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Tony K. Morgan, CPA/ABV  
Robert W. Peddy, CPA  
Barbara R. Bass, CPA  
Tommy J. Chambers, CPA  
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Joe Wylie, CPA

# GOLLOB MORGAN PEDDY & CO., P.C.

Certified Public Accountants

Members American Institute of Certified Public Accountants and Private Companies Practice Section

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Kevin R. Cashlon, CPA  
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Gary D. Davis, CPA  
Wesley R. Johnston, CPA  
Lori A. Bogan, CPA  
Kathryn Hesskew, CPA  
James Clinton Carroll, CPA

September 22, 2008

City Council  
City of Whitehouse  
Whitehouse, Texas

We are pleased to confirm our understanding of the services we are to provide the City of Whitehouse for the year ended September 30, 2008. We will audit the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, which collectively comprise the entity's basic financial statements, of the City of Whitehouse as of and for the year ended September 30, 2008. Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to accompany the City of Whitehouse's basic financial statements. As part of our engagement, we will apply certain limited procedures to the City of Whitehouse's RSI. These limited procedures will consist principally of inquiries of management regarding the methods of measurement and presentation, which management is responsible for affirming to us in its representation letter. Unless we encounter problems with the presentation of the RSI or with procedures relating to it, we will disclaim an opinion on it. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited.

Management's discussion and analysis.

## Audit Objectives

The objective of our audit is the expression of an opinion as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the additional information referred to in the first paragraph when considered in relation to the financial statements taken as a whole. Our audit will be conducted in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of the City of Whitehouse and other procedures we consider necessary to enable us to express such an opinion. If our opinion on the financial statements is other than unqualified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and compliance will each include a statement that the report is intended solely for the information and use of the audit committee, management, and specific

legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

### **Management Responsibilities**

Management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Whitehouse and the respective changes in financial position and cash flows, where applicable, in conformity with U.S. generally accepted accounting principles. Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein.

You are responsible for management decisions and functions. As part of the audit, we will prepare a draft of your financial statements and related notes. In accordance with *Government Auditing Standards*, you will be required to review and approve those financial statements prior to their issuance and have a responsibility to be in a position in fact and appearance to make an informed judgment on those financial statements. Further, you are required to designate a qualified management-level individual to be responsible and accountable for overseeing our services.

Management is responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Management's responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud, or illegal acts affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud, or illegal acts affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws and regulations and for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements, or abuse that we may report.

Management is responsible for establishment and maintenance of a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous audits or other engagements or studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits or other engagements or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, and the timing and format related thereto.

As part of the audit, we will prepare a draft of your financial statements and related notes. In accordance with *Government Auditing Standards*, you will be required to review and approve those financial statements prior to their issuance and have a responsibility to be in a position in fact and appearance to make an informed judgment on those financial statements. Further, you are required to designate a qualified management-level individual to be responsible and accountable for overseeing our services.

### **Audit Procedures – General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about

whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because an audit is designed to provide reasonable, but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will also require certain written representations from you about the financial statements and related matters.

#### **Audit Procedures – Internal Control**

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under professional standards and *Government Auditing Standards*.

#### **Audit Procedures – Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City of Whitehouse's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

#### **Audit Administration, Fees, and Other**

We understand that your employees will prepare all cash or other confirmation we request and will locate any invoices selected by us for testing.

We will provide copies of our reports to the City of Whitehouse; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Gollob, Morgan, Peddy & Co., P.C. and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to federal agencies or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release or for any additional period requested by certain federal agencies. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to begin our audit as soon as mutually convenient after September 30, 2008 and to issue our report within 30 days of completion of fieldwork.

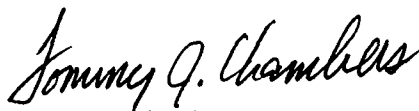
Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, typing, postage, travel, copies, telephone, etc.) Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Based on our preliminary estimates, the fee should approximate \$35,500. This estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. We will fully discuss all items of this nature with you and arrive at a solution appropriate for the situation if necessary. Our services will be invoiced monthly as the audit work progresses. Payment of our services will be due within 30 days of each invoice date. A finance charge of 1.50% per month will be assessed on any unpaid balance after deduction of current payments made within thirty days of the date of billing. This is an annual percentage rate of 18%.

*Government Auditing Standards* require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2006 peer review report accompanies this letter.

We appreciate the opportunity to be of service to the City of Whitehouse and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Sincerely,

GOLLOB, MORGAN, PEDDY & CO., P.C.

A handwritten signature in black ink that reads "Tommy J. Chambers". The signature is written in a cursive, flowing style.

Tommy J. Chambers, CPA

RESPONSE:

This letter correctly sets for the understanding of the City of Whitehouse.

