

To the City Council
City of Whitehouse, Texas

We have audited 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 of the City of Whitehouse, Texas for the year ended September 30, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 12, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Whitehouse are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2011. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the City of Whitehouse's financial statements was:

Management's estimate of the allowance for uncollectible property taxes is based on management's current judgment and past history of collections. We evaluated the key factors and assumptions used to develop the allowance for uncollectible property taxes in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the adoption of GASB Statement #54 as described in Note 1 to the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole. We did propose audit adjustments, which management approved, that converted the City of Whitehouse, Texas' books from the cash basis to the accrual basis.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 21, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Whitehouse, Texas' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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



Certified Public Accountants

Tyler, Texas

December 21, 2011

CITY OF WHITEHOUSE, TEXAS
BASIC FINANCIAL STATEMENTS
AND
REQUIRED SUPPLEMENTARY
AND
OTHER INFORMATION
FISCAL YEAR ENDED SEPTEMBER 30, 2011

Gollob Morgan Peddy PC
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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, 2011, 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, 2011, 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 December 21, 2011 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.

Gollob Morgan Peddy PC

Certified Public Accountants

Tyler, Texas
December 21, 2011

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, 2011.

Financial Highlights

- As of the end of the current fiscal year, the assets of the City exceed its liabilities by \$ 9,018,966 (net assets). Of this amount \$1,963,563 (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 \$294,303. Of this amount \$226,742 (77%) is available for spending at the government's discretion.
- The total net assets of \$9,018,966 are made up of \$7,030,373 in capital assets net of related debt and \$1,988,593 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, 2011 the City's assets exceeded liabilities by \$9,018,966.

By far the largest portion of the City's net assets (\$7,030,373) 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 \$185,397 during the current year primarily due to the completion of construction projects in the City's Capital Projects Fund. 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 (\$1,963,563) increased by \$1,058,297 during the year.

City of Whitehouse's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 479,880	\$ 491,210	\$ 1,927,309	\$ 1,568,282	\$ 2,407,189	\$ 2,059,492
Capital assets	7,925,445	8,037,581	19,660,219	19,664,130	27,585,664	27,701,711
Total Assets	8,405,325	8,528,791	21,587,528	21,232,412	29,992,853	29,761,203
Current liabilities	139,353	134,170	414,779	357,519	554,132	491,689
Non current liabilities	4,005,755	4,334,744	16,414,000	17,093,326	20,419,755	21,428,070
Total Liabilities	4,145,108	4,468,914	16,828,779	17,450,845	20,973,887	21,919,759
Net invested in						
capital assets	3,799,329	3,746,295	3,231,044	3,098,681	7,030,373	6,844,976
Restricted	25,030	22,848	-	68,354	25,030	91,202
Unrestricted	435,858	290,734	1,527,705	614,532	1,963,563	905,266
Total Net Assets	\$ 4,260,217	\$ 4,059,877	\$ 4,758,749	\$ 3,781,567	\$ 9,018,966	\$ 7,841,444

Governmental activities. During the current year the governmental activities had an increase in net assets of \$200,340 which represented a \$183,910 increase from the previous year.

The decrease from the prior year came primarily from a decrease in the transfers received from the business-type activities.

Business-type activities. The City had a \$977,182 increase in net assets for its business-type activities during the year. This is up by \$774,114 from the previous year. The increase is primarily due to an increase in customer charges for water consumption and an increase in property taxes as well as an increase in transfers from governmental activities.

City of Whitehouse's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Charges for services	\$ 1,149,503	\$ 1,122,250	\$ 3,128,039	\$ 2,631,807	\$ 4,277,542	\$ 3,754,057
Capital grants and contributions	85,853	131,262	-	-	85,853	131,262
General revenue:						
Property taxes	1,620,744	1,643,899	802,070	581,652	2,422,814	2,225,551
Franchise taxes	302,948	284,790	-	-	302,948	284,790
Sales taxes	674,200	657,274	-	-	674,200	657,274
Gain (loss) on sale of assets	8,040	-	-	-	8,040	-
Interest income	13,242	12,347	2,177	4,979	15,419	17,326
Total revenues	3,854,530	3,851,822	3,932,286	3,218,438	7,786,816	7,070,260
Expenses:						
General government	522,319	569,275	-	-	522,319	569,275
Public safety	1,874,182	1,897,960	-	-	1,874,182	1,897,960
Community development	953,581	974,783	-	-	953,581	974,783
Parks and recreation	61,291	76,782	-	-	61,291	76,782
Interest	163,641	179,099	-	-	163,641	179,099
Water and sewer operations	-	-	3,034,280	2,785,043	3,034,280	2,785,043
Total expenses	3,575,014	3,697,899	3,034,280	2,785,043	6,609,294	6,482,942
Transfers	(79,176)	230,327	79,176	(230,327)	-	-
Change in net assets	200,340	384,250	977,182	203,068	1,177,522	587,318
Net assets beginning of year,	4,059,877	3,675,627	3,781,567	3,578,499	7,841,444	7,254,126
Net Assets End of Year	\$ 4,260,217	\$ 4,059,877	\$ 4,758,749	\$ 3,781,567	\$ 9,018,966	\$ 7,841,444

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 \$294,303 of which \$226,742 is unrestricted and available for spending at the City's discretion. The total fund balance for the governmental funds decreased by \$23,241 during the year which was mostly due to a decrease in revenues from fines and property taxes along with a decrease in transfers.

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 \$1,527,705 at year end as compared to \$614,532 at the end of the prior year.

General Fund Budgetary Highlights

Over the year, the City of Whitehouse did not make any budget amendments to its original budget. Revenues were \$43,532 under budget while expenditures were under budget by \$224,172. After considering operating transfers, the City had a favorable variance of \$165,814 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, 2011, amounts to \$7,030,373 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 continued work on various construction projects for water and sewer improvements. The total net decrease in the City's investment in fixed assets for the current year (see Note 4C) was \$116,047.

City of Whitehouse's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
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	-	-	77,581	1,287,123	77,581	1,287,123
Buildings and improvements	1,951,519	2,013,503	122,934	131,595	2,074,453	2,145,098
Water and sewer system Infrastructure	-	-	19,293,435	18,053,517	19,293,435	18,053,517
	5,401,572	5,453,800	-	-	5,401,572	5,453,800
Machinery and equipment	443,572	441,496	133,469	159,095	577,041	600,591
Total	\$ 7,925,445	\$ 8,037,581	\$ 19,660,219	\$ 19,664,130	\$ 27,585,664	\$ 27,701,711

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 did not incur any new debt. After principal payments of \$679,326 were made against debt during the year, the City had total debt outstanding of \$20,419,755 at the end of the fiscal year.

