increase (decrease) in accrued wages	938
Increase (decrease) in accrual for compensated absences	4,116
Total adjustments	412,081
Net cash provided by operating activities	\$ 540,201

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

CITY OF WHITE OAK, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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.

CITY OF WHITE OAK, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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 2008, 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.

CITY OF WHITE OAK, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2009

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:

<u>Asset Class</u>	<u>Years</u>
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:

<u>Violation</u>	<u>Action Taken</u>
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:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
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, 2008 upon which the 2009 fiscal-year levy was based, was \$340,884,988 and the tax levy was set at \$.48 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, 2009, for the fiscal 2009 tax levy were 97.3 percent of the total tax levy for that year.

Delinquent taxes as of September 30, 2009, were \$60,363.

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, 2009 is \$24,066.

CITY OF WHITE OAK, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the period ended September 30, 2009 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 201,297	\$ -	\$ -	\$ 201,297
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	<u>201,297</u>	<u>-</u>	<u>-</u>	<u>201,297</u>
Capital assets being depreciated:				
Buildings & improvements	960,547	24,805	2,807	982,545
Infrastructure	7,000,963	32,312	11,839	7,021,436
Furniture and equipment	1,760,655	157,047	44,719	1,872,983
Total capital assets being depreciated	<u>9,722,165</u>	<u>214,164</u>	<u>59,365</u>	<u>9,876,964</u>
Less accumulated depreciation for:				
Buildings & improvements	(230,825)	(31,457)	(2,240)	(260,042)
Infrastructure	(1,723,159)	(274,200)	(7,109)	(1,990,250)
Furniture and equipment	(890,772)	(160,032)	(18,484)	(1,032,320)
Total accumulated depreciation	<u>(2,844,756)</u>	<u>(465,689)</u>	<u>(27,833)</u>	<u>(3,282,612)</u>
Total capital assets being depreciated, net	<u>6,877,409</u>	<u>(251,525)</u>	<u>31,532</u>	<u>6,594,352</u>
Governmental activities capital assets, net	<u>\$ 7,078,706</u>	<u>\$ (251,525)</u>	<u>\$ 31,532</u>	<u>\$ 6,795,649</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 96,824	\$ -	\$ -	\$ 96,824
Construction in progress	248,107	527,122	633,081	142,148
Total capital assets, not being depreciated	<u>344,931</u>	<u>527,122</u>	<u>633,081</u>	<u>238,972</u>
Capital assets being depreciated:				
Water and sewer system	15,039,350	643,081	21,838	15,660,593
Buildings	255,590	-	-	255,590
Machinery and equipment	371,762	56,999	-	428,761
Total capital assets being depreciated	<u>15,666,702</u>	<u>700,080</u>	<u>21,838</u>	<u>16,344,944</u>
Less accumulated depreciation for:				
Water and sewer system	(6,340,014)	(486,493)	(9,617)	(6,816,890)
Buildings	(148,788)	(5,797)	-	(154,585)
Machinery and equipment	(253,937)	(31,396)	-	(285,333)
Total accumulated depreciation	<u>(6,742,739)</u>	<u>(523,686)</u>	<u>(9,617)</u>	<u>(7,256,808)</u>
Total capital assets being depreciated, net	<u>8,923,963</u>	<u>176,394</u>	<u>12,221</u>	<u>9,088,136</u>
Business-type activities capital assets, net	<u>\$ 9,268,894</u>	<u>\$ 703,516</u>	<u>\$ 645,302</u>	<u>\$ 9,327,108</u>

CITY OF WHITE OAK, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 4 - CAPITAL ASSETS (CONTINUED)

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

Governmental activities:	
General government	\$ 32,831
Public safety	123,395
Public works	203,310
Recreation	106,153
Total depreciation expense - governmental activities	<u>465,689</u>
Business-type activities:	
Water utilities	<u>523,686</u>
Total depreciation expense - business-type activities	<u>523,686</u>

