City of White Oak, Texas

Annual Financial Statements

For the Fiscal Year

Ended September 30, 2013

CITY OF WHITE OAK, TEXAS

FINANCIAL STATEMENTS

September 30, 2013

PRINCIPAL OFFICIALS

September 30, 2013

ELECTED OFFICIALS

Rick May
Mayor

Dr. Barbara Ray
Councilmember Place 1, Mayor Pro-Tem

Lance Noll
Councilmember Place 2

Kyle Kutch
Councilmember Place 3

Charlie Owens
Councilmember Place 4

Kelly Mitchell
Councilmember Place 5

APPOINTED OFFICIALS

Charlie Smith
City Coordinator

Sherry Roberts
City Secretary

Deborah Waddell
City Judge

Darrell Atkinson
City Attorney

CITY OF WHITE OAK, TEXAS
SEPTEMBER 30, 2013
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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of White Oak, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of White Oak, Texas as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of White Oak, Texas, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As described in Note 1 to the financial statements, in 2013, the City adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* and Statement No. 65, *Items Previously Reported as Assets and Liabilities.* Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of funding progress on pages 3-12, 35, and 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 budgetary comparison schedule on page 39 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison schedule on page 39 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule on page 39 is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2014 on our consideration of the White Oak, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that test ing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of White Oak's internal control over financial reporting and compliance.

Karen A. Jacks & Associates, P.C.

Karen A. Jacks & Associates, PC

Longview, Texas
March 5, 2014

CITY OF WHITE OAK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013

As management of the City of White Oak, (the "City") we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2013. The Management's Discussion and Analysis is designed to assist the reader in focusing on significant financial issues, to provide an overview of the City's financial activity, to identify changes in the City's financial position and to identify any material deviations from the financial plan. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The total government-wide net position amount for the fiscal year ended September 30, 2013 is $16,873,865.
- The combined change in net position is a decrease of $127,959.
- The total fund balance in the general fund is $2,740,702. This reflects a decrease of $11,601 from the previous fiscal year.
- The total net position for the City's Enterprise (Water & Sewer) Fund is $8,262,980, which was an $82,013 decrease over fiscal year 2012.
- As of September 30, 2013, the General Fund has $2,686,651 in unrestricted funds and the Enterprise Fund has $752,809.
- The City's long-term debt increased by $5,050,000, leaving a balance due of $8,948,684. This increase reflects the principal payments on three Certificate of Obligations, one Revenue Bond, and the Premium on Issuance of Debt for the newly acquired 2013 Certificate of Obligation which are all in the Enterprise Fund. The City added a third Certificate of Obligation in the amount of $5,420,000 for multiple water and sewer projects. The General Fund has no long-term debt except for accrued compensated absences, which at the end of FY 12/13 was $46,448.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

Governmental funds

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

The City of White Oak maintains one governmental fund.

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

Notes to the Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The City's combined net position was $16,873,865 as of September 30, 2013. Analyzing the net position and net expenses of governmental and business-type activities separately, the Governmental net position is $8,610,885 and the business-type activities net position is $8,262,980. This analysis focuses on the net position (figure 1) and changes in general revenues (figure 3) and significant expenses of the City's governmental and business-type activities.

The largest portion of the City's net position reflects its investment in capital assets (e.g. land, building, equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Figure 1 is the "Summary of Net Position." This is a summary of the "Statement of Net Position." The Statement of Net Position presents the same information as a balance sheet and is an indication of a government's financial position. Financial position can be tracked over time to assess whether a government's financial health is improving or deteriorating.

Restricted net position represents resources that are constrained to a particular purpose. These restrictions may derive from a higher level of government, donors, or the City itself. The City's restricted net position (3.3%) is for debt service, court security, and court technology.

Unrestricted net position (20.4%) is resources not included in the other components. These resources can be considered usable for any purpose.

FIGURE 1 - Summary of Net Position September 30, 2013	*Governmental Activities*		*Business-type Activities*		*Total*		*Component Unit - WOEDCO*	
	2013	***2012***	***2013***	***2011***	***2013***	***2012***	***2103***	***2012***
Current & other assets	2,917,380	2,890,264	10,360,156	5,166,940	13,277,536	8,057,204	517,741	600,810
Capital Assets	5,880,536	5,940,362	7,000,443	7,060,585	12,880,979	13,000,947	83	585
TOTAL ASSETS	8,797,916	8,830,626	17,360,599	12,227,525	26,158,515	21,058,151	517,824	601,395
Current Liabilities	187,031	154,706	195,383	207,532	382,414	362,238	552	302
Non-Current Liabilities	-	-	8,902,236	3,675,000	8,902,236	3,675,000	-	-
TOTAL LIABILITIES	187,031	154,706	9,097,619	3,882,532	9,284,650	4,037,238	552	302
Net Position:								
Invested in capital assets, net of related debt	5,880,536	5,940,362	7,000,443	7,079,674	12,880,979	13,020,036	83	585
Restricted for debt service	-	-	509,728	378,601	509,728	378,601	-	-
Restricted for grant projects	-	-	-	5,155	-	5,155	-	-
Restricted for other purposes	43,698	28,632	-	-	43,698	28,632	517,189	600,508
Unrestricted	2,686,651	2,706,926	752,809	881,563	3,439,460	3,588,489		-
TOTAL NET POSITION	8,610,885	8,675,920	8,262,980	8,344,993	16,873,865	17,020,913	517,272	601,093

Changes in Net Position

Figure 2 is the "Change in Net Position." This is a summary of the "Statement of Activities." As shown in Figure 1, the net position of the City's governmental activities decreased $65,035 and the business-type activities net position decreased $82,013. A detailed examination of all the elements affecting net position can be found in Figure 2. The ending net position amount in Figure 2 should match the total net position in Figure 1.

The net position in the governmental activities decreased by $65,035, but at the fund level, it decreased $11,601. The reconciliation between the decrease in fund balance and the decrease to net position illustrates the difference in reporting between the modified accrual basis used in the general fund and the full-accrual basis used at the government-wide level.