City of Whitehouse's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 3,925,000	\$ 4,165,000	\$ -	\$ -	\$ 3,925,000	\$ 4,165,000
Notes Payable	-	45,169	-	9,326	-	54,495
Compensated absences	80,755	124,574	-	-	80,755	124,574
Revenue bonds and Certificates of obligation	-	-	16,414,000	17,084,000	16,414,000	17,084,000
Total	\$ 4,005,755	\$ 4,334,743	\$ 16,414,000	\$ 17,093,326	\$ 20,419,755	\$ 21,428,069

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 more favorable outlook than the national average. New residential construction is recovering and there are more new housing starts underway than at this time last year. Commercial construction of a 10,000 square foot warehouse office building is under review by staff, the conversion of an unoccupied property is being considered for conversion to office space for an engineering company, and recent talks with a primary developer of the town center indicate construction should be starting within the next 90 days. These proposed commercial and current residential construction, as they are completed, will provide increases in property tax and sales tax revenue as well as creating a significant number of new jobs.

The City has adopted the FY11/12 budget, which provided for a property tax reduction and an adjustment in utility rates for water and sewer in the City. City staff will strive to operate with maximum efficiency, controlling expenditures and exploring ways to increase revenues.

Proposed construction and development factors were not considered in the preparation of the City's budget and tax rate of \$ 0.672110 Per \$100.00 property valuation for the 2011/2012 fiscal year.

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: Stefani Wright, City Secretary
PO Box 776
Whitehouse, TX 75791
or call 903-839-4914.

BASIC FINANCIAL STATEMENTS

**CITY OF WHITEHOUSE, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 10,034	\$ 760,120	\$ 770,154
Receivables (net of allowance for doubtful accounts)	287,091	769,210	1,056,301
Internal balances	137,972	(137,972)	-
Restricted Assets:			
Temporarily restricted			
Cash and cash equivalents	-	187,440	187,440
Water rights - Lake Columbia	-	230,000	230,000
Bond issue costs (net)	44,783	118,511	163,294
Capital Assets (net of accumulated depreciation):			
Land	128,782	25,000	153,782
Easements	-	7,800	7,800
Construction in progress	-	77,581	77,581
Buildings and improvements	1,951,519	122,934	2,074,453
Infrastructure	5,401,572	-	5,401,572
Machinery and equipment	443,572	133,469	577,041
Water and sewer system	-	19,293,435	19,293,435
Total Assets	8,405,325	21,587,528	29,992,853
LIABILITIES			
Accounts payable	119,910	65,228	185,138
Deposits and other refundable balances	-	187,440	187,440
Deferred revenue	-	80,885	80,885
Accrued interest	19,443	81,226	100,669
Non-current liabilities:			
Due within one year	263,075	775,444	1,038,519
Due in more than one year	3,742,680	15,638,556	19,381,236
Total Liabilities	4,145,108	16,828,779	20,973,887
NET ASSETS			
Investment in capital assets, net of related debt	3,799,329	3,231,044	7,030,373
Restricted for:			
Police forfeitures	8,445	-	8,445
Debt service	16,585	-	16,585
Unrestricted	435,858	1,527,705	1,963,563
Total Net Assets	\$ 4,260,217	\$ 4,758,749	\$ 9,018,966

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, 2011**

	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
PROGRAM ACTIVITIES:						
PRIMARY GOVERNMENT:						
Governmental activities:						
General government	\$ 522,319	\$ 123,419	\$ -	\$ (398,900)	\$ -	\$ (398,900)
Public safety	1,874,182	372,608	175	(1,501,399)	-	(1,501,399)
Community development	953,581	653,476	85,678	(214,427)	-	(214,427)
Parks and recreation	61,291	-	-	(61,291)	-	(61,291)
Interest	163,641	-	-	(163,641)	-	(163,641)
Total governmental activities	3,575,014	1,149,503	85,853	(2,339,658)	-	(2,339,658)
Business-type activities:						
Water and sewer	3,034,280	3,128,039	-	-	93,759	93,759
Total business-type activities	3,034,280	3,128,039	-	-	93,759	93,759
Total primary government	\$ 6,609,294	\$ 4,277,542	\$ 85,853	(2,339,658)	93,759	(2,245,899)
General revenues:						
Property taxes				1,620,744	802,070	2,422,814
Franchise taxes				302,948	-	302,948
Sales and use taxes				674,200	-	674,200
Gain on sale of assets				8,040	-	8,040
Interest and rent				13,242	2,177	15,419
Transfers				(79,176)	79,176	-
Total general revenues and transfers				2,539,998	883,423	3,423,421
Change in net assets				200,340	977,182	1,177,522
Net assets - beginning of year				4,059,877	3,781,567	7,841,444
Net assets - end of year				\$ 4,260,217	\$ 4,758,749	\$ 9,018,966

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

CITY OF WHITEHOUSE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	MAJOR FUNDS			ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS		
ASSETS					
Cash and investments	\$ 1,490	\$ -	\$ -	\$ -	\$ 1,490
Receivables:					
Property taxes	61,355	-	-	-	61,355
Sales taxes	105,810	-	-	-	105,810
Street assessments	-	-	26,036	-	26,036
Charges for services	115,616	-	-	-	115,616
Restricted Assets:					
Temporarily restricted					
Cash and cash equivalents	-	-	8,544	-	8,544
Due from other funds	123,738	120,931	698	(107,395)	137,972
Bond issue costs (net)	-	-	44,783	-	44,783
Total Assets	<u>\$ 408,009</u>	<u>\$ 120,931</u>	<u>\$ 80,061</u>	<u>\$ (107,395)</u>	<u>\$ 501,606</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued expenses	119,912	-	-	-	119,912
Due to other funds	-	104,346	3,049	(107,395)	-
Deferred revenue	61,355	-	26,036	-	87,391
Total Liabilities	<u>181,267</u>	<u>104,346</u>	<u>29,085</u>	<u>(107,395)</u>	<u>207,303</u>
Fund Balances:					
Restricted:					
Police forfeitures	-	-	8,544	-	8,544
Debt Service	-	16,585	-	-	16,585
Total Restricted	-	16,585	8,544	-	25,129
Assigned:					
Capital Projects	-	-	42,432	-	42,432
Unassigned	226,742	-	-	-	226,742
Total Fund Balances	<u>226,742</u>	<u>16,585</u>	<u>50,976</u>	<u>-</u>	<u>294,303</u>
Total Liabilities and Fund Balances	<u>\$ 408,009</u>	<u>\$ 120,931</u>	<u>\$ 80,061</u>	<u>\$ (107,395)</u>	