NOTE 5 - LONG-TERM DEBT

Long-term debt transactions for the year ended September 30, 2009, are summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities:					
Accrual for Compensated Absences	\$ 32,231	\$ 7,575	\$ -	\$ 39,806	\$ -
Total Governmental Activities	<u>\$ 32,231</u>	<u>\$ 7,575</u>	<u>\$ -</u>	<u>\$ 39,806</u>	<u>\$ -</u>
Business-type Activities:					
<u>Certificates of Obligation</u>					
Series 1999, interest at 5.05%, maturing 3/01/2014	\$ 1,020,000	\$ -	\$ 150,000	\$ 870,000	\$ 155,000
Series 2008, interest at 3.50-4.25%, maturing 3/01/2023	2,900,000	-	20,000	2,880,000	20,000
<u>Revenue Bonds</u>					
Series 2001, interest at 3.20-3.95%, maturing 3/01/2015	1,045,000	-	130,000	915,000	140,000
Total Business-Type Activities	<u>\$ 4,965,000</u>	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 4,665,000</u>	<u>\$ 315,000</u>
Total Long-term Debt	<u>\$ 4,997,231</u>	<u>\$ 7,575</u>	<u>\$ 300,000</u>	<u>\$ 4,704,806</u>	<u>\$ 315,000</u>

Aggregate maturities of long-term debt subsequent to September 30, 2009 are as follows:

Business-type activities:

Year Ending September 30	Principal	Interest	Total
2010	\$ 315,000	\$ 184,983	\$ 499,983
2011	330,000	171,107	501,107
2012	345,000	156,438	501,438
2013	370,000	140,754	510,754
2014	380,000	124,174	504,174
2015-2019	1,480,000	431,165	1,911,165
2020-2023	1,445,000	115,090	1,560,090
	<u>\$ 4,665,000</u>	<u>\$ 1,323,711</u>	<u>\$ 5,988,711</u>

CITY OF WHITE OAK, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2009

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)	254,019	
Interest on NPO	-	
Adjustment to the ARC	-	254,019
Contributions made		254,019
Increase in NPO		-
NPO at the end of the period		\$ -

CITY OF WHITE OAK, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2009

NOTE 6 - EMPLOYEE BENEFITS (CONTINUED)

The funded status as of December, 31, 2008, the most recent actuarial valuation date, is as follows:

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/08
Actuarial Value of Assets	\$ 3,032,985
Actuarial Accrued Liability	4,831,818
Percentage Funded	62.77%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	1,798,833
Annual Covered Payroll	1,549,014
UAAL as a Percentage of Covered Payroll	116.13%

The City's annual pension cost, the percentage of annual pension cost contributed to the plan, and the net pension obligation for FY2009 and the two preceding years were as follows:

Fiscal Year Ended	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
09/30/07	174,587	100%	-
09/30/08	205,885	100%	-
09/30/09	254,019	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 2009, 2008 and 2007 were \$3,108, \$1,129 and \$817, respectively, which equaled the required contributions each year.

CITY OF WHITE OAK, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2009

NOTE 7 - INTERFUND BALANCES AND ACTIVITIES

Balances due to and from other funds at September 30, 2009, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Water Utilities Fund	\$ 205,831	Short-term loan

NOTE 8 - RESERVED FUND BALANCE

As of September 30, 2009, fund balances reserved for specific purposes were as follows:

General Fund		
Municipal Court Security Fees	\$	8,970
Municipal Court Technology Fees		17,798
	\$	<u>26,768</u>

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 unused 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, 2009.

NOTE 10 - DEPOSITS AND INVESTMENTS

Cash Deposits

Deposits - At September 30, 2009, the carrying amounts of the City's bank balances were \$297,415. The City's cash deposits at September 30, 2009 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, 2009, are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Texpool	N/A	\$ 16,080
Certificate of Deposit	09/30/09	100,000
MBIA Texas CLASS	N/A	5,058
LOGIC	N/A	4,772,073
Total Investments		<u>\$ 4,893,211</u>

CITY OF WHITE OAK, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2009

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, 2009, 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:

<u>Investment</u>	<u>Standard & Poor's Rating</u>
Texpool	AAAm
LOGIC	AAAm
<u>Investment</u>	<u>Fitch Rating</u>
MBIA Texas CLASS	AAAm

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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.

CITY OF WHITE OAK, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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.

