

CITY OF LONE OAK, TEXAS
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2007

RUTHERFORD, TAYLOR & COMPANY, P.C.
Certified Public Accountants
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CITY OF LONE OAK, TEXAS
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2007

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Lone Oak, Texas

Members of the Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lone Oak, Texas (City) as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

Except as discussed in the following paragraphs, 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Due to inadequacies in the City's accounting records, we were unable to form an opinion regarding the amount of criminal fines and fees collected and receivables reported on the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding certain revenue accounts, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lone Oak, Texas as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, of these for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of the audit.

Management's discussion and analysis and budgetary comparison information identified as required supplementary information are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

May 15, 2009
Greenville, Texas

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TAYLOR &
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**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 Members of the City Council
City of Lone Oak, Texas

Members of the Council:

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lone Oak, Texas (City) as of and for the year ended June 30, 2007, which collectively comprise the basic financial statements of the City and have issued our report thereon dated May 15, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose as described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's basic financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting, described as item 07-1.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Report on Internal Control – Continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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*.

This report is intended solely for the information of the City Council, management, and other grantors and is not intended to be and should not be used by anyone other than these specified parties.

May 15, 2009
Greenville, Texas

CITY OF LONE OAK, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

**Schedule
Reference
Number**

Findings

SIGNIFICANT DEFICIENCIES

07-1

Asserted Completeness of Revenues

Criteria: Revenues being a significant portion of the financial statements, complete and accurate records detailing criminal fees earned and receivable are imperative to the financial statement assertions made by management.

Condition Found: We were unable to examine criminal fees earned and/or receivable during the year due to the City's lack of adequate records.

Questioned Costs/Basis: None

Instances / Universe: Amounts reported as Fines on the Statement of Revenues, Expenditures and Changes in Fund Balance were not able to be examined. The amounts not examined totaled \$ 236,103.

Effect: Management's assertion relating to the completeness of revenue cannot be confirmed due to lack of adequate records.

Recommendation: City officials should develop and implement written procedures concerning the recording and reporting of all revenue accounts, as well as, ensuring the appropriate retention of all pertinent records. Included in these procedures should be supervising personnel to ensure completeness and accuracy in the reporting process relating to all revenue accounts.

CITY OF LONE OAK, TEXAS
STATUS OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2007

**Schedule
Reference
Number**

Prior Findings

NONE

CITY OF LONE OAK, TEXAS
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2007

**Schedule
Reference
Number**

Actions Planned

07-1

Asserted Completeness of Revenues

Procedures will be developed and implemented to ensure that all pertinent records will be maintained by the City for a period of time that adheres to the retention policies set forth by the City.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)

CITY OF LONE OAK, TEXAS
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED JUNE 30, 2007

This section of the City of Lone Oak, Texas annual financial report presents our discussion and analysis of the City's financial performance during the year ended June 30, 2007. Please read it in conjunction with the City's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's total combined total net assets were \$ 591,061 at June 30, 2007.
- During the year, the City's expenses were \$ 59,199 more than the \$ 644,034 generated in taxes and other revenues.
- The total cost of the City's programs increased over the prior year as a result of rising population and increasing construction, causing demand for facilities upgrades, primarily in the public works department.
- The City issued Combination Tax and Revenue Certificates of Obligation, Series 2006, totaling \$ 200,000. The proceeds from issuance will be used to construct a new water well in addition to improvements and renovations to existing City water and sewer lines.
- The City entered into a promissory note agreement with American National Bank of Texas, totaling \$ 14,916, proceeds to be used to purchase a city vehicle.

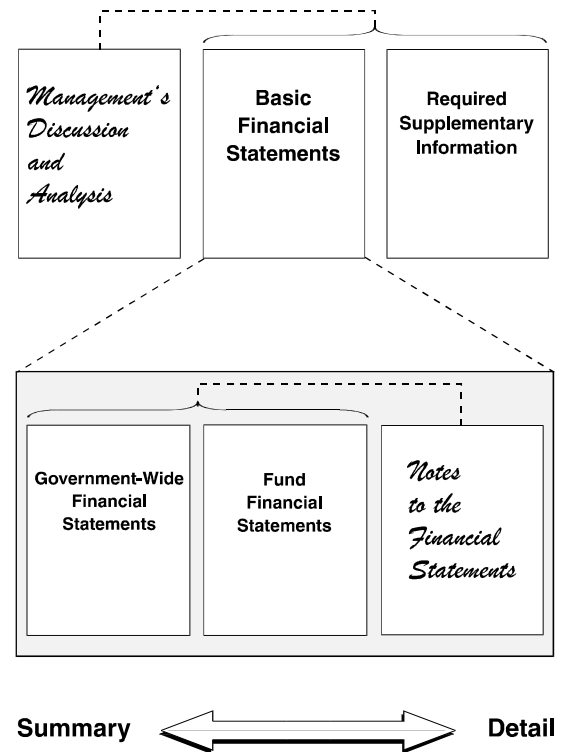
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
- Proprietary fund statements offer short- and long-term financial information about the activities the government operates like businesses, such as solid waste services.
- Fiduciary fund statements, if any, provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The basic financial statements also include notes that explain some of the information in the basic financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the basic financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1, Required Components of the City's Annual Financial Report



CITY OF LONE OAK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007

Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements

<i>Type of Statements</i>	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the city that are not proprietary or fiduciary	Activities the city operates similar to private businesses: solid waste services	Instances in which the city is the trustee or agent for someone else's resources
<i>Required financial statements</i>	♦ Statement of net assets	♦ Balance sheet	♦ Statement of net assets	♦ Statement of fiduciary net assets
	♦ Statement of activities	♦ Statement of revenues, expenditures & changes in fund balances	♦ Statement of revenues, expenses and changes in fund net assets ♦ Statement of cash flows	♦ Statement of changes in fiduciary net assets
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the City's basic financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets—the difference between the City's assets and liabilities—is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base and population.

The government-wide financial statements of the City include the governmental activities. Most of the City's basic services are included here, such as police and fire protection, public works, community development and general administration. Property taxes, fees, fines and intergovernmental support, including grants, finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

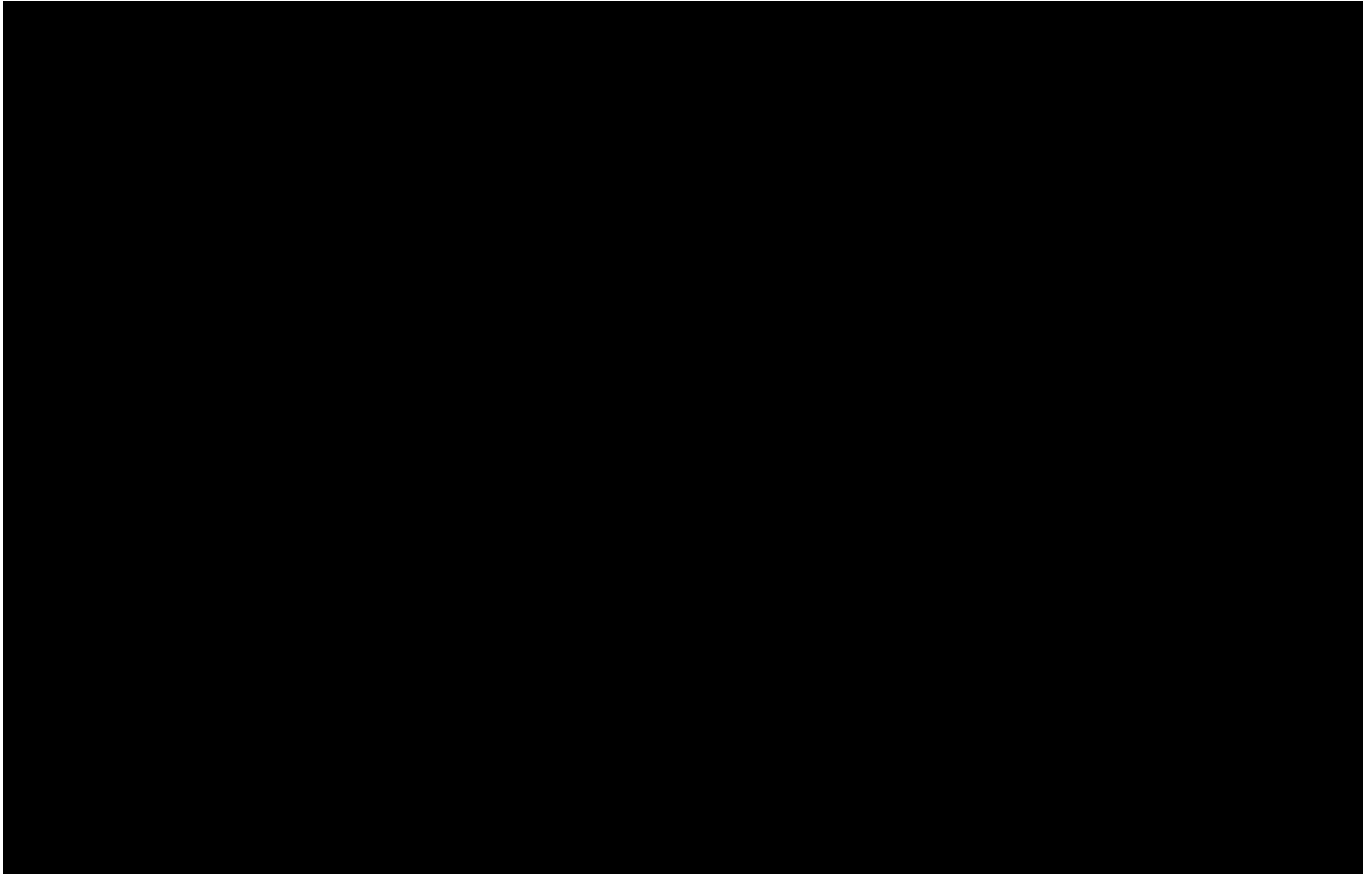
The City has the following kinds of funds:

- Governmental funds—Most of the City's basic services are included in governmental funds, which focus on: (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between them.
- Proprietary Funds- Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary Funds, like the government-wide statements, provide both long-term and short-term financial information. We use internal service funds to report activities that provide supplies and services for the City's other programs and activities.

CITY OF LONE OAK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets – The City's total assets exceeded total liabilities by \$ 591,061 at June 30, 2007. This represents an \$ 61,851 or 9.47% decrease over the total net assets at June 30, 2006.



Seventy percent (70%) of the City's net assets reflects its investment in capital assets (land, buildings, equipment and infrastructure), net of any related debt used to acquire the assets that is outstanding. The City uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in 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. The remaining thirty percent (30%) is available for use by the City.

CITY OF LONE OAK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007

Changes in Net Assets – The City's total revenues increased by \$ 138,784 or 27.47% to \$ 644,034 during the year.

	Changes in Net Assets					
	Governmental Activities		Business-type Activities		Total Government	
	2007	2006	2007	2006	2007	2006
Revenues						
Program Revenues:						
Charges for Services	\$ 219,678	\$ 112,518	\$ 283,689	\$ 271,630	\$ 503,367	\$ 384,148
Operating Grants	10,781	-	-	-	10,781	-
General Revenues:						
Taxes	122,179	116,625	-	-	122,179	116,625
Interest Earnings	254	-	2,696	-	2,950	-
Other Income	4,757	4,477	-	-	4,757	4,477
Total Revenues	\$ 357,649	\$ 233,620	\$ 286,385	\$ 271,630	\$ 644,034	\$ 505,250
Expenses						
Governmental Activities						
Police	\$ 150,364	\$ 116,366	\$ -	\$ -	\$ 150,364	\$ 116,366
Administration	52,712	88,990	-	-	52,712	88,990
Health and Welfare	4,703	-	-	-	4,703	-
Municipal Court	152,032	-	-	-	152,032	-
Public Works	28,284	7,077	-	-	28,284	7,077
Wastewater	-	-	310,459	284,570	310,459	284,570
Debt Service	4,679	3,274	-	-	4,679	3,274
Total Expenses	\$ 392,774	\$ 215,707	\$ 310,459	\$ 284,570	\$ 703,233	\$ 500,277
Excess (Deficiency) of Revenues Over (Under) Expenditures before Transfers	\$ (35,125)	\$ 17,913	\$ (24,074)	\$ (12,940)	\$ (59,199)	\$ 4,973
Transfer In (Out)	-	(6,097)	-	6,097	-	-
Change in Net Assets	\$ (35,125)	\$ 11,816	\$ (24,074)	\$ (6,843)	\$ (59,199)	\$ 4,973
Net Assets - July 1 (Beginning)	\$ 170,661	\$ 158,845	\$ 482,251	\$ 489,094	\$ 652,912	\$ 647,939
Prior Period Adjustments	(69,477)	-	66,825	-	(2,652)	-
Net Assets - Beginning, as restated	\$ 101,184	\$ 158,845	\$ 549,076	\$ 489,094	\$ 650,260	\$ 647,939
Net Assets - June 30 (Ending)	\$ 66,059	\$ 170,661	\$ 525,002	\$ 482,251	\$ 591,061	\$ 652,912

CITY OF LONE OAK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007

Governmental Activities – The City's total governmental activities revenues were \$ 357,649. In the current year, 34.16% of the City's revenue comes from taxes and franchise fees. Taxes include property taxes, sales taxes and utility franchise fees. 61.42% of revenue is generated through charges for services which include rental, licenses and permits, intergovernmental support for services provided to other entities and other user charges. The remaining 4.42% is comprised of other miscellaneous sources including investment earnings and Grant Proceeds.

The total cost of all governmental activities programs and services was \$392,774. Public works, which includes street maintenance and related activities, represents 7.20% of the expenses. Police, fire and emergency services comprised 38.29% of the current year expenses. 13.42% of current year expenses were related to general administration, which includes city clerical and all expenses related to the Marshall's office. The remaining 41.09% of expenses include general administration, municipal court, debt service and other governmental activities.

Business-Type Activities - include the wastewater utility and solid waste utility.

The water and wastewater utility's revenues were exceeded by its expenses and transfers to governmental activities by \$ 24,074. The utility provides wastewater services to the residents of the City.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflow, outflow, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported total ending fund balances of \$ 6,182. Of the total ending fund balance \$ 1,962 constituted unreserved fund balance, in the general fund. The remainder of the fund balance deficit constituted \$ 4,220 which is available for spending associated with special revenue funds.

General fund expenditures and other uses were exceeded by revenues and other resources in the current period by \$ 29,074. The expenses for the fund increased significantly from the prior period, primarily in the area of increased police and fire protection costs associated with the building of a new police and fire station.

Other governmental funds, special revenue funds, ended the year with revenues exceeded by expenditures by \$4,220..

Proprietary Funds – The proprietary funds – enterprise funds – are used to account for activities that are supported by charges for services rendered and are operated like a business. In each of the major enterprise funds, the revenues exceeded the expenses.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively significant due to increased administration costs associated with public works and additional capital outlay.

General Fund revenues were exceeded by the final amended budget by \$ 74,090. The decrease was the direct result of decreased building permits and utility inspection fees.

General Fund expenditures were less than final budgeted amounts. This amount, \$ 26,262, represents 6.30% of the general fund budget.

CITY OF LONE OAK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – The City's investment in capital assets for its total governmental activities at June 30, 2007 amounted to \$ 796,025 (net of accumulated depreciation). This investment in capital assets included land and right-of-way costs, construction in progress, buildings and improvements, equipment and infrastructure. Additional information on the City's capital assets can be found in the notes to the financial statements following this analysis.

Capital Assets						
	Governmental Activities		Business-Type Activities		Total Government	
	2007	2006	2007	2006	2007	2006
Nondepreciable Assets						
Land	\$ 7,010	\$ 7,010	\$ -	\$ -	\$ 7,010	\$ 7,010
Depreciable Assets						
Buildings and Improvements	86,364	86,364	-	-	\$ 86,364	86,364
Infrastructure	168,132	168,132	1,406,895	1,290,657	1,575,027	1,458,789
Equipment	22,600	17,200	65,420	65,420	88,020	82,620
Vehicles	95,130	80,214	-	-	95,130	80,214
Total Capital Assets	\$ 379,236	\$ 358,920	\$ 1,472,315	\$ 1,356,077	\$ 1,851,551	\$ 1,714,997
Less Accumulated Depreciation	(239,993)	(215,817)	(815,533)	(740,584)	(1,055,526)	(956,401)
Net Capital Assets	<u>\$ 139,243</u>	<u>\$ 143,103</u>	<u>\$ 656,782</u>	<u>\$ 615,493</u>	<u>\$ 796,025</u>	<u>\$ 758,596</u>

Long-Term Obligations – The City's total long-term obligations, including capital leases, totaled \$ 383,988 at June 30, 2007. This number represents a total increase of \$ 170,849 during the year. Additional information on the City's long-term obligations can be found in the notes to the basic financial statements following this analysis.