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

CITY OF WHITEHOUSE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

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)	\$ 294,303
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	7,925,445
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	65,666
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	(19,443)
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>(4,005,754)</u>
Net Assets of governmental activities	<u>\$ 4,260,217</u>

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2011

	MAJOR FUNDS		OTHER GOVERNMENTAL FUNDS	ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	DEBT SERVICE			
REVENUES					
Current and delinquent taxes	\$ 956,277	\$ 662,469	\$ -	\$ -	\$ 1,618,746
Fines and forfeitures	372,608	-	-	-	372,608
Licenses and permits	6,510	-	-	-	6,510
Franchise taxes	302,948	-	-	-	302,948
Sales taxes - regular	419,557	-	-	-	419,557
Sales taxes - additional 1/2 cent	209,778	-	-	-	209,778
Sales tax fees	44,865	-	-	-	44,865
Donations	-	-	175	-	175
Solid waste collections	649,811	-	-	-	649,811
Zoning and platting fees	200	-	-	-	200
Intergovernmental revenue	85,678	-	-	-	85,678
Interest and rent	12,364	867	11	-	13,242
Miscellaneous income	116,709	-	-	-	116,709
Total Revenues	3,177,305	663,336	186	-	3,840,827
EXPENDITURES					
Legislative	11,831	-	-	-	11,831
General administration	327,457	-	-	-	327,457
Treasury and financial	69,241	-	-	-	69,241
Tax appraisal and collections	42,116	-	-	-	42,116
Municipal court	245,157	-	-	-	245,157
Library	42,500	-	-	-	42,500
Parks/recreation	58,551	-	-	-	58,551
Community development	25,187	-	-	-	25,187
Street and ground maintenance	149,839	-	-	-	149,839
Communication center	196,191	-	-	-	196,191
Police	1,189,562	-	-	-	1,189,562
Animal control	44,696	-	-	-	44,696
Fire	120,000	-	-	-	120,000
Sanitation	560,473	-	-	-	560,473
Debt service:					
Bond principal	-	240,000	-	-	240,000
Note principal	-	45,169	-	-	45,169
Interest and fees	-	164,706	-	-	164,706
Capital outlay	252,766	-	-	-	252,766
Total Expenditures	3,335,567	449,875	-	-	3,785,442
Revenues Over (Under) Expenditures	(158,262)	213,461	186	-	55,385

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2011

	MAJOR FUNDS		OTHER GOVERNMENTAL FUNDS	ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	DEBT SERVICE			
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 140,548	\$ -	\$ -	\$ -	\$ 140,548
Transfers out	-	(219,724)	-	-	(219,724)
Sale of assets	8,040	-	-	-	8,040
Amortization	-	-	(7,490)	-	(7,490)
Total Other Financing Sources (Uses)	<u>148,588</u>	<u>(219,724)</u>	<u>(7,490)</u>	<u>-</u>	<u>(78,626)</u>
Net Change in Fund Balances	(9,674)	(6,263)	(7,304)	-	(23,241)
Fund Balance, October 1, 2010	<u>236,416</u>	<u>22,848</u>	<u>58,280</u>	<u>-</u>	<u>317,544</u>
Fund Balance, September 30, 2011	<u>\$ 226,742</u>	<u>\$ 16,585</u>	<u>\$ 50,976</u>	<u>\$ -</u>	<u>\$ 294,303</u>

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, 2011**

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

Net change in fund balances - total governmental funds	\$ (23,241)
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.	(112,136)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the government wide statements.	5,663
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.	<div style="border-top: 1px solid black; margin-top: 5px;">330,054</div>
Change in net assets of governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; margin-top: 5px;">\$ 200,340</div>

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, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
REVENUES				
Current and delinquent taxes	\$ 1,072,062	\$ 1,072,062	\$ 956,277	\$ (115,785)
Fines and forfeitures	456,850	456,850	372,608	(84,242)
Licenses and permits	7,760	7,760	6,510	(1,250)
Franchise taxes	295,000	295,000	302,948	7,948
Sales taxes - regular	400,076	400,076	421,539	21,463
Sales taxes - additional 1/2 cent	200,038	200,038	210,769	10,731
Sales tax fees	43,717	43,717	44,865	1,148
Solid waste collections	640,374	640,374	653,883	13,509
Zoning and platting fees	250	250	200	(50)
Intergovernmental revenue	82,243	82,243	85,678	3,435
Interest and rent	13,000	13,000	12,364	(636)
Miscellaneous income	16,512	16,512	116,709	100,197
Total Revenues	3,227,882	3,227,882	3,184,350	(43,532)
EXPENDITURES				
Legislative	11,543	11,543	11,831	(288)
General administration	342,031	342,031	327,019	15,012
Treasury and financial	69,947	69,947	69,241	706
Tax appraisal and collections	40,293	40,293	42,116	(1,823)
Municipal court	283,450	283,450	240,546	42,904
Library	42,500	42,500	42,500	-
Parks/recreation	67,000	67,000	58,551	8,449
Community development	57,496	57,496	25,187	32,309
Street and ground maintenance	200,037	200,037	190,330	9,707
Communication center	211,226	211,226	196,191	15,035
Police	1,427,117	1,427,117	1,319,591	107,526
Animal control	50,625	50,625	44,696	5,929
Fire	120,000	120,000	120,000	-
Sanitation	550,441	550,441	560,235	(9,794)
Total Expenditures	3,473,706	3,473,706	3,248,034	225,672
Revenues Over (Under) Expenditures	(245,824)	(245,824)	(63,684)	182,140
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	53,134	53,134
Loan proceeds	71,000	71,000	-	(71,000)
Sale of assets	5,000	5,000	8,040	3,040
Total Other Financing Sources (Uses)	76,000	76,000	61,174	(14,826)
Revenues and Other Sources Over (Under) Expenditures and Other Uses - Budget Basis	(169,824)	(169,824)	(2,510)	167,314
Budget Basis to GAAP Basis Adjustments (Note A)	-	-	(7,164)	(7,164)
Revenues and Other Sources Over (Under) Expenditures and Other Uses - GAAP Basis	(169,824)	(169,824)	(9,674)	160,150