The net position in the Water & Sewer Fund decreased $62,924. Above, a net position decrease of $82,013 is noted. The $19,089 difference between these two amounts is the result of the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* during fiscal year 12/13. GASB 65 implementation removes debt issuance costs previously capitalized and amortized from the Statement of Net Position.

FIGURE 2 - Change in Net Position September 30, 2013	*Governmental Activities*		*Business-type Activities*		*Total*		*Component Unit - WOEDCO*	
	2013	***2012***	***2013***	***2012***	***2013***	***2012***	***2013***	***2012***
Revenues:								
Program Revenues:								
Charges for service & grants	270,718	272,332	2,179,377	2,218,480	2,450,095	2,490,812	-	-
General Revenues:								
Taxes	2,490,743	2,313,415	-	-	2,490,743	2,313,415	268,845	271,334
Franchise Fees	361,824	372,432	-	-	361,824	372,432		-
Other	24,832	41,745	22,709	4,182	47,541	45,927	2,138	3,340
Total Revenues	3,148,117	2,999,924	2,202,086	2,222,662	5,350,203	5,222,586	270,983	274,674
Expenses:								
General Government	760,397	740,351	-	-	760,397	740,351		
Public Safety	1,603,259	1,621,369	-	-	1,603,259	1,621,369		
Public Works	485,111	578,874	-	-	485,111	578,874		
Development Services	37,381	35,839	-	-	37,381	35,839		
Culture & Recreation	327,004	347,032	-	-	327,004	347,032		
Water Utilities	-	-	2,265,010	1,921,494	2,265,010	1,921,494		
Total Expenses	3,213,152	3,323,465	2,265,010	1,921,494	5,478,162	5,244,959	354,804	311,667
Transfers In (Out)	-	-	-	-	-	-		-
Change in Net Position	(65,035)	(323,541)	(62,924)	301,168	(127,959)	(22,373)	(83,821)	(36,993)
Prior Period Adjustment	-	-	(19,089)	-	(19,089)	-		
Net Position, Beginning	8,675,920	8,999,461	8,344,993	8,043,823	17,020,913	17,043,284	601,093	638,086
Net Position, Ending	8,610,885	8,675,920	8,262,980	8,344,993	16,873,865	17,020,913	517,272	601,093

Governmental Activities

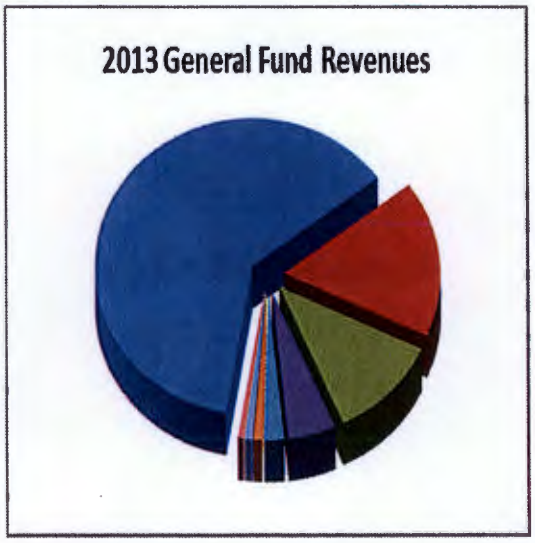
Public Safety is the City's largest expense in the governmental fund. It accounts for nearly 50% of all expenses. Public Safety includes police, fire, fire marshal, code enforcement, and building inspection departments. The General Government category accounts for 23.6% of the general fund budget. The general fund includes most of city hall staff and court employees. This fund also includes expenses for the City's streetlights, tax collections, and the contract expense for the Humane Society. Public works (streets department) makes up 15% of the general fund expenses. The remaining 11.4% consists of the Parks Department and a portion of the economic development director's salary, because this position also serves as the community & development coordinator. The Parks Department includes the maintenance of all City parks, including the splash pad, and the park supervisor is also the City's animal control officer.

In regards to the government-wide financial statements, the total general fund expenses for this fiscal year were $3,213,152 and are $110,313 less than FY 2012. Total revenue for FY 2013 was $3,148,117, which is $148,193 more than the previous fiscal year. The revenue which funded these expenses came from a variety of different sources. Property taxes accounted for 62% of the general fund revenue and sales and use taxes followed with 17% of the revenue. The City of White Oak has a sales tax rate of 8.25%. From the 8.25%, the State of Texas receives 6.25%, Gregg County receives .5%, and the City receives 1.5%. Out of the City's 1.5%, .5% is issued to the White Oak Economic Development Corporation ("WOEDCO"). Franchise taxes bring in 11.2% of the revenue. The City collects franchise tax from electric, gas, cable, phone, and sanitation providers. Municipal court fines accounted for 4.9% of total revenue. The remaining 4.9% consists of investment and rent income, zoning fees, grant proceeds, and other small miscellaneous revenue. **Figure 3** provides a graphic representation of the City's revenues by source.

FIGURE 3 - General Fund Revenues September 30, 2013

	2013	*2012*	Increase / Decrease
Property Taxes	1,953,053	1,770,746	182,307
Sales Taxes	537,690	542,669	(4,979)
Franchise Fees	361,824	372,432	(10,608)
Fines & Forfeitures	157,796	132,361	25,435
Grants	67,002	88,615	(21,613)
Licenses & Permits	27,641	19,326	8,315
Interest/Other Income	24,832	46,881	(22,049)
Park User Fees	18,279	32,030	(13,751)
TOTAL REVENUE	**3,148,117**	**3,005,060**	**143,057**

Interest/Other Income includes: Interest income, miscellaneous revenue, scrap metal, & gain on asset disposals.