NOTE 12 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 2, 2010, 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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES:				
Property taxes	\$ 1,614,397	\$ 1,614,397	\$ 1,607,655	\$ (6,742)
Franchise taxes	298,325	298,325	290,607	(7,718)
Sales taxes	627,440	627,440	577,918	(49,522)
Licenses, permits and fees	16,785	16,785	23,655	6,870
Fines, forfeitures and penalties	122,391	122,391	131,921	9,530
Investment income	90,000	90,000	30,627	(59,373)
Grant revenues	-	28,366	42,703	14,337
Miscellaneous	31,800	31,800	28,018	(3,782)
TOTAL REVENUES	<u>2,801,138</u>	<u>2,829,504</u>	<u>2,733,104</u>	<u>(96,400)</u>
EXPENDITURES:				
General government	778,605	741,287	667,727	73,560
Public safety	1,499,548	1,562,181	1,413,439	148,742
Public works	502,899	498,577	458,190	40,387
Developmental services	34,416	34,416	34,694	(278)
Recreation	120,596	174,199	188,938	(14,739)
TOTAL EXPENDITURES	<u>2,936,064</u>	<u>3,010,660</u>	<u>2,762,988</u>	<u>247,672</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(134,926)</u>	<u>(181,156)</u>	<u>(29,884)</u>	<u>151,272</u>
OTHER FINANCING SOURCES (USES):				
Transfers	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(134,926)</u>	<u>(181,156)</u>	<u>(29,884)</u>	<u>151,272</u>
FUND BALANCE, OCTOBER 1, 2008	<u>2,702,798</u>	<u>2,702,798</u>	<u>2,702,798</u>	<u>-</u>
FUND BALANCE, SEPTEMBER 30, 2009	<u>\$ 2,567,872</u>	<u>\$ 2,521,642</u>	<u>\$ 2,672,914</u>	<u>\$ 151,272</u>

CITY OF WHITE OAK, TEXAS
SCHEDULE OF FUNDING PROGRESS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Funded Ratio (3) (1)/(2)	Unfunded AAL (UAAL) (4) (2) - (1)	Covered Payroll (5)	UAAL as a Percentage of Covered Payroll (6) (4) / (5)
12/31/06	\$ 3,392,836	\$ 4,122,869	82.3%	\$ 730,033	\$ 1,342,327	54.4%
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%

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, 2009

	Budgeted Amounts		Actual	Adjustments	Actual	Variance with
	Original	Final	GAAP Basis	Budget Basis	Budget Basis	Final Budget Positive (Negative)
OPERATING REVENUES:						
Water revenue	\$ 1,322,000	\$ 1,322,000	\$ 1,170,993	\$ -	\$ 1,170,993	\$ (151,007)
Sewer revenue	570,000	570,000	535,060	-	535,060	(34,940)
Sanitation revenue	20,000	20,000	44,118	-	44,118	24,118
Penalties	23,000	23,000	27,740	-	27,740	4,740
Instalment fees	28,700	28,700	26,891	-	26,891	(1,809)
Miscellaneous revenue	1,200	1,200	4,406	-	4,406	3,206
TOTAL OPERATING REVENUES	1,964,900	1,964,900	1,809,208	-	1,809,208	(155,692)
OPERATING EXPENSES:						
Administration	63,474	63,474	64,102	-	64,102	(628)
Water supply	108,400	108,400	94,427	-	94,427	13,973
Water distribution	182,297	182,297	154,424	-	154,424	27,873
Water purification	462,827	465,147	478,717	-	478,717	(13,570)
Sanitary sewer maintenance	184,680	184,680	153,720	-	153,720	30,960
Sanitary sewer treatment	249,398	249,398	203,862	-	203,862	45,536
Depreciation	-	-	525,521	(525,521)	-	-
Miscellaneous	6,000	6,000	6,315	-	6,315	(315)
Capital outlay	222,440	235,820	-	34,541	34,541	201,279
TOTAL OPERATING EXPENSES	1,479,516	1,495,216	1,681,088	(490,980)	1,190,108	305,108
OPERATING INCOME (LOSS)	485,384	469,684	128,120	490,980	619,100	149,416
NONOPERATING REVENUES (EXPENSES)						
Investment proceeds	72,100	72,100	32,150	-	32,150	(39,950)
Loss on disposition of assets	-	-	(5,004)	-	(5,004)	(5,004)
Grant proceeds	-	31,456	39,131	-	39,131	7,675
Debt service - interest	(202,575)	(202,575)	(197,076)	-	(197,076)	5,499
Debt service - fees	(4,000)	(4,000)	(2,750)	-	(2,750)	1,250
Debt service - principal	(300,000)	(300,000)	-	(300,000)	(300,000)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(434,475)	(403,019)	(133,549)	(300,000)	(433,549)	(30,530)
TRANSFERS	-	-	-	-	-	-
NET INCOME (LOSS)	50,909	66,665	(5,429)	190,980	185,551	118,886
NET ASSETS - BEGINNING	7,407,838	7,407,838	7,407,838	-	7,407,838	-
NET ASSETS - ENDING	\$ 7,458,747	\$ 7,474,503	\$ 7,402,409	\$ 190,980	\$ 7,593,389	\$ 118,886

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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, 2009, which collectively comprise the City of White Oak, Texas' basic financial statements and have issued our report thereon dated March 2, 2010. 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of White Oak, Texas' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of White Oak, Texas' financial statements that is more than inconsequential will not be prevented or detected by the City of White Oak, Texas' internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2009-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of White Oak, Texas' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

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.