Long Term Obligations						
	Governmental Activities		Business-Type Activites		Total Government	
	2007	2006	2007	2006	2007	2006
Bonds Payable	\$ 58,312	\$ 68,362	\$ 292,233	\$ 108,130	\$ 350,545	\$ 176,492
Capital Leases Payable	14,571	23,517	-	-	14,571	23,517
Notes Payable	11,802	-	7,070	13,130	18,872	13,130
Total Debt Payable	<u>\$ 84,685</u>	<u>\$ 91,879</u>	<u>\$ 299,303</u>	<u>\$ 121,260</u>	<u>\$ 383,988</u>	<u>\$ 213,139</u>

CITY OF LONE OAK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

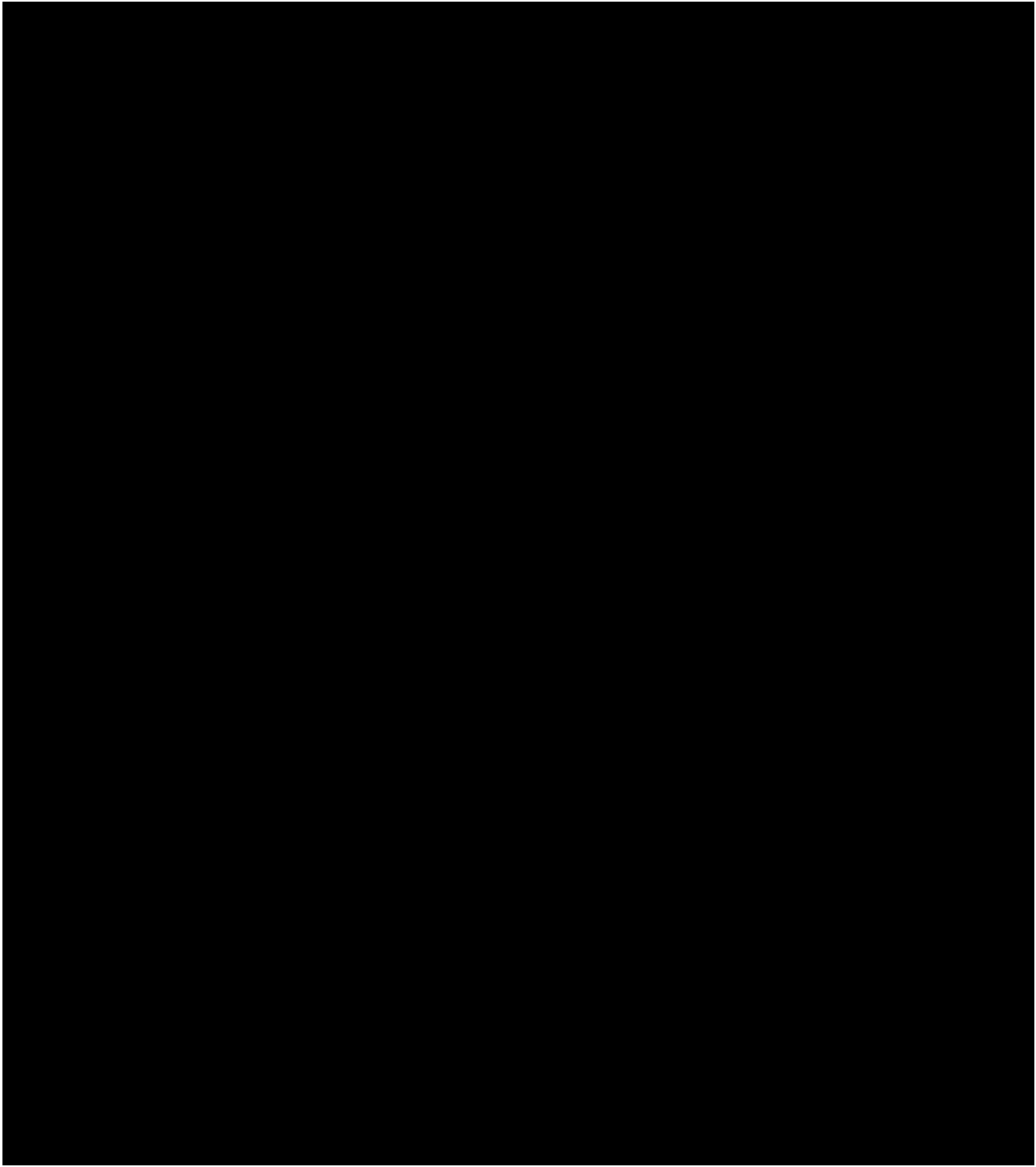
The annual budget is developed to provide efficient, effective and economic uses of the City's resources, as well as a means to accomplish the highest priority objectives. Through the budget, the City Council and administration set the direction of the City, allocate its resources, and establish its priorities.

The City annually reviews all of its fees as part of the budget adoption process. Fees for general government as well as user charges are evaluated and, if needed, adjusted to meet the needs of the operations of the systems. The budget is adopted and a tax rate is approved to meet the demands of the budget. For 2008, rates set for fees and taxes are estimated to meet operational demand similar to the current year.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lisa Willis, Mayor for the City.

BASIC FINANCIAL STATEMENTS

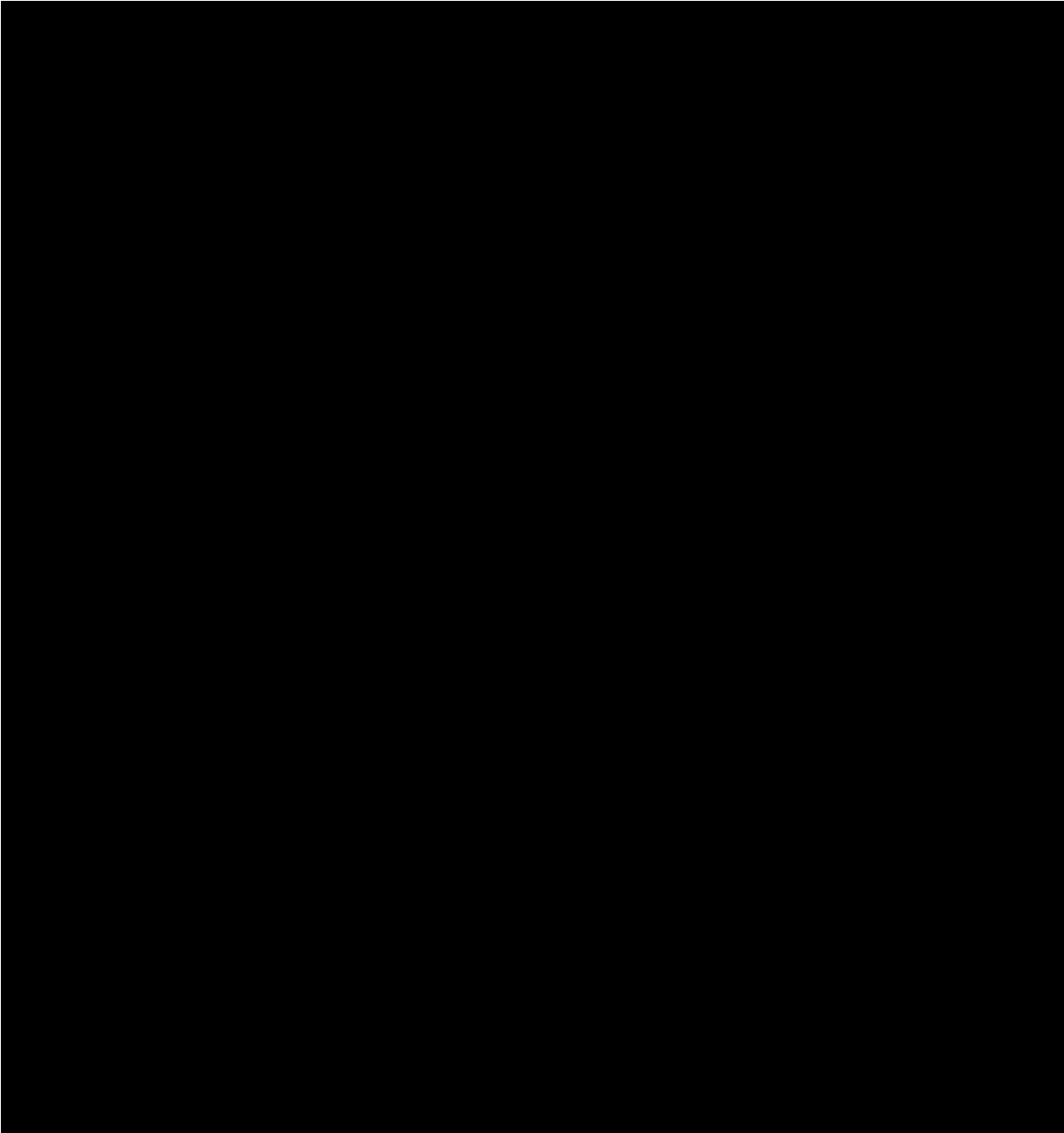


The accompanying notes are an integral part of this statement.