Business-Type Activities

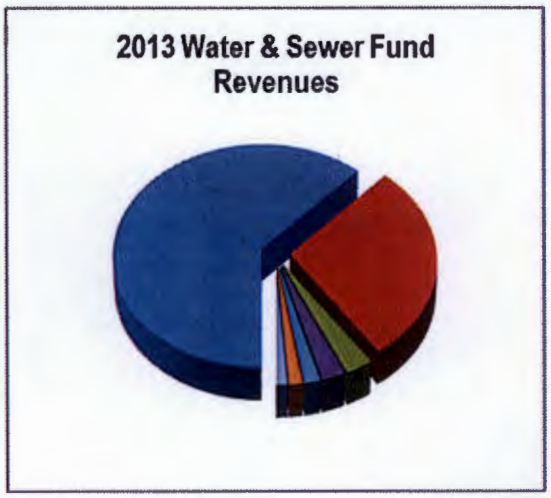
Business-type activities consist of water, sewer, and sanitation revenues and expenses. Total revenue for the Water & Sewer Fund was $2,202,086. Water sales alone made up 62% of this revenue. Sewer revenue was 28.6% of the total. The remaining 9.4% comes from sanitation fees, penalties, installation and reconnect fees, interest income, and various miscellaneous fees. The following chart **(Figure 4)** provides a graphic representation of the City's business-type revenues by source.

Total operating expenses for FY 2013 for the Water & Sewer Fund were $1,903,821. Depreciation accounted for 29.6% of this total. The cost to obtain, treat, and deliver treated water was 40.8% of the total expenditures, while the cost of collecting and treating sewage was 23.2%. The remaining 6.4% was for miscellaneous expenses and customer accounting.

FIGURE 4 - Water & Sewer Fund Revenues September 30, 2013

	2013	*2012*	Increase / Decrease
Water Revenue	1,362,671	1,389,502	(26,831)
Sewer Revenue	628,915	656,417	(27,502)
Sanitation Revenue	62,945	74,638	(11,693)
Installment Fees	53,325	50,234	3,091
Penalties	37,345	37,592	(247)
Other Revenues	31,248	14,279	16,969
Grant Proceeds	25,637	-	25,637
TOTAL REVENUE	**2,202,086**	**2,222,662**	**(20,576)**

Other revenues include: interest income, miscellaneous revenue, & gain on asset disposal.



FINANCIAL ANALYSIS OF THE CITY'S INDIVIDUAL FUNDS

Governmental fund (General Fund)

Governmental funds are used to account for most, if not all, of a government's tax-supported activities. Under the "current financial resources measurement focus," the objective of the operating statement is to report "near-term" inflows and outflows of "financial" or spendable resources.

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

1) Non-spendable fund balance – includes amounts that are not in a spendable form or are required to be maintained intact, e.g. inventory or permanent funds.

2) Restricted fund balance – includes amounts that can be spent only for the specific purposes stipulated by external resource providers either constitutionally or through enabling legislation, e.g. grants and child safety fees.

3) Committed fund balance – includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.

4) Assigned fund balance – comprises amounts *intended* to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

5) Unassigned fund balance – is the residual classification of the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

The *unassigned* fund balance in the general fund on September 30, 2013 was $2,696,842 and is 98.4% of the total fund balance. The *non-spendable* fund balance at year-end was $162 and consisted of prepaid expenditures. The *restricted* fund balance at year-end was $43,698 which is the total of municipal court security, court technology fees, and cable PEG fees. This amount can only be used for restricted purposes according to the State of Texas and/or federal law. The unassigned fund balance represents 9.8 months of expenditures, which is 3.8 months more than the minimum unassigned fund balance required by the *Fund Balance Policy*.

General Fund Budgetary Highlights

To compare the fiscal year's actual ending amounts to the adopted budget, the *Budgetary Comparison Schedule* on page 35 is utilized. In the general fund this year, revenues were $33,765 more than expected, primarily due to unexpected grant revenue, and an increase in court and license/permit revenues. General fund expenditures were $95,663 under budget, which results from all department heads working together to keep expenditures at a minimum. Total expenditures for FY 2013 were $3,167,889, creating an $11,601 deficiency of revenues under expenditures, when a $141,029 net loss was originally budgeted.

The total general fund balance at the end of the current fiscal year was $2,740,702; a decrease of $11,601 in comparison with the prior year's decrease of $113,070. The original general fund revenue budget was $3,122,523 and original expenditure budget was $3,263,552. There were no budget amendments required for fiscal year 12/13. Again, instead of a $141,029 net loss budgeted, there was only a net loss of $11,601. The unexpected revenue in combination with careful spending by department heads resulted in a savings of $129,428.

Proprietary Fund (Water & Sewer Fund)

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

The Water & Sewer Fund assets of $17,360,599 exceeded liabilities of $9,097,619, reporting a net position of $8,262,980. This reflects a net decrease of $62,924 from the previous year. Within the net position total, $7,000,443 consisted of capital assets. The amount *restricted* for debt service was $509,728. The *unrestricted* fund balance at year-end was $752,809 and represents 4.7 months of operating expenses.

Proprietary Fund Highlights

To compare the fiscal year's actual ending amounts to the amended budget, the *Schedule of Revenues, Expenses, and Changes in Net Position-Budget (Non-GAAP Basis) and Actual* on page 39 is utilized. When comparing the FY 2013 budget with actual figures, a net income of $5,608,136 is shown on the budget basis financial statements. Actual revenues exceeded budgeted amounts by $67,615. Actual operating expenses came in under budget by $485,441. Part of this savings was due to some capital outlay projects that were not performed. There were no water and sewer projects planned that would cause the need to transfer any remaining 2008 Certificate of Obligation funds, which left a year-end balance of $319,081 remaining in the 2008 Certificate of Obligation account.

There was a budget amendment approved for the receipt of the Sabine River Authority (SRA) grant of $10,000. There was also a budget amendment approved for the receipt of the 2013 Certificate of Obligation, along with expense amendments for projects that were forecast to be in progress, related to the certificate of obligation by fiscal year-end.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of White Oak's investment in capital assets for its governmental and business-type activities as of September 30, 2013 totals $15,866,898 (net of accumulated depreciation). These investments include land, buildings, improvements, machinery & equipment, park facilities, and infrastructure. The change in capital assets represents purchases, disposals, construction in progress for infrastructure, and any adjustments. **Figure 5** below is a summary of each fund's total capital assets for FY 2012 and FY 2013. For a more in depth review of capital assets, please see Note 4 – Capital Assets in the "Notes to Financial Statements" on Page 26. In fiscal year 12/13, there was almost $400,000 spent on capital outlay items for the general fund. The major purchase was the 41.83 acres of land on Old Hwy 80. At this time, there has not been a council decision for the use of this land. The electronic records management system, Laserfiche, was purchased for two more employees, as was a wide-format scanner and printer combo for maps, etc. The police department purchased three new patrol units and received a grant from East Texas Council of Governments (ETCOG) for new radios and repeater. The fire department received the same ETCOG grant for new radios, repeater, and installed a new AC/Heat unit at the fire station. The parks department purchased a new Scag mower and a new Bobcat Utility Vehicle with a bucket attachment. There was continued work at the City and Penick parks and lighting added to the T-ball field. There were some engineering expenses at the end of the fiscal year for the High School Baseball Renovation project, in which construction would not start until after the new fiscal year.