By: John D. Hogden, Jr.

Title: MAYOR

Date: 17 Nov 2008

December 5, 2006

To the Shareholders  
Gollob, Morgan, Peddy & Co., P.C.

We have reviewed the system of quality control for the accounting and auditing practice of Gollob, Morgan, Peddy & Co., P.C (the firm) in effect for the year ended June 30, 2006. A system of quality control encompasses the firm's organizational structure, the policies adopted and procedures established to provide it with reasonable assurance of conforming with professional standards. The elements of quality control are described in the Statements on Quality Control Standards issued by the American Institute of Certified Public Accountants (AICPA). The firm is responsible for designing a system of quality control and complying with it to provide the firm reasonable assurance of conforming with professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance with its system of quality control based on our review.

Our review was conducted in accordance with standards established by the Peer Review Board of the AICPA. During our review, we read required representations from the firm, interviewed firm personnel and obtained an understanding of the nature of the firm's accounting and auditing practice, and the design of the firm's system of quality control sufficient to assess the risks implicit in its practice. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with the firm's system of quality control. The engagements selected represented a reasonable cross-section of the firm's accounting and auditing practice with emphasis on higher-risk engagements. The engagements selected included among other audits, audits of Employee Benefit Plans and engagements performed under Government Auditing Standards. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with firm management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the firm's accounting and auditing practice. In addition, we tested compliance with the firm's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the firm's policies and procedures on selected engagements. Our review was based on selected tests therefore it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it. There are inherent

Gollob, Morgan, Peddy & Co., P.C.

Page 2

December 5, 2006

limitations in the effectiveness of any system of quality control and therefore noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

In our opinion the system of quality control for the accounting and auditing practice of Gollob, Morgan, Peddy & Co., P.C. in effect for the year ended June 30, 2006, has been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA and was complied with during the year then ended to provide the firm with reasonable assurance of conforming with professional standards.

*Fitts, Roberts & Co., P.C.*

Fitts, Roberts & Co., P.C

**CITY OF WHITEHOUSE, TEXAS**  
**BASIC FINANCIAL STATEMENTS and**  
**REQUIRED SUPPLEMENTARY and OTHER INFORMATION**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2008**

**GOLLOB MORGAN**  
**PEDDY & Co., P.C.**  
Certified Public Accountants



**CITY OF WHITEHOUSE, TEXAS**

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CITY OF WHITEHOUSE, TEXAS

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**INDEPENDENT AUDITORS' REPORT**

City Council  
City of Whitehouse, Texas  
Whitehouse, Texas

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 Whitehouse, Texas as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Whitehouse, Texas' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Whitehouse, Texas as of September 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund 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 February 6, 2009 on our consideration of the City of Whitehouse, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis (MD&A) is not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the City of Whitehouse, Texas taken as a whole. The accompanying financial information listed as additional supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Whitehouse, Texas. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Goldberg Morgan Peddy & Co., P.C.*  
Certified Public Accountants

Tyler, Texas  
February 6, 2009

## Management's Discussion and Analysis

As management of the City of Whitehouse, 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, 2008.

### Financial Highlights

- As of the end of the current fiscal year, the assets of the City exceed its liabilities by \$ 7,669,449 (net assets). Of this amount \$543,239 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$631,604. Of this amount \$290,416 (45.98%) is available for spending at the government's discretion.
- The total net assets of \$7,669,449 are made up of \$5,976,489 in capital assets net of related debt and \$1,692,960 in other net assets.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The financial statements are prepared using Governmental Accounting Statement No. 34 *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*.

The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

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

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, other nonfinancial factors must also be considered.

The *statement of activities* presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of the City of Whitehouse that are principally supported by taxes and other governmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety and streets and drainage. The business-type activities include water and sewer services.

The fund financial statements are presented using fund designations. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City's funds can be divided into these categories: governmental funds, proprietary funds, and capital project funds.

*Governmental funds.* These funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

*Proprietary funds.* The City of Whitehouse maintains only one type of proprietary fund – an enterprise fund. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The City used enterprise funds to account for its water and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer.

*Capital Projects funds.* Capital projects funds are used for major undertakings that are beyond the scope of the regular annual operating budget, such as improvements and expansion of the City's water and wastewater systems, streets and drainage, and the construction of a major expansion of FM 346 that provides most of the traffic flow traveling east and west through the city.

*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.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. As the end of the fiscal year, September 30, 2008 the City's assets exceeded liabilities by \$7,669,449.

By far the largest portion of the City's net assets (\$5,976,489) reflects its investment in capital assets (e.g., land, buildings, equipment, and infrastructure), less any related debt used to acquire these assets that are still outstanding. This amount increased \$682,454 during the current year. 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. The amount of net assets that are unrestricted (\$543,239) decreased by \$496,203 during the year.