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, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
Fund Balance, October 1, 2010	\$ -	\$ -	\$ 236,416	\$ 236,416
Fund Balance, September 30, 2011	<u>\$ (169,824)</u>	<u>\$ (169,824)</u>	<u>\$ 226,742</u>	<u>\$ 396,566</u>

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

Basis Presentation:

Sources/Inflows of Resources:

Differences - Budget to GAAP

Decrease in accrued service revenues for services earned during the current year but billed in the following year	\$ (2,973)
Increase in revenues recognized for exchange transactions occurring during current year but received in following year	(4,072)
Transfers on expenditures paid in other funds	87,414

Uses/Outflows of Resources:

Differences - Budget to GAAP

Transfers on expenditures paid in other funds	(87,414)
Capital expenditures recorded in Utility Fund	5,168
Increase in accrued expenses for services rendered or goods provided during the current year but paid for in the following year	(5,287)

Net Change in Budget Basis Presentation and GAAP Basis Presentation	<u>\$ (7,164)</u>
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CITY OF WHITEHOUSE, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2011

	<u>UTILITY FUND</u>
ASSETS	
Current Assets:	
Cash and certificates of deposit	\$ 760,120
Due from other funds	325
Accounts receivable (Net)	<u>769,210</u>
Total Current Assets	<u>1,529,655</u>
Restricted current assets:	
Temporarily Restricted	
Customer deposits	<u>187,440</u>
Total restricted current assets	<u>187,440</u>
Water rights - Lake Columbia	230,000
Bond Issue Costs (Net)	118,511
Capital Assets:	
Land	25,000
Easements	7,800
Buildings	324,633
Water and sewer system	24,204,608
Machinery & equipment	933,527
Construction in progress	77,581
Less: Accumulated depreciation	<u>(5,912,930)</u>
Total Capital Assets Net Of Accumulated Depreciation	<u>19,660,219</u>
Total Noncurrent Assets:	<u>20,008,730</u>
Total Assets	<u>\$ 21,725,825</u>
	(continued)

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2011

	<u>UTILITY FUND</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 65,230
Deferred revenue	80,885
Due to other funds	<u>138,295</u>
Total Current Liabilities	284,410
Current liabilities payable from restricted assets:	
Customer deposits	187,440
Accrued interest	81,226
Revenue bonds payable	<u>775,444</u>
Total current liabilities payable from restricted assets	1,044,110
Noncurrent Liabilities:	
Revenue bonds payable	<u>15,638,556</u>
Total Noncurrent Liabilities	<u>15,638,556</u>
Total Liabilities	<u>16,967,076</u>
NET ASSETS	
Invested in capital assets, net of related debt	3,231,044
Unrestricted	<u>1,527,705</u>
Total Net Assets	<u>\$ 4,758,749</u>

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2011

	<u>UTILITY FUND</u>
OPERATING REVENUES	
Water sales	\$ 2,213,965
Sewer charges	756,870
Assessment revenue	20,545
Tax revenue	802,070
Charges for other services	<u>136,659</u>
Total Operating Revenues	<u>3,930,109</u>
OPERATING EXPENSES	
Utility administration	620,454
Customer service	97,788
Water operations	238,715
Sewer operations	210,120
Water supply	399,801
Depreciation	<u>564,835</u>
Total Operating Expenses	<u>2,131,713</u>
Operating Income (Loss)	<u>1,798,396</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest and fiscal charge expense	(886,781)
Amortization of bond issue costs	(15,786)
Interest income	<u>2,177</u>
Total non-operating revenue (expenses)	<u>(900,390)</u>
Income before transfers	898,006
Transfers in	224,892
Transfers out	<u>(145,716)</u>
Total Transfers	<u>79,176</u>
Change in Net Assets	977,182
Net Assets, October 1, 2010	<u>3,781,567</u>
Net Assets, September 30, 2011	<u>\$ 4,758,749</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, 2011

	<u>UTILITY FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers and users	\$ 3,799,860
Cash paid to suppliers for goods and services	(1,039,555)
Cash paid to employees for services	<u>(521,500)</u>
Net cash provided by operating activities	<u>2,238,805</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Advances to other funds	(6,262)
Transfers in	224,892
Transfers out	<u>(58,302)</u>
Net cash provided by (used in) non-capital financing activities	<u>160,328</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchases or construction of capital assets	(668,350)
Interest paid	(918,076)
Principal paid on note	(9,326)
Principal paid on bonds	<u>(670,000)</u>
Net cash (used in) capital and related financing activities	<u>(2,265,752)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest earned on investments	<u>2,177</u>
Net cash provided by investing activities	<u>2,177</u>
Net increase (decrease) in cash	135,558
Cash, beginning of period	<u>812,002</u>
Cash, end of period	<u>\$ 947,560</u>
Reconciliation of cash to Exhibit 7:	
Cash - current asset	\$ 760,120
Cash - restricted current asset	<u>187,440</u>
Total cash, end of period	<u>\$ 947,560</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, 2011

	<u>UTILITY FUND</u>
Reconciliation of Operating Income (Loss) To Net Cash Provided By (Used In) Operating Activities:	
Operating income (loss)	\$ 1,798,396
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	
Depreciation expense	564,835
Increase in accounts receivable	(232,992)
Decrease in accounts payable	5,823
Increase in customer deposits	<u>27,525</u>
Total adjustments	<u>440,409</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,238,805</u>

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

CITY OF WHITEHOUSE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1: — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The City of Whitehouse, Texas operates under a Council-Manager form of government and provides the following services: general administration, police, fire, planning and zoning, street, solid waste, and water and sewer services.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for governmental and financial reporting. On June 15, 1987, the GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with the subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

B. The Reporting Entity

These financial statements present all of the funds of the City.

The financial statements of the City of Whitehouse, Texas include all funds and account groups and other organizations for which the City is financially accountable. Financial accountability is determined on the basis of appointment of a voting majority of the respective governing board, imposition of will, financial benefit or burden and financial accountability as a result of fiscal dependency. In determining the financial reporting entity, the City complies with the provisions of Government Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" and Government Accounting Standards Board Statement No. 39 "Determining Whether Certain Organizations are Component Units – an amendment of GASB No. 14", and includes all component units of which the City appointed a voting majority of the units' board and the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government.

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

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and

available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government'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 Debt Service Fund accounts for the repayment of the City's general obligation debt.