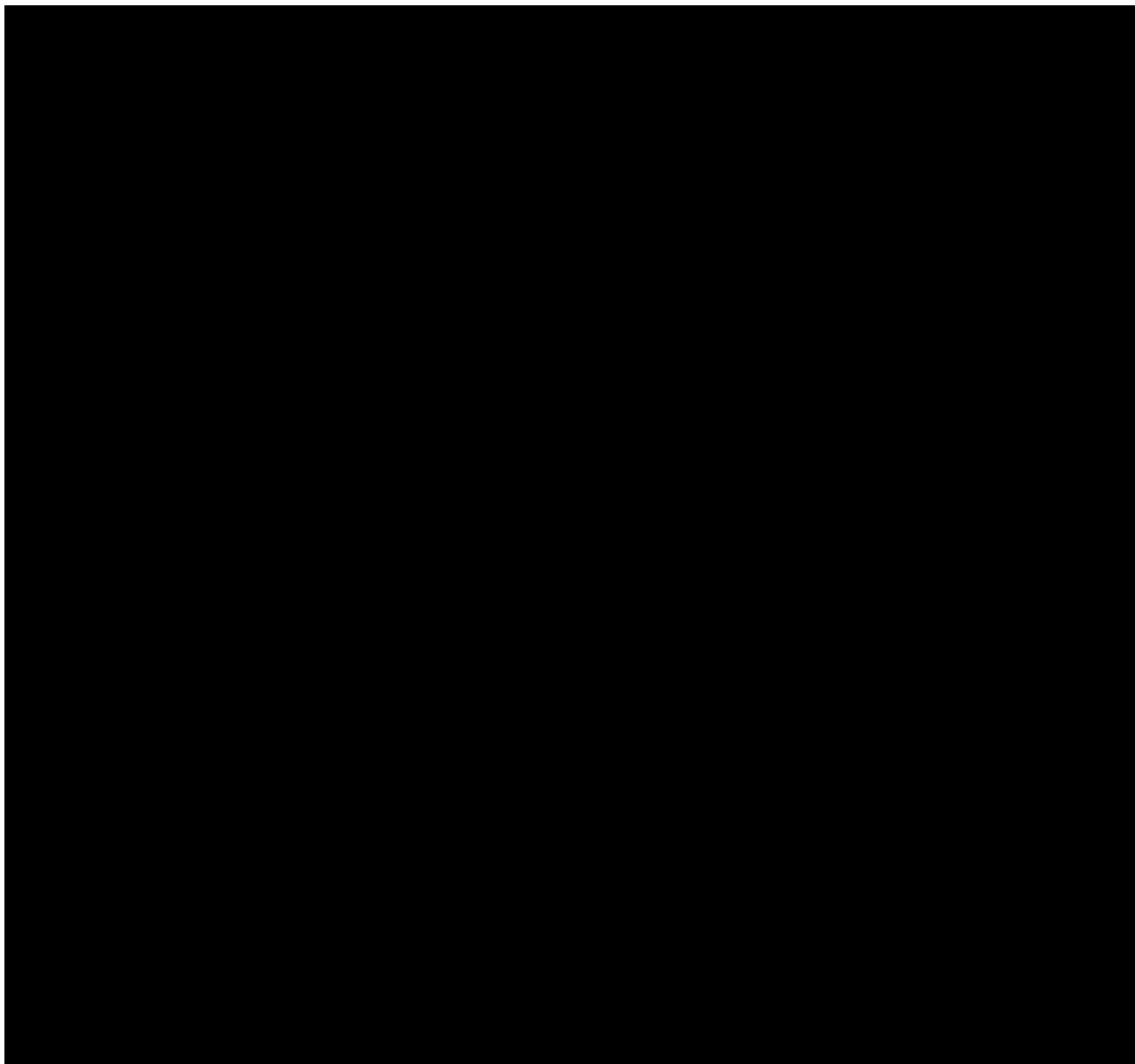
CITY OF LONE OAK, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Administration	\$ 52,712	\$ -	\$ -	\$ -	\$ (52,712)	\$ -	\$ (52,712)
Municipal Court	152,032	2,549	9,899	-	(139,584)	-	(139,584)
Police	150,364	217,129	882	-	67,647	-	67,647
Health and Welfare	4,703	-	-	-	(4,703)	-	(4,703)
Public Works	28,284	-	-	-	(28,284)	-	(28,284)
Debt Service	4,679	-	-	-	(4,679)	-	(4,679)
Total Governmental Activities	\$ 392,774	\$ 219,678	\$ 10,781	\$ -	\$ (162,315)	\$ -	\$ (162,315)
Business-type Activities:							
Wastewater	\$ 310,459	\$ 283,689	\$ -	\$ -	\$ -	\$ (26,770)	\$ (26,770)
Total Business-type Activities	\$ 310,459	\$ 283,689	\$ -	\$ -	\$ -	\$ (26,770)	\$ (26,770)
Total Government	\$ 703,233	\$ 503,367	\$ 10,781	\$ -	\$ (162,315)	\$ (26,770)	\$ (189,085)
General Revenues:							
Taxes					\$ 122,179	\$ -	\$ 122,179
Interest Earnings					254	2,696	2,950
Other Income					4,757	-	4,757
Total General Revenues					\$ 127,190	\$ 2,696	\$ 129,886
Change in Net Assets					\$ (35,125)	\$ (24,074)	\$ (59,199)
Net Assets - (July 1) - Beginning					\$ 170,661	\$ 482,251	\$ 652,912
Prior Period Adjustments					(69,477)	66,825	(2,652)
Net Assets - Beginning, as restated					\$ 101,184	\$ 549,076	\$ 650,260
Net Assets - (June 30) - Ending					\$ 66,059	\$ 525,002	\$ 591,061