### City of Whitehouse's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 915,732	\$ 1,303,290	\$ 3,668,033	\$ 4,196,528	\$ 4,583,765	\$ 5,499,818
Capital assets	8,530,889	8,675,894	18,904,220	15,440,652	27,435,109	24,116,546
Total Assets	9,446,621	9,979,184	22,572,253	19,637,180	32,018,874	29,616,364
Current liabilities	250,941	214,807	684,901	464,463	935,842	679,270
Non current liabilities	5,212,583	5,690,291	18,201,000	15,437,000	23,413,583	21,127,291
Total Liabilities	5,463,524	5,905,098	18,885,901	15,901,463	24,349,425	21,806,561
Net invested in						
capital assets	3,705,503	3,355,093	2,270,986	1,938,942	5,976,489	5,294,035
Restricted	322,565	537,726	827,156	938,600	1,149,721	1,476,326
Unrestricted	(44,971)	181,267	588,210	858,175	543,239	1,039,442
Total Net Assets	\$ 3,983,097	\$ 4,074,086	\$ 3,686,352	\$ 3,735,717	\$ 7,669,449	\$ 7,809,803

*Governmental activities.* During the current year the governmental activities had an decrease in net assets of \$90,989 which represented a \$180,393 decrease from the previous year. The decrease came primarily from additional expenses in public safety and community development.

*Business-type activities.* The City had a \$49,365 decrease in net assets for its business-type activities during the year. This is \$216,534 less than the previous year. The decrease comes primarily from no grant revenues received in the current year and an increase in utility costs in operating new wells that were put on line.

### City of Whitehouse's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Revenues:</b>						
Charges for services	\$ 1,222,541	\$ 1,069,789	\$ 1,988,159	\$ 1,922,262	\$ 3,210,700	\$ 2,992,051
Capital grants and contributions	9,250	27,347	-	153,039	9,250	180,386
<b>General revenue:</b>						
Property taxes	1,414,236	1,511,903	579,446	475,879	1,993,682	1,987,782
Franchise taxes	266,514	270,428	-	-	266,514	270,428
Sales taxes	613,781	576,017	-	-	613,781	576,017
Gain (loss) on sale of assets	6,789	2,254	-	-	6,789	2,254
Interest income	51,350	102,195	108,344	162,624	159,694	264,819
<b>Total revenues</b>	<b>3,584,461</b>	<b>3,559,933</b>	<b>2,675,949</b>	<b>2,713,804</b>	<b>6,260,410</b>	<b>6,273,737</b>
<b>Expenses:</b>						
General government	511,565	493,997	-	-	511,565	493,997
Public safety	1,933,274	1,802,723	-	-	1,933,274	1,802,723
Community development	1,153,040	919,019	-	-	1,153,040	919,019
Parks and recreation	79,417	105,817	-	-	79,417	105,817
Interest	222,576	231,108	-	-	222,576	231,108
Water and sewer operations	-	-	2,500,892	2,464,490	2,500,892	2,464,490
<b>Total expenses</b>	<b>3,899,872</b>	<b>3,552,664</b>	<b>2,500,892</b>	<b>2,464,490</b>	<b>6,400,764</b>	<b>6,017,154</b>
Transfers	224,422	82,135	(224,422)	(82,135)	-	-
<b>Change in net assets</b>	<b>(90,989)</b>	<b>89,404</b>	<b>(49,365)</b>	<b>167,179</b>	<b>(140,354)</b>	<b>256,583</b>
Net assets beginning of year,	4,074,086	3,984,682	3,735,717	3,568,538	7,809,803	7,553,220
<b>Net Assets End of Year</b>	<b>\$ 3,983,097</b>	<b>\$ 4,074,086</b>	<b>\$ 3,686,352</b>	<b>\$ 3,735,717</b>	<b>\$ 7,669,449</b>	<b>\$ 7,809,803</b>

### Financial Analysis of the Government's Funds

As noted earlier, the City of Whitehouse uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.



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

At the end of the current fiscal year, the City's governmental funds reported an ending fund balance of \$631,604 of which \$290,416 is unrestricted and available for spending at the City's discretion. The total fund balance for the governmental funds decreased by \$410,627 during the year which was mostly due to a \$150,717 transfer from the FM 346 project fund to help fund water well improvements and the fact that not all of the budgeted transfers to the debt service were made.

*Proprietary funds.* The City's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. Unrestricted net assets of the proprietary fund amounted to \$588,210 at year end as compared to \$858,175 at the end of the prior year.