There were several capital assets for the Water & Sewer Fund completed also. The hydropneumatic pressure tank installation at the standpipe was completed from the previous year, as was the TCDP generator grant project, which concluded with the S. Lake Harris generator. There was a booster pump purchased for the Big Sandy Creek station with the help of a $10,000 Sabine River Authority grant. New SCADA radios and a new forklift were purchased for the water treatment plant. A 2" water line along White Oak Road, north of George Richey Road, was replaced with a 6" line for water pressure issues and better fire protection. Utility billing was added to the Laserfiche electronic records management software.

FIGURE 5 - Capital Assets September 30, 2013	*Governmental Activities*		*Business-type Activities*		*Total*	
	2013	***2012***	***2013***	***2012***	***2013***	***2012***
Land	373,746	201,297	96,824	96,824	470,570	298,121
Construction in Progress	28,090	139,188	11,885	78,423	39,975	217,611
Buildings & Improvements	582,283	620,821	80,474	85,208	662,757	706,029
Infrastructure	4,338,824	4,454,564	-	-	4,338,824	4,454,564
Furniture, Equip, & Machinery	557,593	524,492	126,705	113,984	684,298	638,476
Water & Sewer System	-	-	9,670,474	10,055,746	9,670,474	10,055,746
TOTAL	**5,880,536**	**5,940,362**	**9,986,362**	**10,430,185**	**15,866,898**	**16,370,547**

Debt Administration

Long-term debt: At the end of the current fiscal year, the City had an outstanding total bonded debt of $8,725,000 consisting of three Certificate of Obligations and one Revenue Bond, all of which are in the Water & Sewer Fund. Also included in the Water & Sewer Fund is the Premium on Issuance of Debt for the newly acquired 2013 Certificate of Obligation in the amount of $177,236. All debt payments were paid when due and decreased the debt total from FY 2012 by $370,000. (See Note 5 – Long-Term Debt) A breakdown in balances per debt type is below in **Figure 6**. A new 2013 Certificate of Obligation in the amount of $5,420,000 was secured to provide funding for the expansion of the sewer treatment plant's oxidation ditches, water treatment plant clarifier rehabilitation, and to finish the radio-read water meter replacement project. The difference between the new debt acquired and the old debt retired, is an increase of $5,050,000 to the City's long-term debt balance. The General Fund has no debt except for the Accrual for Compensated Absences, which at the end of fiscal year 12/13 was $46,448.

FIGURE 6 - Outstanding Debt September 30, 2013	*Governmental Activities*		*Business-type Activities*		*Total*	
	2013	***2012***	***2013***	***2012***	***2013***	***2012***
Certificate of Obligations	-	-	8,400,000	3,195,000	8,400,000	3,195,000
Revenue Bonds	-	-	325,000	480,000	325,000	480,000
Premium on Issuance of Debt - 2013 Certificate of Obligation	-	-	177,236	-	177,236	-
Accrual for Compensated Absences	46,448	52,414	-	-	46,448	52,414
TOTAL	**46,448**	**52,414**	**8,902,236**	**3,675,000**	**8,948,684**	**3,727,414**

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Governmental funds

At the end of FY 2013, unemployment in the Longview area was 5.5%, which was lower than the state's 6.3% unemployment rate. Taxable assessed properties increased approximately $732,576. The increase between 2012 and 2013 in net assessed valuation was less than .20%. This fiscal year's tax rate was increased $.011/100 from $.52/100 to $.52011/100. While there were decreases in oil and gas minerals, there was over a $3,644,000 increase in single-family residential property, and there is a new subdivision of approximately thirty homes currently under construction between Center and Ruth streets.

Sales tax revenue, the second largest revenue source for the City's General Fund decreased $4,979 or less than 1% compared to FY 2012. This decrease is not a concern because of the variables with state sales and use tax, e.g. refunds for sales tax paid erroneously, state comptroller errors.

For the upcoming General Fund budget, while keeping the same level of service for citizens, the tax rate was adopted at the effective rate of $.52011/100 and minimal capital expenditures will be budgeted. These projects include city park improvements, lighting for the softball field, and together with WOEDCO and White Oak ISD the high school baseball field will be completely rebuilt. This project is budgeted at $1,050,000.

Proprietary funds

For the upcoming FY 2014 Water & Sewer Fund budget, there are no plans to increase utility rates while sustaining the same great level of water quality and customer service. There will be several capital expenditures budgeted which will be funded by the remaining 2008 Certificate of Obligation funds, the new 2013 Certificate of Obligation funds or by user fees. The City's water and sewer rates continue to be lower than the local and state averages.

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF WHITE OAK, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	WOEDCO
ASSETS				
Cash	$ 1,386,008	$ 610,772	$ 1,996,780	$ 125,337
Temporary investments	1,400,000	-	1,400,000	-
Receivables (net of allowance for uncollectibles):				
Taxes	100,791	-	100,791	32,348
Accounts	-	404,186	404,186	-
Other	30,419	-	30,419	23,431
Prepaid expenses	162	-	162	-
Restricted assets:				
Cash	-	6,359,279	6,359,279	-
Notes receivable	-	-	-	336,625
Capital assets (net of accumulated depreciation):				
Land	373,746	96,824	470,570	-
Buildings and improvements	582,283	80,474	662,757	-
Water and sewer system	-	9,670,474	9,670,474	-
Machinery and equipment	557,593	126,705	684,298	83
Infrastructure	4,338,824	-	4,338,824	-
Construction in progress	28,090	11,885	39,975	-
Total assets	8,797,916	17,360,599	26,158,515	517,824
LIABILITIES				
Accounts payable	109,683	25,959	135,642	552
Accrued wages payable	30,900	6,573	37,473	-
Payable from restricted assets				
Accrued interest	-	24,384	24,384	-
Meter deposits	-	121,575	121,575	-
Accrual for compensated absences	46,448	16,892	63,340	-
Noncurrent liabilities:				
Due within one year	-	380,000	380,000	-
Due in more than one year	-	8,522,236	8,522,236	-
Total liabilities	187,031	9,097,619	9,284,650	552
NET POSITION				
Net investment in capital assets	5,880,536	7,000,443	12,880,979	83
Restricted for debt service	-	509,728	509,728	-
Restricted for other purposes	43,698	-	43,698	517,189
Unrestricted	2,686,651	752,809	3,439,460	-
Total net position	$ 8,610,885	$ 8,262,980	$ 16,873,865	$ 517,272