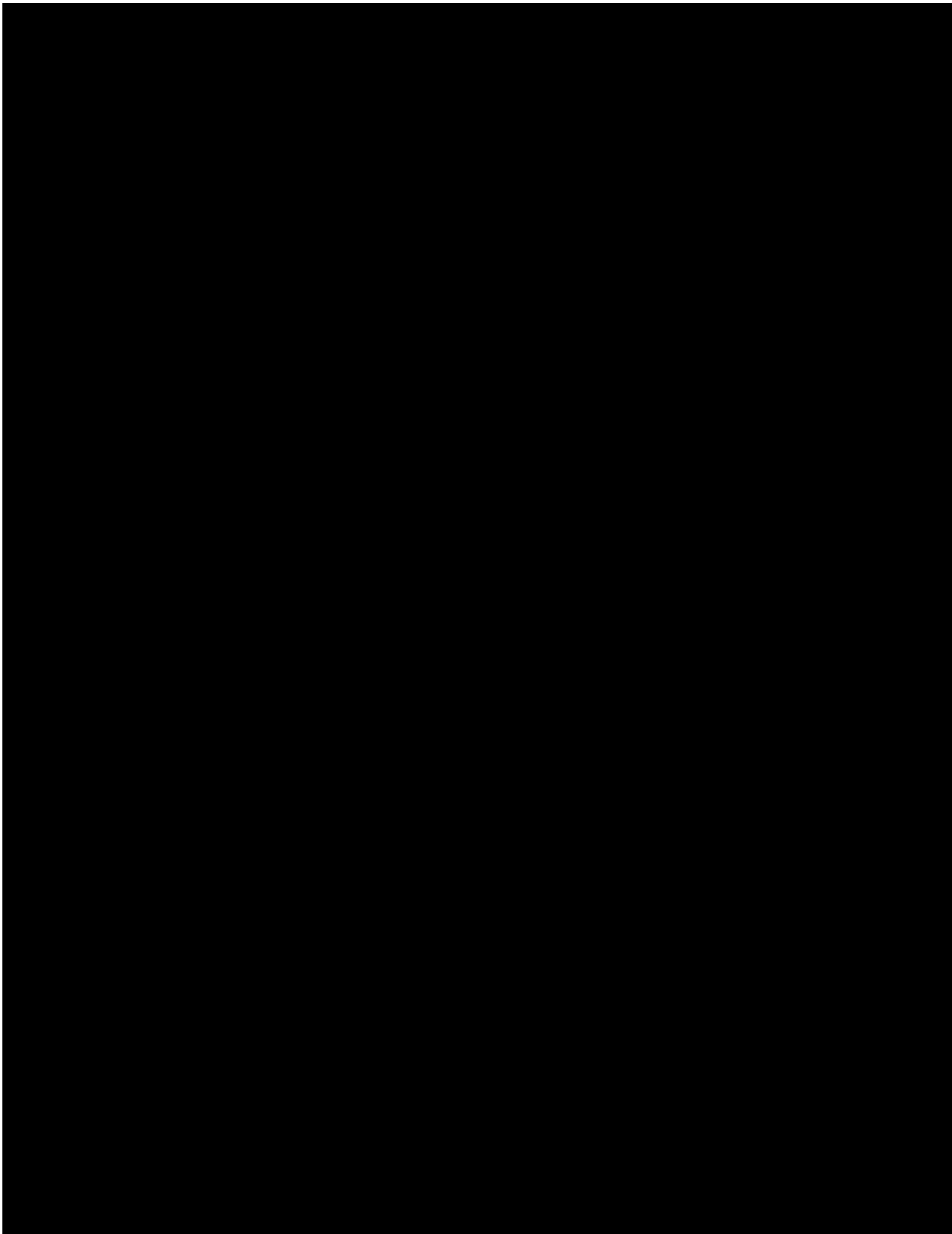
The accompanying notes are an integral part of this statement.



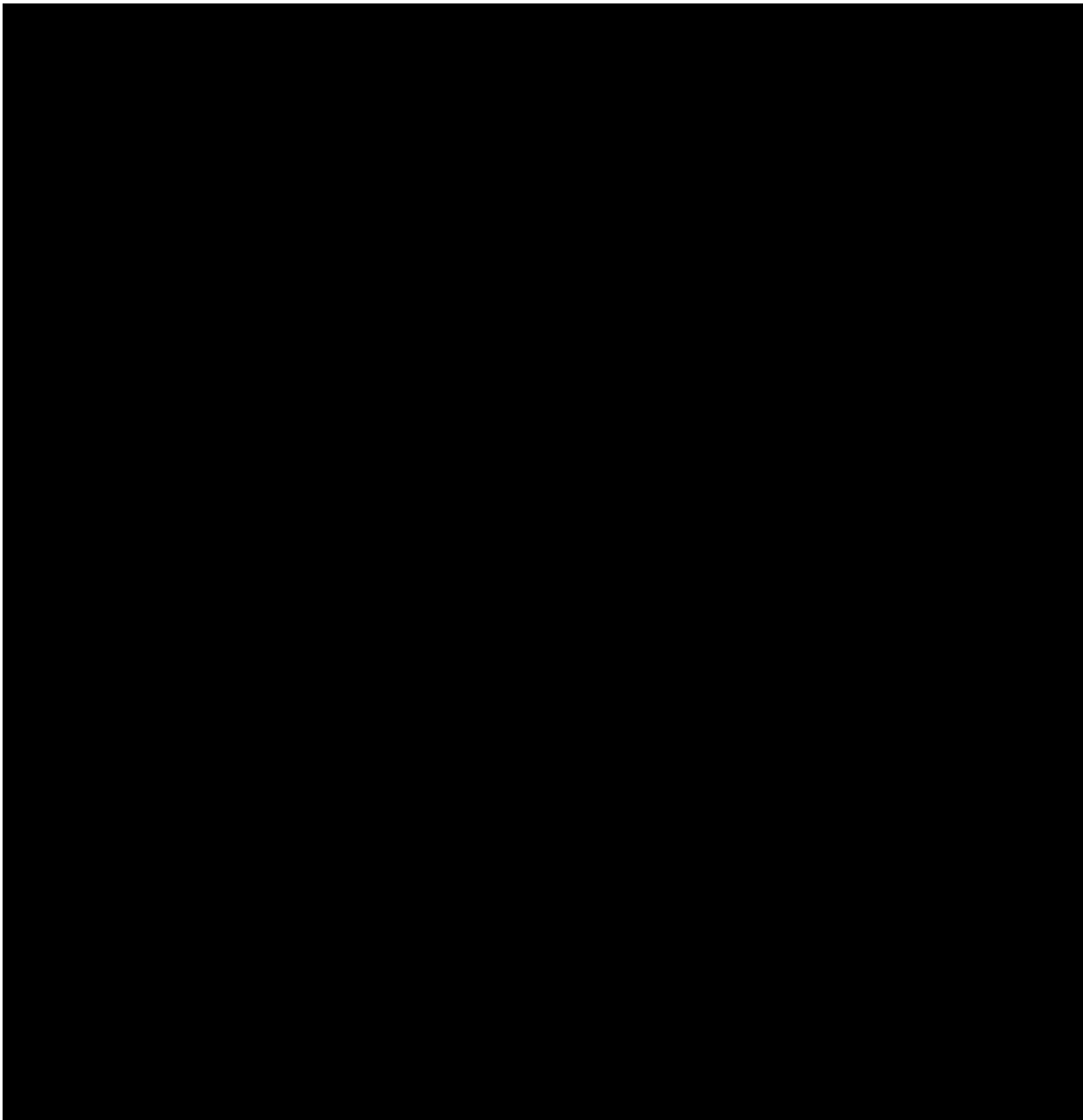
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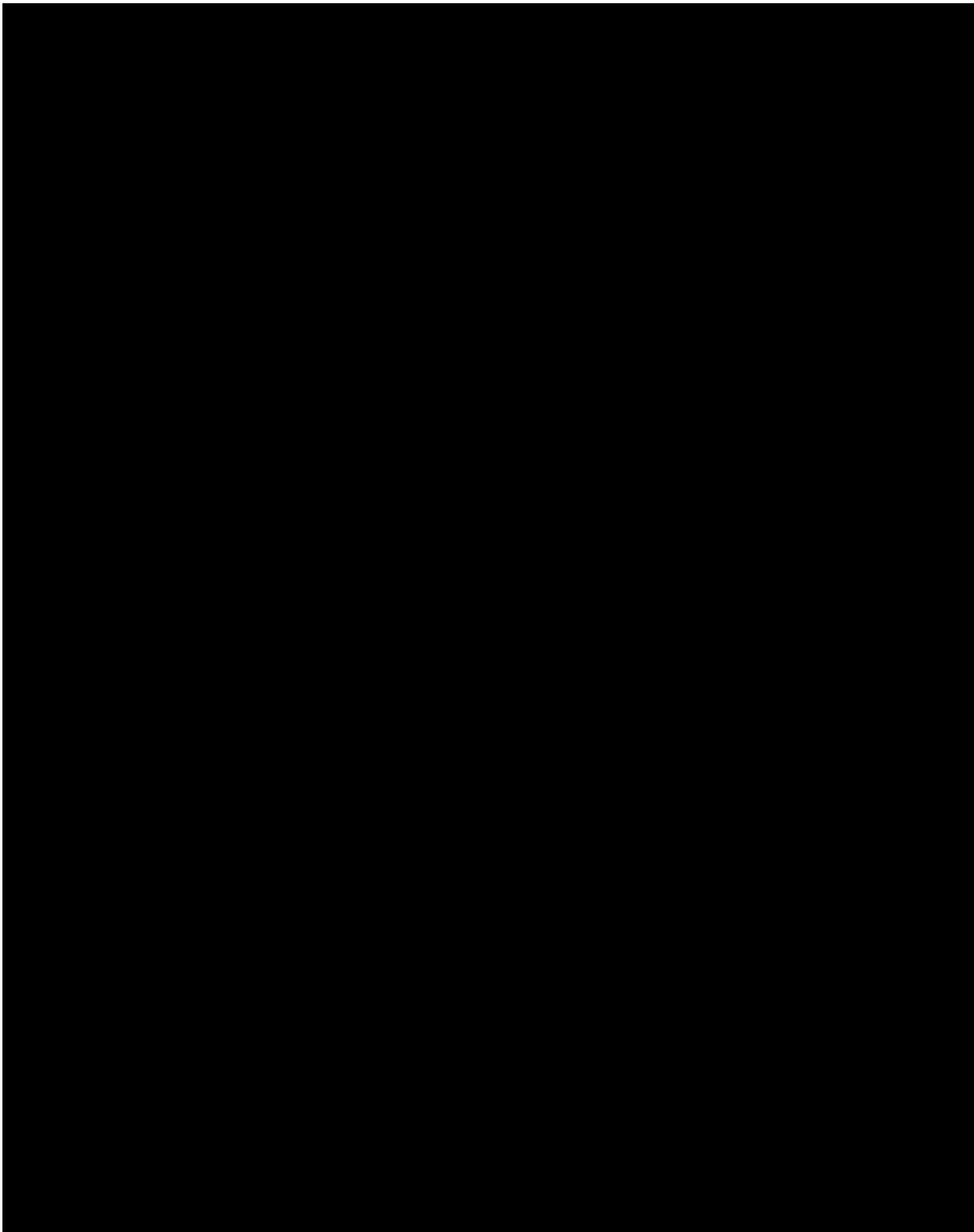
The accompanying notes are an integral part of this statement.