### **General Fund Budgetary Highlights**

Over the year, the City of Whitehouse made allocation amendments to its budget but did not change the total amount originally budgeted. Revenues were \$197,177 over budget while expenditures exceeded the budget by \$161,111. After considering operating transfers, proceeds from asset sales, and loan proceeds, the City had a favorable variance of \$154,337 when comparing excess revenues over expenditures for the year which reflected effective management and a conscientious effort to maximize resources.

### **Capital Assets and Debt Administration**

*Capital Assets.* The City of Whitehouse's investment in capital assets for the governmental and business-type activities as of September 30, 2008, amounts to \$5,976,489 net of accumulated depreciation and related debt. This investment in capital assets includes land, buildings, machinery and equipment, water and sewer systems, infrastructure and construction in progress. The biggest change during the current year was the City's construction of water wells on the south side of town. The total net increase in the City's investment in fixed assets for the current year (see Note 4C) was \$3,318,563.

### City of Whitehouse's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 128,782	\$ 128,782	\$ 25,000	\$ 25,000	\$ 153,782	\$ 153,782
Easements	-	-	7,800	7,800	7,800	7,800
Construction in progress	-	-	3,072,426	961,015	3,072,426	961,015
Buildings and improvements	2,061,881	2,121,559	148,918	131,281	2,210,799	2,252,840
Water and sewer system Infrastructure	-	-	15,383,898	14,139,593	15,383,898	14,139,593
Machinery and equipment	5,706,568	5,834,055	-	-	5,706,568	5,834,055
Total	\$ 8,530,889	\$ 8,675,894	\$ 18,904,220	\$ 15,440,652	\$ 27,435,109	\$ 24,116,546

Additional information on the City's capital assets can be found in the footnotes to this financial report.

*Long-term debt.* During the current year, the City received \$91,438 in loan proceeds for new police vehicles, a work truck, and a police motorcycle while issuing \$3,100,000 in certificates of obligation to fund the construction of two new water wells. After principal payments of \$905,147 were made against debt during the year, the City had total debt outstanding of \$23,413,583 at the end of the fiscal year.

### City of Whitehouse's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 4,885,000	\$ 5,275,000	\$ -	\$ -	\$ 4,885,000	\$ 5,275,000
Notes Payable	204,270	294,685	-	-	204,270	294,685
Compensated absences	123,313	120,607	-	-	123,313	120,607
Revenue bonds and Certificates of obligation	-	-	18,201,000	15,437,000	18,201,000	15,437,000
Total	\$ 5,212,583	\$ 5,690,292	\$ 18,201,000	\$ 15,437,000	\$ 23,413,583	\$ 21,127,292

Additional information on the City's long-term debt can be found in the footnotes to this financial report.

## **Economic Factors and Next Year's Budgets and Rates**

Economic trends in the City continue to reflect a favorable environment. New construction in both residential and commercial areas continued in 2008 and thus continued a steady increase in the City's tax base.

The City has adopted its 2009 budget and will strive to operate with maximum efficiency, controlling expenditures and finding ways to increase revenues.

All of these factors were considered in preparing the City's budget for the 2009 fiscal year with the adoption of a tax rate of \$0.59999 per \$100 valuation.

## **Request for Information**

This financial report is designed to provide a general overview of the City of Whitehouse's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City of Whitehouse  
Attn: Jed Dillingham, Finance Director  
PO Box 776  
Whitehouse, TX 75791  
or call 903-839-4914.

**BASIC FINANCIAL STATEMENTS**

## EXHIBIT 1

**CITY OF WHITEHOUSE, TEXAS**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2008**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash and cash equivalents	\$ 133,184	\$ 113,973	\$ 247,157
Receivables (net of allowance for doubtful accounts)	270,774	383,019	653,793
Internal balances	153,052	(153,052)	-
Restricted Assets:			
Temporarily restricted			
Cash and cash equivalents	290,899	2,700,953	2,991,852
Water rights - Lake Columbia	-	230,000	230,000
Water rights - Lake Striker	-	225,000	225,000
Bond issue costs (net)	67,823	168,140	235,963
Capital Assets (net of accumulated depreciation):			
Land	128,782	25,000	153,782
Easements	-	7,800	7,800
Construction in progress	-	3,072,426	3,072,426
Buildings and improvements	2,061,881	148,918	2,210,799
Infrastructure	5,706,568	-	5,706,568
Machinery and equipment	633,658	266,178	899,836
Water and sewer system	-	15,383,898	15,383,898
Total Assets	9,446,621	22,572,253	32,018,874
<b>LIABILITIES</b>			
Accounts payable	226,987	345,694	572,681
Deposits and other refundable balances	-	151,505	151,505
Deferred revenue	-	67,465	67,465
Accrued interest	23,954	120,237	144,191
Non-current liabilities:			
Due within one year	442,944	509,000	951,944
Due in more than one year	4,769,639	17,692,000	22,461,639
Total Liabilities	5,463,524	18,885,901	24,349,425
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	3,705,503	2,270,986	5,976,489
Restricted for:			
Debt service	322,565	-	322,565
Construction	-	827,156	827,156
Unrestricted	(44,971)	588,210	543,239
Total Net Assets	\$ 3,983,097	\$ 3,686,352	\$ 7,669,449

The notes to the financial statements are an integral part of this statement.