(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, 2013

		Program Revenues		Net (Expense) Revenue and Changes in Net Position			
				Primary Government			Component Unit
Functions/Programs	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	WOEDCO
Primary government:							
Governmental activities:							
General government	$ 760,397	$ 27,641	$ -	$ (732,756)	$ -	$ (732,756)	$ -
Public safety	1,603,259	157,796	24,978	(1,420,485)	-	(1,420,485)	-
Public works	485,111	-	-	(485,111)	-	(485,111)	-
Developmental services	37,381	-	-	(37,381)	-	(37,381)	-
Recreation	327,004	18,279	42,024	(266,701)	-	(266,701)	-
Total governmental activities	3,213,152	203,716	67,002	(2,942,434)	-	(2,942,434)	-
Business-type activities:							
Water utilities	2,265,010	2,153,740	25,637	-	(85,633)	(85,633)	-
Total primary government	$ 5,478,162	$ 2,357,456	$ 92,639	$ (2,942,434)	$ (85,633)	$ (3,028,067)	$ -
Component unit:							
WOEDCO	$ 354,804	-	-	-	-	-	(354,804)
General revenues							
Property taxes				1,953,053	-	1,953,053	-
Sales taxes				537,690	-	537,690	268,845
Franchise taxes				361,824	-	361,824	-
Unrestricted investment earnings				15,259	6,254	21,513	2,138
Miscellaneous				9,573	-	9,573	-
Gain/loss on disposition of assets				-	16,455	16,455	-
Total general revenues and transfers				2,877,399	22,709	2,900,108	270,983
Change in net position				(65,035)	(62,924)	(127,959)	(83,821)
Net position - beginning				8,675,920	8,344,993	17,020,913	601,093
Prior period adjustment				-	(19,089)	(19,089)	-
Net position - beginning, as restated				8,675,920	8,325,904	17,001,824	601,093
Net position - ending				$ 8,610,885	$ 8,262,980	$ 16,873,865	$ 517,272

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

CITY OF WHITE OAK, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	General Fund
ASSETS AND OTHER DEBITS:	
Cash	$ 1,386,008
Temporary investments	1,400,000
Receivables:	
Taxes	100,791
Miscellaneous	30,419
Prepaid expenditures	162
TOTAL ASSETS	$ 2,917,380
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE:	
LIABILITIES:	
Accounts payable	$ 109,683
Accrued wages	30,900
TOTAL LIABILITIES	140,583
DEFERRED INFLOWS OF RESOURCES:	
Deferred property taxes	36,095
FUND BALANCE:	
Fund balance - nonspendable	162
Fund balance - restricted	43,698
Fund balance - unassigned	2,696,842
TOTAL FUND BALANCE	2,740,702
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	$ 2,917,380

(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 POSITION
SEPTEMBER 30, 2013

Total fund balances - governmental funds balance sheet	$ 2,740,702
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	5,880,536
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	36,095
Payables for compensated absences which are not due in the current period are not reported in the funds.	(46,448)
Net assets of governmental activities - statement of net position	$ 8,610,885

(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, 2013

	General Fund
REVENUES:	
Property taxes	$ 1,952,627
Franchise taxes	361,824
Sales taxes	537,690
Licenses, permits and fees	27,641
Fines, forfeitures and penalties	157,796
Park user fees	18,279
Investment income	15,259
Grant revenues	67,002
Miscellaneous	18,170
TOTAL REVENUES	3,156,288
EXPENDITURES:	
General government	925,427
Public safety	1,611,930
Public works	307,829
Developmental services	36,570
Recreation	286,133
TOTAL EXPENDITURES	3,167,889
EXCESS (DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	(11,601)
NET CHANGE IN FUND BALANCE	(11,601)
FUND BALANCE, OCTOBER 1, 2012	2,752,303
FUND BALANCE, SEPTEMBER 30, 2013	$ 2,740,702

(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, 2013

Net change in fund balances - total governmental funds	$ (11,601)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	397,313
The depreciation of capital assets used in governmental activities is not reported in the funds.	(449,068)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	426
All proceeds from the sale of capital assets are reported in the funds but not the SOA.	(8,600)
The loss on disposition of capital assets is not reported in the funds.	527
(Increase) decrease in accrual for compensated absences.	5,967
Rounding	1
Change in net position of governmental activities - statement of activities	$ (65,035)

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

CITY OF WHITE OAK, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2013

	Water Utilities
ASSETS:	
Current assets:	
Cash	$ 610,772
Accounts receivable	404,186
Restricted assets:	
Cash	6,359,279
Noncurrent assets:	
Land	96,824
Construction in progress	11,885
Capital assets, net	9,877,653
TOTAL ASSETS	17,360,599
LIABILITIES:	
Current liabilities:	
Accounts payable	25,959
Accrued wages	6,573
Accrual for compensated absences	16,892
Payable from restricted assets:	
Accrued interest payable	24,384
Customer deposits	121,575
Noncurrent liabilities:	
Due within one year	380,000
Due in more than one year	8,522,236
TOTAL LIABILITIES	9,097,619
NET POSITION:	
Net investment in capital assets	7,000,443
Restricted for debt service	509,728
Unrestricted	752,809
TOTAL NET POSITION	$ 8,262,980