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CITY OF LONE OAK, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
IN FUND NET ASSETS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

	Wastewater Utility	Total
OPERATING REVENUES		
Service Fees	\$ 283,689	\$ 283,689
Total Operating Revenues	\$ 283,689	\$ 283,689
OPERATING EXPENSES		
Sanitation Services	\$ 225,928	\$ 225,928
Depreciation Expense	74,949	74,949
Amortization Expense	1,142	1,142
Total Operating Expenses	\$ 302,019	\$ 302,019
Operating Income (Loss)	\$ (18,330)	\$ (18,330)
NONOPERATING REVENUES (EXPENSES)		
Interest Earned	\$ 2,696	\$ 2,696
Interest and Fee Expense	(8,440)	(8,440)
Total Nonoperating Revenues (Expenses)	\$ (5,744)	\$ (5,744)
Income (Loss) before Contributions and Transfers	\$ (24,074)	\$ (24,074)
Operating Transfers In (Out)	-	-
Change in Net Assets	\$ (24,074)	\$ (24,074)
Net Assets - Beginning (July 1)	\$ 482,251	\$ 482,251
Prior Period Adjustments	66,825	66,825
Net Assets - Beginning, as restated	\$ 549,076	\$ 549,076
Net Assets - Ending (June 30)	\$ 525,002	\$ 525,002

The accompanying notes are an integral part of this statement.

CITY OF LONE OAK, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

	Wasterwater Utility	Total
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 283,689	\$ 283,689
Cash Payments for Goods and Services	(200,826)	(200,826)
Cash Payments to Employees for Services	(55,171)	(55,171)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 27,692</u>	<u>\$ 27,692</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Revenue Bonds	\$ 200,000	\$ 200,000
Principal Payments on Debts	(21,957)	(21,957)
Interest Paid on Debt	(5,407)	(5,407)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>\$ 172,636</u>	<u>\$ 172,636</u>
Cash flows from Investing Activities:		
Interest Received	\$ 2,696	\$ 2,696
Purchases of Fixed Assets	(116,238)	(116,238)
Net Cash Provided by (Used for) Investing Activities	<u>\$ (113,542)</u>	<u>\$ (113,542)</u>
Net Increase (Decrease) in Cash	\$ 86,786	\$ 86,786
Cash and Cash Equivalents - July 1 (Beginning)	<u>75,297</u>	<u>75,297</u>
Cash and Cash Equivalents - June 30 (Ending)	<u>\$ 162,083</u>	<u>\$ 162,083</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Operating Income (Loss)	\$ (18,330)	\$ (18,330)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Depreciation Expense	74,949	74,949
Amortization Expense	1,142	1,142
Changes in Assets and Liabilities:		
Other Receivables	2,323	2,323
Accounts Payable	(924)	(924)
Interfund Receivables	(13,468)	(13,468)
Debt Issuance Costs	(18,000)	(18,000)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 27,692</u>	<u>\$ 27,692</u>

The accompanying notes are an integral part of this statement.

CITY OF LONE OAK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

A. Summary of Significant Accounting Policies

Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America (GAAP) that are established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit board, and either: a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

The accompanying financial statements present the City of Lone Oak, Texas (City), the primary government, and any component units. The financial data of any component units would be included in the City's reporting entity because of the significance of their operational or financial relationships with the City. As of June 30, 2007, the City has no component units.

Basic Financial Statements

In accordance with GASB Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report on the City and its component units as a whole, excluding fiduciary activities. 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. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables, as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

The Government-Wide Statement of Net Assets - reports all financial and capital resources to the City (excluding fiduciary funds). It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) external imposition by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposition by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted are shown as unrestricted. Generally, the City would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

CITY OF LONE OAK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

A. Summary of Significant Accounting Policies (Continued)

The Government-Wide Statement of Activities - demonstrates the degree to which both direct and indirect expenses of the various function and programs of the City are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated among separate functions. Program revenues include: 1) fees, fines and charges paid by those who benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

Also, part of the basic financial statements are fund financial statements for governmental funds and proprietary funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures/expenses of fund category and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds are combined in a single column on the fund financial statements.

The City reports the following major governmental funds:

General Fund – This 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 enterprise funds:

Wastewater Utility Fund – This fund accounts for the operation of the City’s wastewater utility, a self-supporting activity, which renders services on a user charge basis to residents and businesses located in and outside of the City of Lone Oak.

Measurement Focus and Basis of Accounting

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

1. Revenue is recorded when it becomes both measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, licenses, fees and permits, intergovernmental revenues, charges for services, fines, forfeits and penalties, and interest.
2. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
3. Disbursements for the purchase of capital assets providing future benefits are considered expenditures.

CITY OF LONE OAK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

A. Summary of Significant Accounting Policies (Continued)

4. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
5. Disbursements for the purchase of capital assets providing future benefits are considered expenditures.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available spendable resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the City's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

The proprietary funds financial statements are prepared on the same basis (economic resources measurement focus and accrual basis of accounting) as the government-wide financial statements. Therefore, most lines for the total enterprise funds on proprietary funds financial statements will directly reconcile to the business-type activities column on the government-wide financial statements, certain interfund activities between these funds are eliminated in the consolidation for the government-wide financial statements, but are included in the fund columns in the proprietary financial statements.

Enterprise funds account for operations where the intent of the City is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through users charges. Under the GASB Statement No. 34, enterprise funds are also required for an activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed solely by the fees and charges of the activity, 2) if the cost of providing services for an activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges, or 3) it is the policy of the City to establish activity fees or charges to recover the cost of providing services, including capital costs.

On the proprietary funds financial statements, operating revenues are those that flow directly from the operations of the activity, i.e. charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items such as investment income and interest expenses that are not a result of the direct operations of the activity.

Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Funds Accounting*, the City has elected for proprietary funds not to apply Financial Accounting Standards Board statements issued after November 20, 1989.

CITY OF LONE OAK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

A. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The City pools available cash from all funds for the purpose of increasing revenue through interest income. Interest income, which includes changes in fair value, is allocated to all individual funds.

For purposes of the basic financial statements, the City considers cash and cash equivalents to be highly liquid short-term investments that are readily convertible to known amounts of cash and mature within ninety days of the date they are acquired.

Capital Assets

Under GASB Statement No. 34, all capital assets owned by governmental activities are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements. Governments with total annual revenues of less than \$ 10 million, or *Phase 3* Governments, are not required under GASB Statement No. 34 to report general infrastructure assets acquired prior to July 1, 2003, in the basic financial statements. The City has not reported any prior infrasture in agreement with GASB Statement No. 34 standards. General infrastructure assets are long-lived capital assets that normally can be preserved for a significantly greater number of years than most capital assets and that normally are stationary in nature, including roads, bridges, drainage systems and street lighting systems.

Capital assets, including general infrastructure assets, are defined as assets with an initial, individual cost of more than \$ 5,000 and an estimated useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Major outlays for capital assets and improvements are capitalized as the projects are constructed.

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

Buildings, Structures and Improvements	20-50 years
Equipment Including Vehicles	5-20 years
Infrastructure	15-100 years

Capital assets transferred between funds would be transferred at their net book value (cost less accumulated depreciation), as of the date of transfer.