The government reports the following major proprietary funds:

The Utility Fund is used to account for sale of water and wastewater treatment by the City to businesses and residential customers, as well as the construction of related construction projects and the payment of the debt on these projects.

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

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided and (2) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivery goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. Assets, Liabilities, and Net Assets or Equity

1. Cash and cash equivalents – the City considers all cash in demand deposit accounts and petty cash accounts to be cash and cash equivalents, as well as certificates of deposit and funds maintained in external investment pools that can be readily converted to cash on a daily basis.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds:” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are shown net of an allowance for uncollectible.

The City provides an allowance for doubtful accounts based upon the anticipated collectibility of each specific account, as determined by experience.

Property taxes are levied October 1 on the assessed value of property at January 1 and are due by January 31 of the following year. Unpaid taxes attach as an enforceable lien on property as of January 31. Revenue from taxes assessed is recorded as deferred revenue on October 1. The deferred revenue from taxes is then recognized as revenue during the year as the taxes are actually received.

3. Due from Other Funds

Current portions of long-term interfund loans receivable (reported in “Due from” asset accounts) are considered “available spendable resources”.

4. Capital Assets – includes property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at 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 asset lives are not capitalized.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	25-40
Machinery and equipment	5-10
Infrastructure	40

5. Construction in progress – Expenditures on incomplete capital projects have been capitalized as construction in progress. The assets resulting from these projects will be transferred from the construction in progress accounts to the appropriate asset account as the projects are completed.

6. Bond issue costs – Bond issue costs are amortized over the life of the bonds under straight line or the effective interest method.

4. Fund Balance Classification – During the current year, the City adopted GASB Statement No. 54, which redefined how fund balances of governmental funds are presented in the financial statements. Fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of the City Charter, City Code, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution. This includes any budgeted reserve account.

Assigned – Amounts that are designated by City Council for a specific purpose but are not spendable until a budget ordinance is passed.

Unassigned – All amounts not included in other spendable classifications.

The details of the fund balances for the governmental funds are included in the Governmental Funds Balance Sheet (page 12).

7. Net Assets – Represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of the City’s capital assets, net of accumulated depreciation, reduced by any outstanding debt used for the acquisition or construction of those assets. Net assets reported as restricted are those amounts which have limitations imposed on their use either through legislation adopted by the City or through external restrictions imposed by creditors, grantors or other laws and regulations.
8. Capitalized interest – The City has capitalized interest on construction projects when material.
10. Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 — RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

- A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets - One element of that reconciliation states that “Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.” The details of this \$7,925,445 difference are as follows:

Capital assets, October 1, 2010, net of accumulated depreciation	\$ 8,037,581
Capital asset additions, net of retirements	252,766
Depreciation of capital assets, current year	<u>(364,902)</u>
	<u>\$ 7,925,445</u>

Another element states that “Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.” The details of this \$65,666 difference are as follows:

Allowance account for uncollectible taxes	\$ (21,726)
Deferred tax revenues	<u>87,392</u>
	<u>\$ 65,666</u>

Also, another element states that “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.” The details of this \$(4,005,754) difference are as follows:

Long-term liabilities, October 1, 2010	\$ (4,334,743)
Principal paid on debt this year	285,169
Change in compensated absences	<u>43,820</u>
	<u>\$ (4,005,754)</u>

B. Explanation of certain differences between the governmental fund statement of revenue, expenditures, and changes in fund balance and the government-wide statement of activities - One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated to their estimated useful lives and reported as depreciation expense." The detail of this \$(112,136) difference are as follows:

Capital outlay, asset additions	\$ 252,766
Depreciation expense	<u>(364,902)</u>
	<u>\$ (112,136)</u>

Another element states "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the government wide statements." The details of this \$5,663 difference are as follows:

Change in allowance for uncollectible taxes	\$ (2,615)
Change in deferred revenues	<u>8,278</u>
	<u>\$ 5,663</u>

Also, another element states "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." The details of this \$330,054 difference are as follows:

Principal payments on debt	\$ 285,169
Change in accrued interest	1,065
Change in compensated absences	<u>43,820</u>
	<u>\$ 330,054</u>

NOTE 3 — STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The budget for the General Fund and Water and Sewer Fund are adopted essentially on the cash basis. The budgetary comparisons for these funds are on this non-GAAP budgetary basis.
2. Appropriations lapse at year end.
3. Encumbrance accounting is not used.

NOTE 4 — DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2011, the City had the following deposits and investments:

	<u>BOOK BALANCE</u>	<u>BANK BALANCE</u>
Depository Accounts		
Insured	\$ 265,742	\$ 445,994
Collateral held by pledging bank's Trust Department in City's name	<u>-</u>	<u>-</u>
Total Depository Accounts	\$ 265,742	\$ 445,994
 Intergovernmental investment pools:		
Logic	189,678	189,678
Texpool	308,353	308,353
MBIA	<u>192,331</u>	<u>192,331</u>
	956,104	1,136,356
Petty Cash on Hand	<u>1,490</u>	<u>-</u>
Total Cash and Cash Equivalents	<u>\$ 957,594</u>	<u>\$ 1,136,356</u>

Credit Risk – The City’s investment policy allows for investments in intergovernmental investment pools. The City’s investments in Logic, Texpool, and MBIA are not evidenced by securities that exist in physical or book entry form and are not subject to credit risk categorization.

Interest Rate Risk – The City’s investment policy allows for investments to be made in order to achieve the highest return of interest on excess funds after consideration is given to safety and liquidity provisions of the policy.

B. Receivables

Receivables as of year end for the government’s individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Utility Operating Fund</u>	<u>Non Major Funds</u>	<u>Total</u>
Receivables:				
Taxes	\$ 61,355	\$ -	\$ -	\$ 61,355
Assessments	-	80,885	26,036	106,921
Sales Tax	105,810	-	-	105,810
Accounts (services)	<u>115,616</u>	<u>688,325</u>	<u>-</u>	<u>803,941</u>
Gross receivables	282,781	769,210	26,036	1,078,027
 Less: Allowance for Uncollectibles	<u>21,726</u>	<u>-</u>	<u>-</u>	<u>21,726</u>
Net Receivables	<u>\$ 261,055</u>	<u>\$ 769,210</u>	<u>\$ 26,036</u>	<u>\$ 1,056,301</u>

C. Capital Assets

Capital asset activity for the year ended September 30, 2011 was as follows:

PRIMARY GOVERNMENT	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 128,782	\$ -	\$ -	\$ 128,782
Total Capital Assets, Not Being Depreciated	128,782	-	-	128,782
Capital Assets, Being Depreciated				
Buildings and Improvements	2,495,541	-	-	2,495,541
Infrastructure	7,121,055	127,905	-	7,248,960
Machinery and Equipment	1,920,131	124,861	(134,629)	1,910,363
Total Capital Assets, Being Depreciated	11,536,727	252,766	(134,629)	11,654,864
Less Accumulated Depreciation For:				
Buildings and Improvements	(482,038)	(61,984)	-	(544,022)
Infrastructure	(1,667,255)	(180,133)	-	(1,847,388)
Machinery and Equipment	(1,478,635)	(122,785)	134,629	(1,466,791)
Total Accumulated Depreciation	(3,627,928)	(364,902)	134,629	(3,858,201)
Net Total Assets Being Depreciated	7,908,799	(112,136)	-	7,796,663
Governmental Activities Capital Assets, Net	<u>\$ 8,037,581</u>	<u>\$ (112,136)</u>	<u>\$ -</u>	<u>\$ 7,925,445</u>
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Easements	7,800	-	-	7,800
Construction in Progress	1,287,123	626,374	(1,835,916)	77,581
Total Capital Assets, Not Being Depreciated	1,319,923	626,374	(1,835,916)	110,381
Capital Assets, Being Depreciated				
Water and Sewer System	22,439,310	1,765,298	-	24,204,608
Buildings	324,633	-	-	324,633
Machinery and Equipment	942,290	5,168	(13,931)	933,527
Total Capital Assets, Being Depreciated	23,706,233	1,770,466	(13,931)	25,462,768
Less Accumulated Depreciation For:				
Water and Sewer System	(4,385,793)	(525,380)	-	(4,911,173)
Buildings	(193,038)	(8,661)	-	(201,699)
Machinery and Equipment	(783,195)	(30,794)	13,931	(800,058)
Total Accumulated Depreciation	(5,362,026)	(564,835)	13,931	(5,912,930)
Net Total Assets Being Depreciated	18,344,207	1,205,631	-	19,549,838
Business-Type Activities Capital Assets, Net	<u>\$ 19,664,130</u>	<u>\$ 1,832,005</u>	<u>\$ (1,835,916)</u>	<u>\$ 19,660,219</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 60,409
Public Safety	122,815
Community Development	178,938
Parks and Recreation	2,740
Total depreciation expense, governmental activities	<u>\$ 364,902</u>
Business-Type Activities:	
Water and Sewer Operations	<u>\$ 564,835</u>

Construction Commitments

The government has several active construction projects as of September 30, 2011. At year-end the government's commitments with contractors are as follows:

Project	Spent-to-Date	Estimated Remaining
Meadowlark Improvements	\$ 77,581	\$ 20,000

The commitments for these projects are being financed by certificates of obligation and local funds.

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of September 30, 2011 is as follows:

Receivable Fund	Payable Fund	Amount
Debt Service	Utility Operating Fund	\$ 38,693
Debt Service	Enterprise Debt Service Fund	85,859
Debt Service	Street Construction Fund	2,150
General Fund	Utility Operating Fund	835
General Fund	Enterprise Debt Service Fund	<u>10,435</u>
		<u>\$ 137,972</u>

Interfund transfers:

	Transfers In				Total
	Debt Service Fund	Utility Operating Fund	Utility Debt Service Fund	General Fund	
Transfers out:					
Debt Service Fund	\$ -	\$ -	\$ 219,724	\$ -	\$ 219,724
Utility Operating fund	-	-	584,321	53,134	637,455
Other Governmental Funds	-	-	-	-	-
Utility Capital Projects fund	-	<u>1,748,502</u>	-	<u>87,414</u>	<u>1,835,916</u>
Total transfers out/in	<u>\$ -</u>	<u>\$ 1,748,502</u>	<u>\$ 804,045</u>	<u>\$ 140,548</u>	<u>\$ 2,693,095</u>

E. Operating Leases

During the year, the City leased out land for specified use under three operating leases. The City collected \$11,625 under these leases which are for one year periods and are renewable annually.

F. Long-term debt

The following is a summary of bond and certificates of obligation transactions of the City for the year ended September 30, 2011:

	<u>GENERAL OBLIGATION</u>	<u>REVENUE</u>	<u>TOTAL</u>
Bonds payable – October 1, 2010	\$ 4,165,000	\$ 17,084,000	\$ 21,249,000
Additions	-	-	-
Retirements	(240,000)	(670,000)	(910,000)
Bonds Payable – September 30, 2011	<u>\$ 3,925,000</u>	<u>\$ 16,414,000</u>	<u>\$ 20,339,000</u>

Outstanding bonds at September 30, 2011 are comprised of the following issues:

Governmental Activities:

\$3,140,000 Series 2006 Refunding Bonds; maturing serially in varying amounts through 2-15-26 at 4.80%	\$ 2,570,000
\$1,000,000 Series 1996 General Obligation Bonds; maturing serially in varying amounts through 9-30-12. Interest rates varying from 6.65% to 5.25%	105,000
\$1,400,000 Series 2004 Certificates of Obligation Bonds; maturing serially in varying amounts through 2-15-23. Interest rates varying from 2.15% to 3.19%	<u>1,250,000</u>
Total Governmental Bonded Debt	<u>\$ 3,925,000</u>

Business-Type Activities:

\$5,000,000 Series 2001 Combination Tax and Revenue Certificates of Obligation; maturing annually in varying amounts through 9-1-21. Interest rates varying from 4.00% to 8.50%	\$ 4,925,000
\$2,800,000 Series 2006 Combination Tax and Revenue Certificates of Obligation; maturing annually in varying amounts beginning 2-15-07 through 2-15-06. Interest at 4.20%	2,335,000
\$3,100,000 Series 2008 Combination Tax and Revenue Certificates of Obligation; maturing annually in varying amounts beginning 2-15-09 through 2-15-28 at 3.70%	2,811,000
\$4,359,000 Series 2007 Tax Refunding; maturing annually in varying amounts through 2-15-27 at 4.52%	4,168,000
\$2,000,000 Series 2007 Combination Tax and Revenue Certificates of Obligation; maturing annually in varying amounts beginning 2-15-08 through 2-15-26 at 4.32%	1,740,000

\$4,575,000 Series 2003-A Combination Tax and Revenue Certificates of Obligation; maturing annually in varying amounts beginning 2-15-06 through 2-15-23. Interest rates varying from 2.03% to 3.46%