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

CITY OF WHITE OAK, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Water Utilities
OPERATING REVENUES:	
Water revenue	$ 1,362,671
Sewer revenue	628,915
Sanitation revenue	62,945
Penalties	37,345
Installment fees	53,325
Miscellaneous revenue	8,539
TOTAL OPERATING REVENUES	2,153,740
OPERATING EXPENSES:	
Administration	69,001
Water supply	130,987
Water distribution	151,944
Water purification	494,799
Sanitary sewer maintenance	187,431
Sanitary sewer treatment	255,004
Depreciation	564,656
Miscellaneous	49,999
TOTAL OPERATING EXPENSES	1,903,821
OPERATING INCOME	249,919
NONOPERATING REVENUES (EXPENSES)	
Investment proceeds	6,254
Gain on disposition of assets	16,455
Grant proceeds	25,637
Debt service - interest	(208,125)
Debt service - issuance costs and fees	(153,064)
TOTAL NONOPERATING REVENUES (EXPENSES)	(312,843)
CHANGE IN NET POSITION	(62,924)
TOTAL NET POSITION - BEGINNING	8,344,993
PRIOR PERIOD ADJUSTMENT	(19,089)
TOTAL NET POSITION - BEGINNING, AS RESTATED	8,325,904
TOTAL NET POSITION - ENDING	$ 8,262,980

(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, 2013

	Water Utilities
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash receipts from customers for water sales and sewer service	$ 2,235,904
Cash payments to employees	(404,246)
Cash payments for goods and services	(976,543)
NET CASH PROVIDED BY OPERATING ACTIVITIES	855,115
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of capital assets	(120,833)
Proceeds from sale of assets	16,455
Grant proceeds	25,637
Proceeds from issuance of debt	5,420,000
Premium on issuance of debt	182,496
Principal paid on debt	(370,000)
Interest paid on debt	(201,411)
Issuance costs and fees paid on debt	(153,064)
NET CASH PROVIDED BY FINANCING ACTIVITIES	4,799,280
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment proceeds	6,254
NET CASH PROVIDED BY INVESTING ACTIVITIES	6,254
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,660,649
CASH AND CASH EQUIVALENTS - OCTOBER 1, 2012	1,309,402
CASH AND CASH EQUIVALENTS - SEPTEMBER 30, 2013	$ 6,970,051
CLASSIFIED AS:	
Current assets - unrestricted	$ 505,881
Current assets - restricted	6,464,170
	$ 6,970,051
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	$ 249,919
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	564,656
(Increase) decrease in accounts receivable	64,665
Increase (decrease) in customer deposits	17,500
Increase (decrease) in accounts payable	(43,723)
Increase (decrease) in accrued wages	472
Increase (decrease) in accrual for compensated absences	1,626
Total adjustments	605,196
Net cash provided by operating activities	$ 855,115

(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.

For the year ended September 30, 2013, the City adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Additional information on the effect of this change can be found in section K of this note and also in Note 12.

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 position 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.

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.

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. 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 2012, 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.

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:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

J. FUND EQUITY

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

a. Nonspendable fund balance - amounts that are not in a spendable form (such as inventory and prepaid items) or are required to be maintained intact;
b. Restricted fund balance - amounts constrained to specific purposes by their providors (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
c. Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
d. Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
e. Unassigned fund balance - amounts that are available for any purpose; positive amounts are reported only in the general fund.

City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. In the general fund, the City has a policy to maintain a minimum of six months of operating expenditures in unassigned fund balance. The City was in compliance with this policy at September 30, 2013.

K. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

In addition to assets, the statements of financial position (the Statements of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City had no deferred outflows of resources to report for the current year.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City only has one type of item, which occurs because governmental fund revenues are not recognized until available under the modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, deferred property taxes are reported in the governmental funds balance sheet as deferred inflows. The City did not have deferred inflows of resources to report in its government-wide or proprietary fund financial statements for the current year.

L. NET POSITION FLOW ASSUMPTION

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. FUND BALANCE FLOW ASSUMPTIONS

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

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, 2012 upon which the 2013 fiscal-year levy was based, was $381,451,019 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, 2013, for the fiscal 2013 tax levy were 99.4 percent of the total tax levy for that year.

Delinquent taxes as of September 30, 2013, were $56,299.

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, 2013 is $20,204.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the period ended September 30, 2013 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 201,297	$ 172,449	$ -	$ 373,746
Construction in Progress	139,188	28,090	139,188	28,090
Total capital assets not being depreciated	340,485	200,539	139,188	401,836
Capital assets being depreciated:				
Buildings & improvements	990,045	-	-	990,045
Infrastructure	7,297,280	173,514	-	7,470,794
Furniture and equipment	1,908,001	162,450	49,856	2,020,595
Total capital assets being depreciated	10,195,326	335,964	49,856	10,481,434

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Less accumulated depreciation for:				
Buildings & improvements	(369,224)	(38,538)	-	(407,762)
Infrastructure	(2,842,716)	(289,254)	-	(3,131,970)
Furniture and equipment	(1,383,509)	(121,276)	(41,783)	(1,463,002)
Total accumulated depreciation	(4,595,449)	(449,068)	(41,783)	(5,002,734)
Total capital assets being depreciated, net	5,599,877	(113,104)	8,073	5,478,700
Governmental activities capital assets, net	$ 5,940,362	$ 87,435	$ 147,261	$ 5,880,536
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 96,824	$ -	$ -	$ 96,824
Construction in progress	78,423	58,445	124,983	11,885
Total capital assets, not being depreciated	175,247	58,445	124,983	108,709
Capital assets being depreciated:				
Water and sewer system	18,067,164	171,901	-	18,239,065
Buildings	255,590	-	-	255,590
Machinery and equipment	480,341	15,470	32,037	463,774
Total capital assets being depreciated	18,803,095	187,371	32,037	18,958,429
Less accumulated depreciation for:				
Water and sewer system	(8,011,418)	(557,173)	-	(8,568,591)
Buildings	(170,382)	(4,734)	-	(175,116)
Machinery and equipment	(366,357)	(2,749)	(32,037)	(337,069)
Total accumulated depreciation	(8,548,157)	(564,656)	(32,037)	(9,080,776)
Total capital assets being depreciated, net	10,254,938	(377,285)	-	9,877,653
Business-type activities capital assets, net	$ 10,430,185	$ (318,840)	$ 124,983	$ 9,986,362