Pension Plan

Full-time City employees are members of the Texas Municipal Retirement System (System). The City's policy is to fund all pension costs accrued; such costs to be funded are determined annually as of April 1 by the System's actuary.

CITY OF LONE OAK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

A. Summary of Significant Accounting Policies (Continued)

Fund Balances

In the fund financial statements, governmental funds could report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Currently, the City does not have any restricted fund balances.

Budgetary Principles

The City is required by law to adopt an annual budget on or before the 1st day of its fiscal year. The General fund has a legally adopted budget. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various City departments. Throughout the fiscal year, the budget was amended to add supplementary appropriations. All amendments to the budget which change the total appropriation amount for any department require City Council approval and all increases in appropriations must be accompanied by an increase in revenue sources of a like amount to maintain a balanced budget. The City Marshall has the authority to change individual budget line items within a department as long as the total department's appropriation amount is not changed.

GASB Statement No. 34 requires that budgetary comparison statements for the General Fund be presented as required supplementary information. These statements must display original budget, amended budget and actual results (on a budgetary basis).

Property Taxes

Property taxes are levied by October 1, in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the October 1 levy date. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed. Property tax revenues are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

Property taxes are prorated between maintenance and debt service, if any, based on rates adopted for the year of the levy. Allowance for uncollectibles within the General Fund is based upon historical experience in collecting property taxes. Section 33.05, Property Tax Code, requires the tax collector for the City to cancel and remove from the delinquent tax rolls a tax on real property that has been delinquent for more than 20 years or a tax on personal property that has been delinquent for more than 10 years. Delinquent taxes meeting this criteria may not be canceled if litigation concerning these taxes is pending.

The City levied taxes on property within the City at \$ 0.2971 to fund general operations of the City.

Revenue Recognition for Utility Funds

Revenue is recorded in the period in which services are provided. As such, revenue is recorded as billed to customer on a monthly basis.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. As such, actual results could differ from those estimates.

CITY OF LONE OAK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

B. Cash and Cash Equivalents

The City's funds are deposited and invested under the terms of a depository agreement. The agreement requires the depository to pledge approved securities in an amount significant to protect the City's day-to-day balances. The pledge is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At June 30, 2007, all City cash deposits were covered by FDIC insurance or by pledged collateral held by the City or the depository in the City's name. The City's deposits appear to have been properly secured throughout the fiscal year.

The City's investment policies and types of investments are governed by the Public Funds Investment Act. The Act requires specific training, reporting and establishment of local policies. The City appears to have been in substantial compliance with the requirements of the Act.

State statutes and local policy authorize the City to invest in the following types of investment goods:

- a. obligations of the U.S. or its agencies or instrumentalities,
- b. obligations of the State of Texas or its agencies,
- c. obligations guaranteed by the U.S. or State of Texas or their agencies or instrumentalities,
- d. obligations of other states, agencies or political subdivisions having a national investment rating of "A" or greater,
- e. guaranteed or securitized certificates of deposit issued by a bank domiciled in the State of Texas, or
- f. fully collateralized repurchase agreements.

City investments relate to interest income associated with individual bank accounts, and are reported as cash and cash equivalents on the Governmental Fund Balance Sheet.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit.

- a. Name of Bank: American National Bank of Texas, Lone Oak, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 1,127,641.
- c. Largest cash, savings and time deposit combined account balances amounted to \$ 146,676, and occurred during the month of October 2006.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$ 100,000.

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 agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

CITY OF LONE OAK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

B. Cash and Cash Equivalents (Continued)

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

CITY OF LONE OAK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

C. Capital Assets

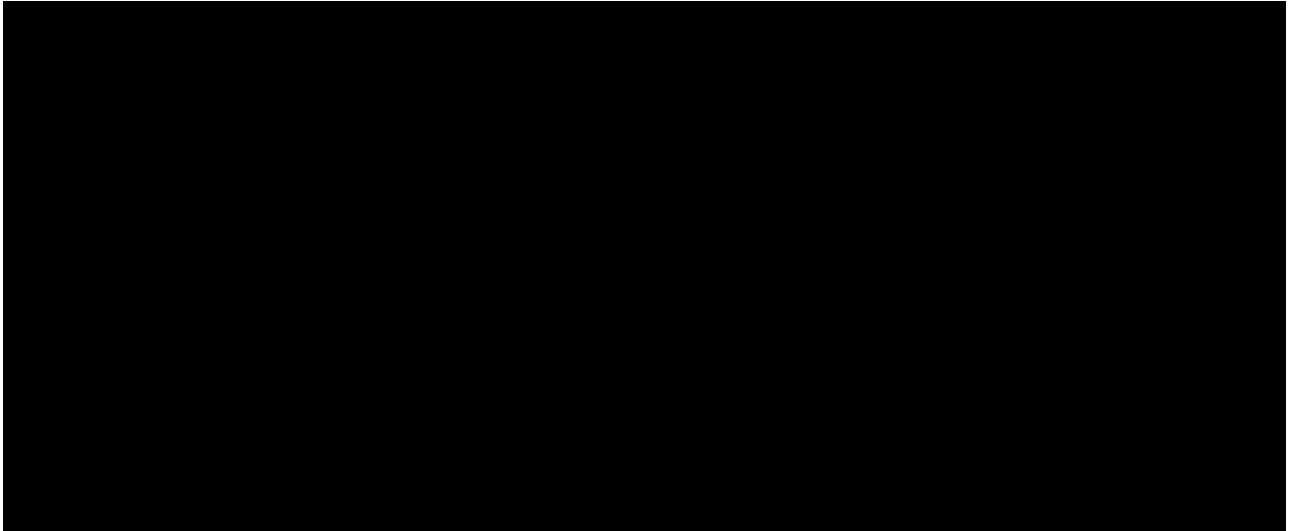
Capital asset activities for the year ended June 30, 2007, were as follows:

	Beginning Balance 7/1/2006	Additions	Deletions	Ending Balance 6/30/2007
<u>Governmental Activities:</u>				
Capital Assets not being Depreciated				
Land	\$ 7,010	\$ -	\$ -	\$ 7,010
Total Capital Assets not being Depreciated	\$ 7,010	\$ -	\$ -	\$ 7,010
Capital Assets being Depreciated:				
Buildings and Improvements	\$ 86,364	\$ -	\$ -	\$ 86,364
Infrastructure	168,132	-	-	168,132
Vehicles	80,214	14,916	-	95,130
Equipment	17,200	5,400	-	22,600
Total Capital Assets being Depreciated	\$ 351,910	\$ 20,316	\$ -	\$ 372,226
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 17,807	\$ 2,879	\$ -	\$ 20,686
Infrastructure	151,319	1,087	-	152,406
Vehicles	34,749	17,338	-	52,087
Equipment	11,942	2,872	-	14,814
Total Accumulated Depreciation	\$ 215,817	\$ 24,176	\$ -	\$ 239,993
Total Capital Assets being Depreciated, Net	\$ 136,093	\$ (3,860)	\$ -	\$ 132,233
Governmental Activities Capital Assets, Net	\$ 143,103	\$ (3,860)	\$ -	\$ 139,243
<u>Business-Type Activities:</u>				
Capital Assets being Depreciated:				
Water Distribution System	\$ 1,290,657	\$ 116,238	\$ -	\$ 1,406,895
Equipment	65,420	-	-	65,420
Total Capital Assets being Depreciated	\$ 1,356,077	\$ 116,238	\$ -	\$ 1,472,315
Less Accumulated Depreciation for:				
Water Distribution System	\$ 716,214	\$ 68,407	\$ -	\$ 784,621
Equipment	24,370	6,542	-	30,912
Total Accumulated Depreciation	\$ 740,584	\$ 74,949	\$ -	\$ 815,533
Total Capital Assets being Depreciated, Net	\$ 615,493	\$ 41,289	\$ -	\$ 656,782
Business-Type Activities Capital Assets, Net	\$ 615,493	\$ 41,289	\$ -	\$ 656,782
Depreciation was charged to the following functions:				
Administration	\$ 2,716			
Police	16,101			
Streets	5,359			
Water and Sewer	74,949			
Totals	\$ 99,125			

CITY OF LONE OAK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

D. Long-Term Obligations

The following is a summary of changes in long term obligations reported in the government-wide financial statements for the year ended June 30, 2007:

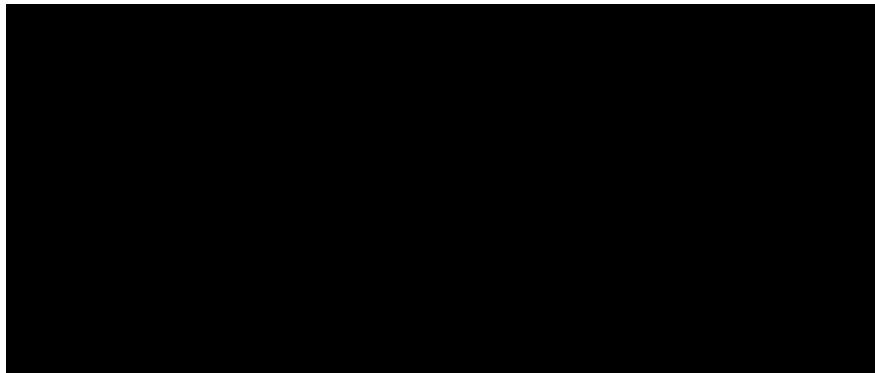


Governmental Activities

Bonds

<u>Bonds</u>	<u>Date Issued</u>	<u>Interest Rate</u>	<u>Original Balance</u>	<u>Outstanding Balance</u>
City of Lone Oak, Texas -Combination Tax and Revenue Certifications of Obligation, Series 2001	11/2/01	5.00%	\$ 104,000	\$ 58,312

Debt service requirements for future periods at June 30, 2007, are as follows:



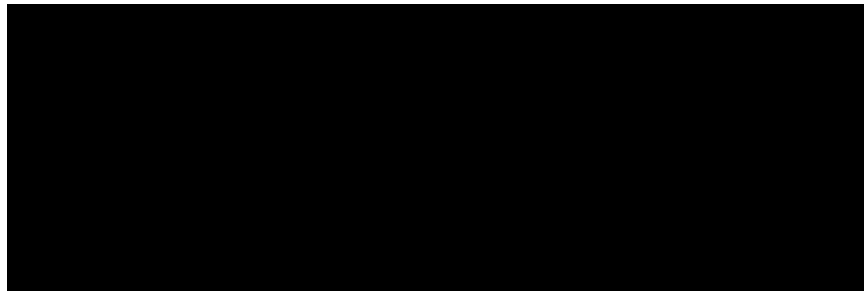
CITY OF LONE OAK, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2007

D. Long-Term Obligations (Continued)

Loans

<u>Notes</u>	<u>Agreement Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding Balance</u>
American National Bank of Texas – Promissory Agreement	10/18/06	5.287%	\$ 14,916	\$ 11.802

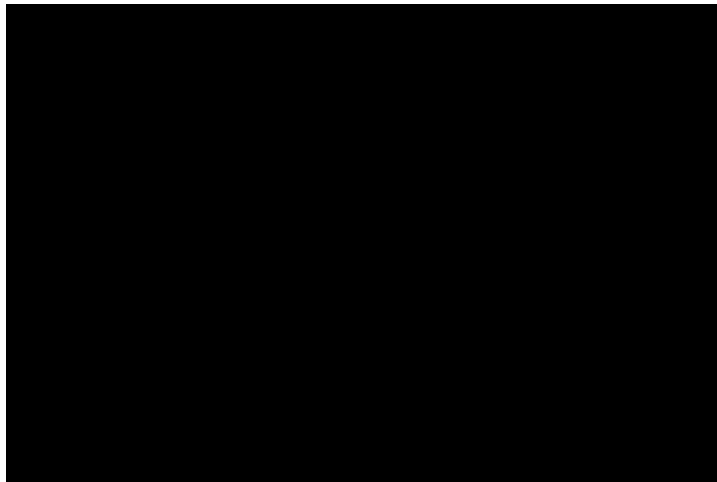
Debt Service requirements for future periods at June 30, 2007, are as follows:



Leases

On January 3, 2006, the City entered into a capital lease to purchase a 2006 Crown Victoria payable to Ford Motor Credit Company in the amount of \$ 27,927 due in thirty-six monthly installments of \$ 852.53 at an interest rate of 6.60%.

Debt service requirements for future periods at June 30, 2007, are as follows:



Business-Type Activities

Bonds

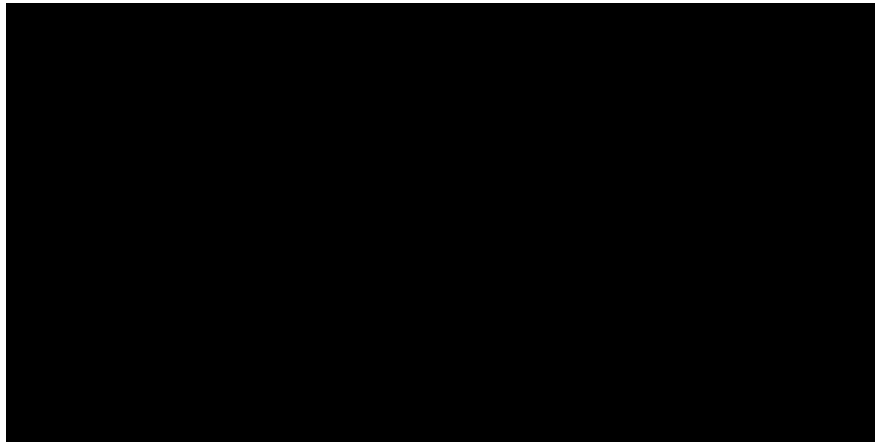
On August 1, 2006, the City issued combination Tax and Revenue Certificates of Obligation, Series 2006, totaling \$ 200,000. The Bonds require annual principal payments and incur interest at a rate of 5.346% payable on a semi-annual basis. The proceeds from the bonds will be used to construct a new water well in addition to improvements and renovations made to existing water and sewer lines. The bonds fully mature in 2019.

CITY OF LONE OAK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

D. Long-Term Obligations (Continued)

<u>Bonds</u>	<u>Date Issued</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding Balance</u>
City of Lone Oak, Texas - Combination Tax and Revenue Refunding Bonds, Series 2001	11/2/01	5.00%	\$ 164,500	\$ 92,333
City of Lone Oak, Texas - Combination Tax and Revenue Refunding Bonds, Series 2006	8/1/06	5.35%	\$ 200,000	<u>\$ 200,000</u>
Totals				<u>\$ 292,233</u>

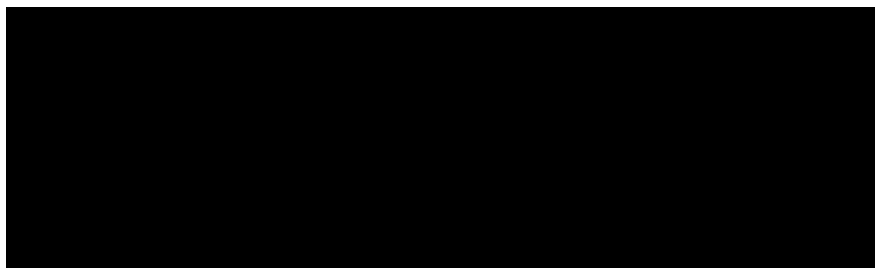
Debt Service requirements for future periods at June 30, 2007, are as follows:



Loans

<u>Notes</u>	<u>Agreement Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding Balance</u>
Texas Commission on Environmental Quality Promissory Note	9/16/05	-	\$ 17,675	\$ 7,070

Debt service requirements for future periods at June 30, 2007, are as follows:



CITY OF LONE OAK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

E. Commitments and Contingencies

Litigation – The City does not appear to be involved in any litigation at June 30, 2007.

Grants – Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects any amounts, if any, to be immaterial.

F. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance to provide coverage of their associated risks. There has been no significant change in insurance coverage from the previous year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

G. Compliance, Stewardship and Accountability

Expenditures over Appropriations

The following individual funds incurred expenditures in excess of appropriations at functional expenditure levels:

	<u>Budget</u>		<u>Actual</u>		<u>Deficit</u>
General Fund:					
Health and Welfare	\$ 1,800	\$	4,703	\$	2,903
Municipal Court	17,100		145,641		128,541
Debt Service	-0-		27,729		27,729

H. Interfund Balances and Activities

Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2007, is as follows:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>
General Fund	Wastewater Fund	<u>\$ 13,468</u>

REQUIRED SUPPLEMENTARY INFORMATION