**CITY OF WHITEHOUSE, TEXAS  
STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED SEPTEMBER 30, 2008**

PROGRAM ACTIVITIES	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS PRIMARY GOVERNMENT		
		CHARGES FOR SERVICES	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>PRIMARY GOVERNMENT:</b>						
Governmental activities:						
General government	\$ 511,565	\$ 169,065	\$ -	\$ (342,500)	\$ -	\$ (342,500)
Public safety	1,933,274	444,170	9,250	(1,479,854)	-	(1,479,854)
Community development	1,153,040	609,306	-	(543,734)	-	(543,734)
Parks and recreation	79,417	-	-	(79,417)	-	(79,417)
Interest	222,576	-	-	(222,576)	-	(222,576)
Total governmental activities	<u>3,899,872</u>	<u>1,222,541</u>	<u>9,250</u>	<u>(2,668,081)</u>	<u>-</u>	<u>(2,668,081)</u>
Business-type activities:						
Water and sewer	<u>2,500,892</u>	<u>1,988,159</u>	<u>-</u>	<u>-</u>	<u>(512,733)</u>	<u>(512,733)</u>
Total business-type activities	<u>2,500,892</u>	<u>1,988,159</u>	<u>-</u>	<u>-</u>	<u>(512,733)</u>	<u>(512,733)</u>
Total primary government	<u>\$ 6,400,764</u>	<u>\$ 3,210,700</u>	<u>\$ 9,250</u>	<u>(2,668,081)</u>	<u>(512,733)</u>	<u>(3,180,814)</u>
General revenues:						
Property taxes				1,414,236	579,446	1,993,682
Franchise taxes				266,514	-	266,514
Sales and use taxes				613,781	-	613,781
Gain on sale of assets				6,789	-	6,789
Interest and rent				51,350	108,344	159,694
Transfers				224,422	(224,422)	-
Total general revenues and transfers				<u>2,577,092</u>	<u>463,368</u>	<u>3,040,460</u>
Change in net assets				(90,989)	(49,365)	(140,354)
Net assets - beginning of year				<u>4,074,086</u>	<u>3,735,717</u>	<u>7,809,803</u>
Net assets - end of year				<u>\$ 3,983,097</u>	<u>\$ 3,686,352</u>	<u>\$ 7,669,449</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WHITEHOUSE, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2008

	MAJOR FUNDS			ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS		
<b>ASSETS</b>					
Cash and investments	\$ 1,490	\$ -	\$ 131,694	\$ -	\$ 133,184
Receivables:					
Property taxes	50,330	-	-	-	50,330
Sales taxes	99,694	-	-	-	99,694
Street assessments	-	-	24,471	-	24,471
Charges for services	113,940	-	-	-	113,940
Restricted Assets:					
Temporarily restricted					
Cash and cash equivalents	-	290,899	-	-	290,899
Due from other funds	123,737	136,012	2,848	(104,346)	158,251
Bond issue costs (net)	-	-	67,823	-	67,823
Total Assets	<u>\$ 389,191</u>	<u>\$ 426,911</u>	<u>\$ 226,836</u>	<u>\$ (104,346)</u>	<u>\$ 938,592</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable and accrued expenses	226,988	-	-	-	226,988
Due to other funds	-	104,346	5,199	(104,346)	5,199
Deferred revenue	50,330	-	24,471	-	74,801
Total Liabilities	<u>277,318</u>	<u>104,346</u>	<u>29,670</u>	<u>(104,346)</u>	<u>306,988</u>
<b>Fund Balances:</b>					
<b>Reserved for:</b>					
Debt Service	-	322,565	-	-	322,565
Construction	-	-	18,623	-	18,623
Total Reserved Fund Balances	<u>-</u>	<u>322,565</u>	<u>18,623</u>	<u>-</u>	<u>341,188</u>
<b>Unreserved</b>					
Undesignated	111,873	-	178,543	-	290,416
Total Undesignated Fund Balances	<u>111,873</u>	<u>-</u>	<u>178,543</u>	<u>-</u>	<u>290,416</u>
Total Fund Balances	<u>111,873</u>	<u>322,565</u>	<u>197,166</u>	<u>-</u>	<u>631,604</u>
Total Liabilities and Fund Balances	<u>\$ 389,191</u>	<u>\$ 426,911</u>	<u>\$ 226,836</u>	<u>\$ (104,346)</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF WHITEHOUSE, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2008