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

Governmental activities:	
General government	$ 28,428
Public safety	112,972
Public works	182,409
Recreation	125,259
Total depreciation expense - governmental activities	449,068
Business-type activities:	
Water utilities	564,656
Total depreciation expense - business-type activities	564,656

NOTE 5 - LONG-TERM DEBT

Long-term debt transactions for the year ended September 30, 2013, are summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities:					
Accrual for Compensated Absences	$ 52,414	$ -	$ 5,966	$ 46,448	$ -
Total Governmental Activities	$ 52,414	$ -	$ 5,966	$ 46,448	$ -

NOTE 5 - LONG-TERM DEBT (CONTINUED)

Business-type Activities:

Certificates of Obligation					
Series 1999, interest at 5.05%, maturing 3/01/2014	$ 375,000	$ -	$ 185,000	$ 190,000	$ 190,000
Series 2008, interest at 3.50-4.25%, maturing 3/01/2023	2,820,000	-	30,000	2,790,000	30,000
Series 2013, interest at 1.5-3.25%, maturing 3/01/2033	-	5,420,000	-	5,420,000	-
Revenue Bonds					
Series 2001, interest at 3.20-3.95%, maturing 3/01/2015	480,000	-	155,000	325,000	160,000
Premium on Issuance of Debt	-	182,496	5,260	177,236	-
Total Business-Type Activities	$ 3,675,000	$ 5,602,496	$ 375,260	$ 8,902,236	$ 380,000
Total Long-term Debt	$ 3,727,414	$ 5,602,496	$ 381,226	$ 8,948,684	$ 380,000

Aggregate maturities of long-term debt subsequent to September 30, 2013 are as follows:

Business-type activities:

Year Ending September 30	Principal	Interest	Total
2014	$ 380,000	$ 279,036	$ 659,036
2015	390,000	264,206	654,206
2016	405,000	250,929	655,929
2017	415,000	236,873	651,873
2018	430,000	222,604	652,604
2019-2023	2,385,000	883,269	3,268,269
2024-2028	1,995,000	523,781	2,518,781
2029-2033	2,325,000	184,013	2,509,013
	$ 8,725,000	$ 2,844,711	$ 11,569,711

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.

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

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

NOTE 6 - EMPLOYEE BENEFITS (CONTINUED)

	Plan Year 2012	Plan Year 2013
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

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/(assets) are as follows:

Annual required contribution (ARC)	$ 253,632
Interest on net pension obligation	-
Adjustment to the ARC	-
Annual pension cost	253,632
Contributions made	253,632
Increase(decrease) in net pension	-
Net Pension Obligation/(Asset), beginning of year	-
Net Pension Obligation/(Asset), end of year	$ -

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

Valuation Date	12/31/10	12/31/11	12/31/12
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	27.2 years; closed period	26.3 years; closed period	25.4 years; closed period
Amortization Period for New Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market

NOTE 6 - EMPLOYEE BENEFITS (CONTINUED)

Actuarial Assumptions:			
Investment Rate of Return *	7.0%	7.0%	7.0%
Projected Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.0%	3.0%	3.0%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

Funded Status and Funding Progress -

The funded status as of December 31, 2012, the most recent actuarial valuation date, is presented as follows:

Actuarial Valuation Date	12/31/12
Actuarial Value of Assets	$ 8,114,430
Actuarial Accrued Liability (AAL)	9,508,034
Funded Ratio	85.3%
Unfunded AAL (UAAL)	1,393,604
Covered Payroll	2,021,047
UAAL as a Percentage of Covered Payroll	69.0%

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

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

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 2013, 2012 and 2011 were $3,041, $3,014 and $3,375, respectively, which equaled the required contributions each year.

NOTE 7 - RESTRICTED FUND BALANCE

As of September 30, 2013, fund balances restricted for specific purposes were as follows:

General Fund	
Municipal Court Security Fees	$ 4,790
Municipal Court Technology Fees	10,170
Drug Seizure Funds	1,575
Cable PEG Fees	27,163
	$ 43,698

NOTE 8 - 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, 2013.

NOTE 9 - DEPOSITS AND INVESTMENTS

Cash Deposits

Deposits - At September 30, 2013, the carrying amounts of the City's bank balances were $8,356,059. The City's cash deposits at September 30, 2013 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. Not all investment officers had the required training.

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, 2013, are shown below.

Investment or Investment Type	Maturity	Fair Value
Certificates of Deposit	6-12 months	$ 1,400,000
Total Investments		$ 1,400,000

Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

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

NOTE 9 - DEPOSITS AND INVESTMENTS (CONTINUED)

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 - 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 11 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 5, 2014, the date on which the financial statements were available to be issued.

On November 5, 2013, the White Oak Economic Development Corporation (WOEDCO) Board of Directors approved the issuance of debt in the amount of $1,050,000 to finance renovation and improvements to the White Oak City baseball complex located at the White Oak city park. Payments are due annually in the amount of $160,000 including interest at 3.528% commencing September 15, 2014 and continuing to September 15, 2018. Thereafter, payments are due annually in the amount of $136,852 including interest at 3.528% commencing September 15, 2019 and continuing to September 15, 2021. The debt is collateralized by a pledge of sales and use tax revenues.

As of the date of this report, an interlocal agreement between WOEDCO, the City of White Oak (City), and the White Oak Independent School District (School) was under consideration whereby the City and the School would make annual contributions to WOEDCO in the amount of $50,000 each over five years to be applied to debt retirement.

By agreement, the City is responsible for the design, contracting, and oversight of the baseball field renovation and improvement project. As of September 30, 2013, the City had incurred design costs of $28,090 and as of the date of this report had authorized engineering and construction contracts in the amount of $1,013,290 in connection therewith.

NOTE 12 - PRIOR PERIOD ADJUSTMENT

Beginning net position has been reduced by $19,089 to reflect a change in accounting policy. The City implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* during the year ended September 30, 2013. As a result, debt issuance costs previously capitalized and amortized have been removed from the statements of net position.