435,000

Total Business-Type Bonded Debt

\$ 16,414,000

The funding requirements to amortize all bonds outstanding as of September 30, 2011, including interest, are as follows:

	GOVERNMENTAL		BUSINESS-TYPE		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2012	\$ 255,000	\$ 152,790	\$ 775,444	\$ 746,526	\$ 1,929,760
2013	205,000	142,775	979,957	693,361	2,021,093
2014	215,000	134,149	1,066,951	647,501	2,063,601
2015	225,000	125,507	1,118,089	597,286	2,065,882
2016	235,000	116,713	1,168,950	545,166	2,065,829
2017-2021	1,450,000	433,766	6,587,609	1,851,773	10,323,148
2022-2026	1,340,000	145,782	4,070,000	484,494	6,040,276
2027-2028			647,000	20,817	667,817
	<u>\$ 3,925,000</u>	<u>\$ 1,251,482</u>	<u>\$ 16,414,000</u>	<u>\$ 5,586,924</u>	<u>\$ 27,177,406</u>

Each bond issue has a respective bond ordinance authorizing (a) creation of an interest and sinking fund for the bond issue and (b) establishment of a required minimum balance to be held by each issue in order to pay the next interest and sinking requirement due.

The bond ordinances also require that the following information concerning insurance coverage as of September 30, 2011 be disclosed.

Insurer	Policy	Limit of Liability		Expiration Date
		Each Occurrence	Annual Aggregate	
Texas Municipal League	General Liability	\$1,000,000	\$2,000,000	10/1/2012
	Law Enforcement	1,000,000	2,000,000	10/1/2012
	Errors & Omissions	1,000,000	2,000,000	10/1/2012
	Auto Liability	1,000,000	n/a	10/1/2012
	Auto Physical Damage	10,000	n/a	10/1/2012
	Uninsured/Underinsured Motorists	55,000	n/a	10/1/2012
	Texas Municipal League	Real & Personal Property	17,821,530	n/a
Mobile Equipment		430,718	n/a	10/1/2012
Boiler & Machinery		100,000	n/a	10/1/2012
Texas Municipal League	Workers Comp	500,000	n/a	10/1/2012

As of September 30, 2011, the City was not in compliance with the minimum cash requirement contained in its bond ordinances as follows:

Minimum required balance	\$ 460,376
Actual balance held at September 30, 2011	<u>37,141</u>
Shortage	<u>\$ 423,235</u>

The City has covered the shortage at year end through collection of property taxes at time of issuance of this report.

Changes in long-term liabilities

Long term liability activity for the year ended September 30, 2011 was as follows:

	Beginning Balance 10/1/10	Additions	Reductions	Ending Balance 9/30/11	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 4,165,000	\$ -	\$ 240,000	\$ 3,925,000	\$ 255,000
Notes Payable	45,169	-	45,169	-	-
Compensated Absences	124,574	-	43,819	80,755	8,075
Governmental Activity Long-Term Liabilities	\$ 4,334,743	\$ -	\$ 328,988	\$ 4,005,755	\$ 263,075
Business-type Activities:					
Revenue Bonds	\$ 17,084,000	\$ -	\$ 670,000	\$ 16,414,000	\$ 775,444
Notes Payable	9,326	-	9,326	-	-
Business-type Activity Long-Term Liabilities	\$ 17,093,326	\$ -	\$ 679,326	\$ 16,414,000	\$ 775,444

NOTE 5 — GROUP CONCENTRATIONS OF CREDIT RISK

The City provides water, sewer and sanitation services to its residents. Residents are provided with these services and are billed each month for usage in the prior month. The credit granted by the City for usage of these services is all with residents of the City. As of September 30, 2011, the City had \$803,941 in net receivables from its residents for the usage of these services.

NOTE 6 – EMPLOYEES’ PENSION PLAN OBLIGATIONS

Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P. O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS’ website at www.TMRS.com.

	Plan Year 2010	Plan Year 2011
Employee deposit rate	5.0%	5.0%
Matching ratio (city to employee)	1.5 to 1	1.5 to 1

Year required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/25	60/5, 0/25
Updated Service Credit	100% Repeating	100% Repeating
Annuity Increase (to retirees)	70% of CPI	70% of CPI

Contributions

Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that City. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

Annual Required Contribution (ARC)	\$ 94,280
Interest on Net Pension Obligation	-
Adjustment to the ARC	-
Annual Pension Cost (APC)	94,280
Contributions Made	<u>94,280</u>
Increase (decrease) in net pension obligation	-
Net Pension Obligation/(Asset), beginning of year	<u>-</u>
Net Pension Obligation/(Asset), end of year	<u><u>\$ -</u></u>

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
9/30/2009	\$ 58,345	\$ 58,345	100%	\$ -
9/30/2010	62,164	62,164	100%	-
9/30/2011	94,280	94,280	100%	-

General System-wide Actuarial Assumptions

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

Valuation Date	12/31/2008	12/31/2009	12/31/2010 - Prior to restructuring	12/31/2010 - Restructured
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Amortization Period	29 years; closed period	28.7 years; closed period	27.5 years; closed period	28.6 years; closed period
Amortization period for new Gains/Losses	30 years	30 years	30 years	30 years
Asset Valuation Method	Amortized Cost	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:				
Investment Rate of Return*	7.5%	7.5%	7.5%	7.0%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3%	3%	3%	3%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%	2.1%

Funding Status and Funding Progress

In June 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2010, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/10 (a)	\$ 2,093,332	\$ 2,446,382	85.6%	\$ 353,050	\$ 1,631,693	21.6%
12/31/10 (b)	\$ 2,579,572	\$ 2,708,140	95.3%	\$ 128,568	\$ 1,631,693	7.9%

(a) Actuarial valuation performed under the original fund structure.

(b) Actuarial valuation performed under the new fund structure.

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

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and

assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Schedule of Funding Progress (unaudited):

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2008	\$ 1,855,256	\$ 2,079,154	89.2%	\$ 223,898	\$ 1,542,558	14.5%
12/31/2009	2,090,187	2,433,241	85.9%	343,054	1,628,046	21.1%
12/31/2010 (a)	2,093,332	2,446,382	85.6%	353,050	1,631,693	21.6%
12/31/2010 (b)	2,579,572	2,708,140	95.3%	128,568	1,631,693	7.9%

(a) Actuarial valuation performed under the original fund structure.

(b) Actuarial valuation performed under the new fund structure.