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets (Exhibit 1)

	Total Governmental Funds
Total fund balances governmental funds (Exhibit 3 page 1)	\$ 631,604
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	8,530,889
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	57,141
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental funds balance sheet	(23,954)
Long term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.	<u>(5,212,583)</u>
Net Assets of governmental activities	<u>\$ 3,983,097</u>



CITY OF WHITEHOUSE, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FISCAL YEAR ENDED SEPTEMBER 30, 2008

	MAJOR FUNDS			OTHER GOVERNMENTAL FUNDS	ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	DEBT SERVICE				
REVENUES						
Current and delinquent taxes	\$ 847,415	\$ 582,010	\$ -	\$ -	\$ 1,429,425	
Fines and forfeitures	444,170	-	-	-	444,170	
Licenses and permits	23,121	-	-	-	23,121	
Franchise taxes	266,514	-	-	-	266,514	
Sales taxes - regular	381,377	-	-	-	381,377	
Sales taxes - additional 1/2 cent	190,688	-	-	-	190,688	
Sales tax fees	41,716	-	-	-	41,716	
Donations	-	119,768	9,250	-	129,018	
Solid waste collections	609,306	-	-	-	609,306	
Zoning and platting fees	175	-	-	-	175	
Intergovernmental revenue	1,750	-	-	-	1,750	
Interest and rent	23,356	20,858	7,136	-	51,350	
Miscellaneous income	23,914	-	337	-	24,251	
Total Revenues	<u>2,853,502</u>	<u>722,636</u>	<u>16,723</u>	<u>-</u>	<u>3,592,861</u>	
EXPENDITURES						
Legislative	38,115	-	-	-	38,115	
General administration	251,287	-	11,670	-	262,957	
Treasury and financial	135,618	-	-	-	135,618	
Tax appraisal and collections	42,354	-	-	-	42,354	
Municipal court	273,200	-	-	-	273,200	
Library	37,000	-	-	-	37,000	
Parks/recreation	56,032	-	-	-	56,032	
Community development	188,524	-	-	-	188,524	
Street and ground maintenance	257,401	-	-	-	257,401	
Communication center	270,740	-	-	-	270,740	
Police	1,277,109	-	-	-	1,277,109	
Animal control	47,370	-	-	-	47,370	
Fire	109,958	-	-	-	109,958	
Sanitation	506,845	-	-	-	506,845	
Debt service:						
Bond principal	-	390,000	-	-	390,000	
Note principal	-	181,853	-	-	181,853	
Interest and fees	-	224,699	-	-	224,699	
Capital outlay	-	-	20,893	-	20,893	
Total Expenditures	<u>3,491,553</u>	<u>796,552</u>	<u>32,563</u>	<u>-</u>	<u>4,320,668</u>	
Revenues Over (Under) Expenditures	<u>(638,051)</u>	<u>(73,916)</u>	<u>(15,840)</u>	<u>-</u>	<u>(727,807)</u>	

CITY OF WHITEHOUSE, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FISCAL YEAR ENDED SEPTEMBER 30, 2008

	MAJOR FUNDS		OTHER GOVERNMENTAL FUNDS	ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	DEBT SERVICE			
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 516,384	\$ 373,000	\$ -	\$ -	\$ 889,384
Transfers out	-	(514,245)	(150,717)	-	(664,962)
Amortification	-	-	(8,067)	-	(8,067)
Loan proceeds	91,438	-	-	-	91,438
Sale of assets	9,387	-	-	-	9,387
Total Other Financing Sources (Uses)	617,209	(141,245)	(158,784)	-	317,180
Net Change in Fund Balances	(20,842)	(215,161)	(174,624)	-	(410,627)
Fund Balances, October 1, 2007	132,715	537,726	371,790	-	1,042,231
Fund Balances, September 30, 2008	\$ 111,873	\$ 322,565	\$ 197,166	\$ -	\$ 631,604