REQUIRED SUPPLEMENTAL INFORMATION

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CITY OF WHITE OAK, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
REVENUES:				
Property taxes	$ 1,945,623	$ 1,945,623	$ 1,952,627	$ 7,004
Franchise taxes	353,700	353,700	361,824	8,124
Sales taxes	545,000	545,000	537,690	(7,310)
Licenses, permits and fees	13,900	13,900	27,641	13,741
Fines, forfeitures and penalties	135,900	135,900	157,796	21,896
Park user fees	60,000	60,000	18,279	(41,721)
Investment income	18,000	18,000	15,259	(2,741)
Grant revenues	42,328	42,328	67,002	24,674
Miscellaneous	8,072	8,072	18,170	10,098
TOTAL REVENUES	3,122,523	3,122,523	3,156,288	33,765
EXPENDITURES:				
General government	916,110	941,061	925,427	15,634
Public safety	1,629,118	1,649,567	1,611,930	37,637
Public works	385,878	350,978	307,829	43,149
Developmental services	37,186	37,185	36,570	615
Recreation	295,260	284,761	286,133	(1,372)
TOTAL EXPENDITURES	3,263,552	3,263,552	3,167,889	95,663
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(141,029)	(141,029)	(11,601)	129,428
FUND BALANCE, OCTOBER 1, 2012	2,752,303	2,752,303	2,752,303	-
FUND BALANCE, SEPTEMBER 30, 2013	$ 2,611,274	$ 2,611,274	$ 2,740,702	$ 129,428

CITY OF WHITE OAK, TEXAS
SCHEDULE OF FUNDING PROGRESS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2013

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)
12/31/2010	6,993,758	8,334,062	83.9%	1,340,304	1,734,021	77.3%
12/31/2011	7,540,457	8,885,946	84.9%	1,345,489	1,803,500	74.6%
12/31/2012	8,114,430	9,508,034	85.3%	1,393,604	2,021,047	69.0%

OTHER SUPPLEMENTAL INFORMATION

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CITY OF WHITE OAK, TEXAS
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION-
BUDGET (NON-GAAP BASIS) AND ACTUAL - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual GAAP	Adjustments Budget	Actual Budget	Variance with Final Budget Positive
	Original	Final	Basis	Basis	Basis	(Negative)
OPERATING REVENUES:						
Water revenue	$ 1,300,000	$ 1,300,000	$ 1,362,671	$ -	$ 1,362,671	$ 62,671
Sewer revenue	640,000	640,000	628,915	-	628,915	(11,085)
Sanitation revenue	75,000	75,000	62,945	-	62,945	(12,055)
Penalties	35,000	35,000	37,345	-	37,345	2,345
Installment fees	34,125	34,125	53,325	-	53,325	19,200
Miscellaneous revenue	2,000	2,000	8,539	-	8,539	6,539
TOTAL OPERATING REVENUES	2,086,125	2,086,125	2,153,740	-	2,153,740	67,615
OPERATING EXPENSES:						
Administration	69,381	69,381	69,001	-	69,001	380
Water supply	157,500	157,500	130,987	-	130,987	26,513
Water distribution	173,251	175,451	151,944	-	151,944	23,507
Water purification	511,541	513,441	494,799	-	494,799	18,642
Sanitary sewer maintenance	204,815	207,615	187,431	-	187,431	20,184
Sanitary sewer treatment	281,190	281,190	255,004	-	255,004	26,186
Depreciation and amortization	-	-	564,656	(564,656)	-	-
Miscellaneous	66,851	59,951	49,999	-	49,999	9,952
Capital outlay	128,416	480,909	-	120,832	120,832	360,077
TOTAL OPERATING EXPENSES	1,592,945	1,945,438	1,903,821	(443,824)	1,459,997	485,441
OPERATING INCOME	493,180	140,687	249,919	443,824	693,743	553,056
NONOPERATING REVENUES (EXPENSES)						
Investment proceeds	5,000	5,000	6,254	-	6,254	1,254
Grant proceeds	49,787	25,637	25,637	-	25,637	-
Gain on disposition of assets	-	-	16,455	-	16,455	16,455
Certificate of obligation proceeds	-	5,448,666	-	5,420,000	5,420,000	(28,666)
Premium on certificates of obligation	-	-	-	182,496	182,496	182,496
Debt service - interest	(140,755)	(140,755)	(208,125)	(5,260)	(213,385)	(72,630)
Debt service - fees	(3,000)	(67,526)	(153,064)	-	(153,064)	(85,538)
Debt service - principal	(370,000)	(370,000)	-	(370,000)	(370,000)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(458,968)	4,901,022	(312,843)	5,227,236	4,914,393	13,371
NET INCOME (LOSS)	34,212	5,041,709	(62,924)	5,671,060	5,608,136	566,427
NET POSITION - BEGINNING	8,344,993	8,344,993	8,344,993	-	8,344,993	-
PRIOR PERIOD ADJUSTMENT	-	-	(19,089)	-	(19,089)	(19,089)
NET POSITION - BEGINNING, AS RESTATED	8,344,993	8,344,993	8,325,904	-	8,325,904	(19,089)
NET POSITION - ENDING	$ 8,379,205	$ 13,386,702	$ 8,262,980	$ 5,671,060	$ 13,934,040	$ 547,338

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COMPLIANCE SECTION

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KAREN A. JACKS & ASSOCIATES, P.C.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and City Council
City of White Oak, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type 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, 2013, and the related notes to the financial statements, which collectively comprise the City of White Oak, Texas' basic financial statements, and have issued our report thereon dated March 5, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of White Oak, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of White Oak, Texas', internal control. Accordingly, we do not express an opinion on the effectiveness of the City of White Oak, Texas' internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of White Oak, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Members American Institute of Certified Public Accountants • Texas Society of Certified Public Accountants • AICPA Division for Firms Private Companies Practice Section

Purpose of this Report

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

Karen A. Jacks & Associates, P.C.

Karen A. Jacks & Associates, P.C.

Longview, Texas
March 5, 2014

CITY OF WHITE OAK, TEXAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

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

Program	Finding	Status
None		

CITY OF WHITE OAK, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

A. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified			
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
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2013

None required.

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