We also noted certain matters that we reported to management of City of White Oak, Texas, in a separate letter dated March 2, 2010.

This report is intended for the information of City Council; management; 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, 2010

CITY OF WHITE OAK, TEXAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

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

<u>Program</u>	<u>Finding</u>	<u>Status</u>
Finding #2008-1	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 repeated in the current year.

CITY OF WHITE OAK, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2009

The person responsible for this corrective action plan is Sherry Roberts, City Secretary.

Finding 2009-1

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

After each fiscal year, a thorough reconciliation of capital assets will be performed by city staff to determine that all asset additions, deletions, and changes are accounted for. The Fixed Asset Master Report and the Fixed Asset Auditor Report from the accounting software will be reconciled to the general ledger before the start of the audit.

CITY OF WHITE OAK, TEXAS
SCHEDULE OF GRANT REVENUES AND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

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

	Budget	Actual				Total	Variance
		Prior Years		Current Year			
		Federal	Local	Federal	Local		
REVENUE							
Federal/State	\$ 158,000	\$ -	\$ -	\$ 13,375	\$ -	\$ 13,375	\$ (144,625)
Local	32,000	-	-	-	500	500	(31,500)
TOTAL REVENUE	190,000	-	-	13,375	500	13,875	(176,125)
EXPENDITURES							
Federal/State:							
Water Facilities	119,000	-	-	-	-	-	119,000
Engineering	21,000	-	-	4,375	-	4,375	16,625
Administration	18,000	-	-	9,000	-	9,000	9,000
Local:							
Water Facilities	31,000	-	-	-	-	-	31,000
Administration	1,000	-	-	-	500	500	500
TOTAL EXPENDITURES	190,000	-	-	13,375	500	13,875	176,125
EXCESS REVENUE OVER EXPENDITURES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF WHITE OAK, TEXAS
SCHEDULE OF GRANT REVENUES AND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Federal Grantor: U.S. Department of Housing and Urban Development
Pass Through Grantor: Office of Rural Community Affairs
CFDA Number 14.255
Project Number 729720
Contract Period 09/15/2009 - 09/14/2011

	Budget	Actual				Total	Variance
		Prior Years		Current Year			
		Federal	Local	Federal	Local		
REVENUE							
Federal/State	\$ 246,875	\$ -	\$ -	\$ -	\$ -	\$ (246,875)	
Local	105,443	-	-	-	5,107	(100,336)	
TOTAL REVENUE	352,318	-	-	-	5,107	(347,211)	
EXPENDITURES							
Federal/State:							
Water Facilities	211,875	-	-	-	-	211,875	
Engineering	35,000	-	-	-	-	35,000	
Local:							
Water Facilities	45,443	-	-	-	-	45,443	
Administration	60,000	-	-	-	5,107	54,893	
TOTAL EXPENDITURES	352,318	-	-	-	5,107	347,211	
EXCESS REVENUE OVER EXPENDITURES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

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KAREN A. JACKS & ASSOCIATES, P.C.

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March 2, 2010

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, 2009, we considered the City's internal control 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.

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, 2010. This letter does not affect our report dated March 2, 2010, on the financial statements of the City of White Oak, Texas.

PRIOR YEAR CONSIDERATIONS

Investment Accounts

During the prior audits, we observed that the City had numerous investment accounts at different financial institutions, as well as in investment pools. We recommended that each of these accounts be evaluated to determine if a separate account is necessary or if some of them can be consolidated. Although two of the accounts were closed during the year ended September 30, 2006, we recommended that staff continue to evaluate the necessity of the remaining accounts and to consider them in view of the depository contract that was executed during the year ended September 30, 2007.

During the year ended September 30, 2009, the City moved the majority of its investments to external investment pools. We consider this matter to be closed.