EXHIBIT 5

**CITY OF WHITEHOUSE, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED SEPTEMBER 30, 2008**

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds	\$	(410,627)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		(142,407)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the government wide statements.		(17,787)
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		<u>479,832</u>
Change in net assets of governmental activities	<u>\$</u>	<u>(90,989)</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF WHITEHOUSE, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**(NON-GAAP BUDGET BASIS)**  
**GENERAL FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
<b>REVENUES</b>				
Current and delinquent taxes	\$ 768,675	\$ 768,675	\$ 847,415	\$ 78,740
Fines and forfeitures	428,400	428,400	444,170	15,770
Licenses and permits	21,500	21,500	23,121	1,621
Franchise taxes	263,000	263,000	266,514	3,514
Sales taxes - regular	380,000	380,000	375,361	(4,639)
Sales taxes - additional 1/2 cent	190,000	190,000	187,680	(2,320)
Sales tax fees	37,000	37,000	41,716	4,716
Solid waste collections	530,000	530,000	608,180	78,180
Zoning and platting fees	500	500	175	(325)
Intergovernmental revenue	1,700	1,700	1,750	50
Interest and rent	25,400	25,400	23,356	(2,044)
Miscellaneous income	-	-	23,914	23,914
<b>Total Revenues</b>	<b>2,646,175</b>	<b>2,646,175</b>	<b>2,843,352</b>	<b>197,177</b>
<b>EXPENDITURES</b>				
Legislative	32,257	32,257	38,115	(5,858)
General administration	248,916	248,916	253,686	(4,770)
Treasury and financial	133,063	133,063	135,618	(2,555)
Tax appraisal and collections	38,000	38,000	42,354	(4,354)
Municipal court	281,599	281,599	288,763	(7,164)
Library	37,000	37,000	37,000	-
Parks/recreation	77,000	60,000	56,032	3,968
Fire Prevention	50,000	-	-	-
Community development	144,339	144,339	188,524	(44,185)
Street and ground maintenance	307,631	307,631	257,401	50,230
Communication center	211,101	276,601	270,740	5,861
Police	1,226,936	1,228,436	1,253,646	(25,210)
Animal control	45,761	45,761	47,370	(1,609)
Fire	117,379	117,379	109,958	7,421
Sanitation	369,700	369,700	502,586	(132,886)
<b>Total Expenditures</b>	<b>3,320,682</b>	<b>3,320,682</b>	<b>3,481,793</b>	<b>(161,111)</b>
Revenues Over (Under) Expenditures	(674,507)	(674,507)	(638,441)	36,066
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	400,000	400,000	516,384	116,384
Transfers out	-	-	-	-
Loan proceeds	61,500	61,500	61,500	-
Sale of assets	7,500	7,500	9,387	1,887
<b>Total Other Financing Sources (Uses)</b>	<b>469,000</b>	<b>469,000</b>	<b>587,271</b>	<b>118,271</b>
Revenues and Other Sources Over (Under) Expenditures and Other Uses - Budget Basis	(205,507)	(205,507)	(51,170)	154,337
Budget Basis to GAAP Basis Adjustments (Note A)	-	-	30,328	30,328
Revenues and Other Sources Over (Under) Expenditures and Other Uses - GAAP Basis	(205,507)	(205,507)	(20,842)	184,665

The notes to the financial statements are an integral part of this statement.

CITY OF WHITEHOUSE, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
(NON-GAAP BUDGET BASIS)  
GENERAL FUND  
FISCAL YEAR ENDED SEPTEMBER 30, 2008

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
Fund Balance, October 1, 2007	\$ -	\$ -	\$ 132,715	\$ 132,715
Fund Balance, September 30, 2008	<u>\$ (205,507)</u>	<u>\$ (205,507)</u>	<u>\$ 111,873</u>	<u>\$ 317,380</u>

Note A - Explanation of Differences Between Budget Basis Presentation and GAAP Basis Presentation:

Sources/Inflows of Resources:

Differences - Budget to GAAP

Increase in accrued service revenues for services earned during the current year but billed in the following year

\$ 1,126

Loan proceeds received on financing agreement

14,938

Loan proceeds not budgeted but reclassified from Utility Fund to match with reporting at government wide level

15,000

Increase in revenues recognized for exchange transactions occurring during current year but received in following year

9,024

Uses/Outflows of Resources:

Differences - Budget to GAAP

Capital outlay acquired through financing agreement

(14,938)

Increase in accrued expenses for services rendered or goods provided during the current year but paid for in the following year

5,178

Net Change in Budget Basis Presentation and GAAP Basis Presentation

\$ 30,328

CITY OF WHITEHOUSE, TEXAS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2008

	<u>UTILITY FUND</u>
ASSETS	
Current Assets:	
Cash and certificates of deposit	\$ 113,973
Due from other funds	325
Accounts receivable (Net)	<u>383,019</u>
Total Current Assets	<u>497,317</u>
Restricted current assets:	
Temporarily Restricted	
Customer deposits	<u>151,505</u>
Total restricted current assets	<u>151,505</u>
Noncurrent Assets:	
Restricted Assets:	
Temporarily Restricted	
Cash for construction	<u>2,549,448</u>
Total Restricted Assets	<u>2,549,448</u>
Water rights - Lake Columbia	230,000
Water rights - Lake Striker	225,000
Bond Issue Costs (Net)	168,140
Capital Assets:	
Land	25,000
Easements	7,800
Buildings	324,633
Water and sewer system	18,862,677
Machinery & equipment	928,316
Construction in progress	3,072,426
Less: Accumulated depreciation	<u>(4,316,632)</u>
Total Capital Assets Net Of Accumulated Depreciation	<u>18,904,220</u>
Total Noncurrent Assets:	<u>22,076,808</u>
Total Assets	<u>\$ 22,725,630</u>