Capital Assets

In previous years, the City did not have a system for tracking capital asset purchases and dispositions. We recommended that City staff develop a system where all departments would report their asset purchases, as well as the dispositions. The City's accounting software has an asset module available, and we suggested that staff may want to consider acquiring this module to be able to account for all capital assets. During the year ended September 30, 2008, City staff recorded all capital assets of the water fund in the asset module of their accounting software. The general fund's assets had yet to be recorded, and we recommended that this be done in the FY09.

As of September 30, 2009, all of the City's capital assets have been recorded in the fixed asset module. We consider this matter to be closed.

Grant Accounting

In prior years, we recommended that grant revenues and expenditures be provided for in the City's annual budget; if grants are awarded after adoption of the original budget, amendments should be approved by City Council as necessary.

During the year ended September 30, 2009, budget amendments were approved for new grants received. We consider this matter to be closed.

Accounts Payable

At September 30, 2007, the City's accounting records reflected balances in accounts payable that could not be supported by a detailed listing of the items included in that balance. City staff members were unable to identify the amounts reported on the books, and audit adjustments were required to adjust accounts payable to actual. We recommended that City staff prepare an open items report from the accounts payable accounting system and reconcile that report to the general ledger balances for accounts payable at each month-end. Any differences should be identified and corrected in a timely manner. This condition did recur at September 30, 2008. Audit adjustments were made to correct the accounts payable balances in the City's accounting records. We continued to recommend that reconciliations of these balances be done on a monthly basis.

At September 20, 2009, the accounts payable balance in the accounting records was supported by a detailed listing. We consider this matter to be closed.

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, 2009, the Water Fund owed the General Fund \$205,831, a reduction of \$9,844 from the prior year.

Minutes of Council Meetings

During our prior audit, we determined that there was not a central location for all official minutes of City Council meetings. In order to observe signed copies of the minutes, they had to be retrieved from several locations. We recommended that these official records be maintained by the City Secretary in a secure location.

During our current audit, we observed that all minutes were filed together. We consider this matter to be closed.

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.

During the year ended September 30, 2009, another vehicle was discovered to be reported in the wrong fund. We continue to recommend that a system be developed to ensure that assets are recorded in the proper funds.

Water Billings

During our prior year audit, we determined that the water billing software was not calculating minimum charges correctly on accounts with multiple units. Minimum charges were assessed for each unit, such as an apartment or duplex, instead of for each meter.

City staff corrected this error during the current year. However, during our current year testing, 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 recommend that the billing system be checked for accuracy each time that the rates change.

CURRENT YEAR CONSIDERATIONS

Municipal Court Revenue

During our 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 recommend that these deposits be made at least weekly.

Mayor and City Council
March 2, 2010
Page Four

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 recommend that management consider making monthly transfers based upon these estimates.

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.

CITY OF WHITE OAK, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2009

The person responsible for this corrective action plan is Sherry Roberts, City Secretary.

Finding #2009-1

Condition:

City staff had not adjusted all financial statement accounts to reflect accurate year-end balances prior to the start of the audit. Material adjusting entries were required to correct these balances.

Cause:

City staff did not reconcile subsidiary capital asset records to the financial statements prior to the start of the audit.

Auditee's Corrective Action Plan:

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

After each fiscal year, a thorough audit of capital assets will be performed by city staff to determine that all asset additions, deletions, and changes have been accounted for. The Fixed Asset Master Report and the Fixed Asset Auditor Report from the accounting software will be reconciled to the general ledger before the start of the audit.

RESPONSE AND/OR CORRECTIVE ACTIONS
FOR FY 08/09 AUDITOR MANAGEMENT LETTER
FROM KAREN A. JACKS & ASSOCIATES

PRIOR YEAR CONSIDERATIONS

CASH MANAGEMENT: Considerable effort has been made to bring the water fund into a positive cash balance and this effort will continue. A payment of \$9,844 was made to the General Fund for FY 08/09. However, it will take time to pay the general fund payroll account back for the \$205,831 that is owed to it from the water & sewer fund. I feel like this needs to be a joint decision between the mayor and myself on how to obtain this goal.

CAPITAL ASSET TRANSFERS: A backhoe was discovered to be reported in the wrong fund.

CURRENT YEAR CONSIDERATIONS

MUNICIPAL COURT REVENUE: The court clerk was made aware of the timeliness of making deposits and will be made weekly or more if needed.

INTEREST & SINKING TRANSFERS: This was brought up to current as of January 31, 2010 and monthly transfers will be made according to our bond advisor's schedule.

WATER BILLINGS: With future billing changes, there will be an accuracy check among different levels of service.

Sherry Roberts
City Secretary/Office Manager