(continued)

**CITY OF WHITEHOUSE, TEXAS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2008**

	<u>UTILITY FUND</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	\$ 345,694
Deferred revenue	67,465
Due to other funds	<u>153,377</u>
Total Current Liabilities	566,536
Current liabilities payable from restricted assets:	
Customer deposits	151,505
Accrued interest	120,237
Revenue bonds payable	<u>509,000</u>
Total current liabilities payable from restricted assets	780,742
Noncurrent Liabilities:	
Revenue bonds payable	<u>17,692,000</u>
Total Noncurrent Liabilities	<u>17,692,000</u>
Total Liabilities	<u>19,039,278</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	2,270,986
Restricted net assets:	
Restricted for construction	<u>827,156</u>
Total restricted net assets	827,156
Unrestricted	<u>588,210</u>
Total Net Assets	<u><u>\$ 3,686,352</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF WHITEHOUSE, TEXAS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FISCAL YEAR ENDED SEPTEMBER 30, 2008

	<u>UTILITY FUND</u>
<b>OPERATING REVENUES</b>	
Water sales	\$ 1,288,795
Sewer charges	558,700
Assessment revenue	43,332
Tax revenue	579,446
Charges for other services	<u>97,332</u>
Total Operating Revenues	<u>2,567,605</u>
<b>OPERATING EXPENSES</b>	
Utility administration	596,801
Customer service	132,906
Water operations	249,043
Sewer operations	238,937
Water supply	24,811
Depreciation	<u>489,737</u>
Total Operating Expenses	<u>1,732,235</u>
Operating Income (Loss)	<u>835,370</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest and fiscal charge expense	(752,134)
Amortization of bond issue costs	(16,523)
Grant revenue	-
Interest income	<u>108,344</u>
Total non-operating revenue (expenses)	<u>(660,313)</u>
Income before transfers	175,057
Transfers in	664,962
Transfers out	<u>(889,384)</u>
Total Transfers	<u>(224,422)</u>
Change in Net Assets	(49,365)
Net Assets, October 1, 2007	<u>3,735,717</u>
Net Assets, September 30, 2008	<u>\$ 3,686,352</u>

The notes to the financial statements are an integral part of this statement.



**CITY OF WHITEHOUSE, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FISCAL YEAR ENDED SEPTEMBER 30, 2008**

	<u>UTILITY FUND</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from customers and users	\$ 2,641,731
Cash paid to suppliers for goods and services	(735,742)
Cash paid to employees for services	<u>(519,837)</u>
Net cash provided by operating activities	<u>1,386,152</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Transfers in	664,962
Transfers out	<u>(889,384)</u>
Net cash provided by (used in) non-capital financing activities	<u>(224,422)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Purchases or construction of capital assets	(3,674,775)
Interest paid	(757,692)
Deposit paid on Lake Striker project	(112,500)
Bond proceeds	3,100,000
Bond issue costs	(37,160)
Principal paid on bonds	<u>(336,000)</u>
Net cash (used in) capital and related financing activities	<u>(1,818,127)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest earned on investments	<u>108,344</u>
Net cash provided by investing activities	<u>108,344</u>
Net increase (decrease) in cash	(548,053)
Cash, beginning of period	<u>3,362,979</u>
Cash, end of period	<u>\$ 2,814,926</u>
<b>Reconciliation of cash to Exhibit 7:</b>	
Cash - current asset	\$ 113,973
Cash - restricted current asset	151,505
Cash - restricted non-current asset	<u>2,549,448</u>
Total cash, end of period	<u>\$ 2,814,926</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WHITEHOUSE, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FISCAL YEAR ENDED SEPTEMBER 30, 2008

	<u>UTILITY FUND</u>
<b>Reconciliation of Operating Income (Loss) To Net Cash Provided By (Used In) Operating Activities:</b>	
Operating income (loss)	\$ 835,370
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	
Depreciation expense	489,737
Increase in accounts receivable	69,846
Decrease in accounts payable	(13,081)
Increase in customer deposits	<u>4,280</u>
Total adjustments	<u>550,782</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,386,152</u>

The notes to the financial statements are an integral part of this statement.