NOTE 7 – DEFICIT RETAINED EARNINGS

At September 30, 2011, the Enterprise 2007 Capital Projects Fund and the Enterprise Debt Service Fund had a deficit retained earnings of \$1,677,594 and \$140,376, respectively.

NOTE 8 – COMMITMENTS

Effective April 1, 2010 the City renewed its contract with IESI for the collection and disposal of garbage for residents within the city limits. The service will be paid for in accordance with the rates set forth in the contract. The contract is for a five year period ending March 31, 2015.

Effective October 1, 2008, the City entered into a water delivery contract with the City of Tyler to purchase treated water on an “as need” basis. The contract calls for a monthly demand fee to be paid each month regardless of consumption and a volume rate per each 1,000 gallons consumed. The contract is for a 25 year period and calls for an increase in the demand rate and the volume rate equal to any increase in Tyler’s residential rate plus 1%. During the fiscal year ended September 30, 2011, the City paid a demand fee of \$22,119 per month as outlined in the agreement and notified by Tyler. The contract contains termination clauses including Whitehouse taking delivery of untreated water from either Lake Striker or Lake Columbia.

The City has various construction projects going at year end that are primarily funded through bond proceeds issued in previous years. These project costs are accounted for as construction in progress until the time that the project is completed, at which time the total project costs are transferred to the Utility Fund as a capital asset.

The City has a contract with Smith County for use of its jail facility. Under this agreement, the city will pay \$35 per prisoner for each day of confinement in the jail. The agreement, which ended September 30, 2011, has been renewed for another year through September 30, 2012.

In 2001, the City entered into an agreement with the YMCA of Tyler, Inc. for the operation of the YMCA in Whitehouse. The City will provide \$40,000 annually for a period of fifteen years for operating expenses.

During the current year, the City entered into a contract with the Whitehouse Volunteer Fire Department for fire protection services. As part of this contract the City will no longer budget for operating expenses of the fire department, rather budget quarterly contributions to the fire department to help with operating costs. During the fiscal year ended September 30, 2011, the City paid \$120,000 for support under this contract.

NOTE 9 – 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; and natural disasters for which the City carries commercial insurance and insurance with TML Intergovernmental Risk Pool. As of September 30, 2010, the City did not have any liability for unpaid claims or adjustments under policies carried with TML. During the year ended September 30, 2010, there was no reduction in insurance coverage from the prior year. There were no settlements in the prior three fiscal years which exceeded insurance coverage carried by the City.

NOTE 10 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2011, expenditures exceeded appropriations in the following departments of the General Fund: Legislative, Tax Appraisal and Collections, and Sanitation. Also, expenditures exceeded appropriations in the following departments of the Utility Operating Fund: Water Supply. These overexpenditures were funded by greater than anticipated revenues and by available fund balance.

ADDITIONAL SUPPLEMENTAL INFORMATION

**CITY OF WHITEHOUSE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011**

	SPECIAL REVENUE FUND	STREET CONSTRUCTION FUND	FM 346 FUND	MUNICIPAL BUILDING FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS					
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables:					
Street assessments	-	26,036	-	-	26,036
Restricted Assets:					
Temporarily restricted					
Cash and cash equivalents	8,544	-	-	-	8,544
Due from other funds	-	698	-	-	698
Bond issue costs (net)	-	-	28,182	16,601	44,783
Total Assets	<u>\$ 8,544</u>	<u>\$ 26,734</u>	<u>\$ 28,182</u>	<u>\$ 16,601</u>	<u>\$ 80,061</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	\$ -	\$ -	\$ -	\$ 3,049	\$ 3,049
Deferred revenue	-	26,036	-	-	26,036
Total Liabilities	<u>-</u>	<u>26,036</u>	<u>-</u>	<u>3,049</u>	<u>29,085</u>
Fund Balances:					
Restricted:					
Police forfeitures	8,544	-	-	-	8,544
Assigned:					
Capital Projects	-	698	28,182	13,552	42,432
Total Fund Balances	<u>8,544</u>	<u>698</u>	<u>28,182</u>	<u>13,552</u>	<u>50,976</u>
Total Liabilities and Fund Balances	<u>\$ 8,544</u>	<u>\$ 26,734</u>	<u>\$ 28,182</u>	<u>\$ 16,601</u>	<u>\$ 80,061</u>

CITY OF WHITEHOUSE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2011

	SPECIAL REVENUE FUND	STREET CONSTRUCTION FUND	FM 346 FUND	MUNICIPAL BUILDING FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES					
Donations	175	\$ -	\$ -	\$ -	\$ 175
Miscellaneous	-	-	-	-	-
Interest	11	-	-	-	11
Total Revenues	186	-	-	-	186
EXPENDITURES					
General administration	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total Expenditures	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	186	-	-	-	186
Other Financing Sources (Uses):					
Amortization	-	(2,034)	(3,798)	(1,658)	(7,490)
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	(2,034)	(3,798)	(1,658)	(7,490)
Net change in fund balances	186	(2,034)	(3,798)	(1,658)	(7,304)
Fund Balance - October 1, 2010	8,358	2,732	31,980	15,210	58,280
Fund Balance - September 30, 2011	<u>\$ 8,544</u>	<u>\$ 698</u>	<u>\$ 28,182</u>	<u>\$ 13,552</u>	<u>\$ 50,976</u>

CITY OF WHITEHOUSE, TEXAS
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2011

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>LEGISLATIVE</u>				
CONTRACTUAL SERVICES:				
Insurance	\$ 4,793	\$ 4,793	\$ 4,678	\$ 115
Business and travel	750	750	982	(232)
Legal fees	6,000	6,000	6,000	-
Contractual and fee base services	-	-	171	(171)
Total Contractual Services	<u>11,543</u>	<u>11,543</u>	<u>11,831</u>	<u>(288)</u>
TOTAL LEGISLATIVE	<u>\$ 11,543</u>	<u>\$ 11,543</u>	<u>\$ 11,831</u>	<u>\$ (288)</u>
<u>GENERAL/ADMINISTRATION</u>				
PERSONNEL SERVICES:				
Administration	\$ 102,500	\$ 102,500	\$ 83,290	\$ 19,210
Clerical	42,718	42,718	44,163	(1,445)
Overtime	300	300	176	124
Uniforms and clothing	500	500	292	208
Workers compensation	448	448	352	96
Unemployment compensation	3,056	3,056	223	2,833
Employee retirement	9,837	9,837	8,449	1,388
Employee insurance	17,945	17,945	19,936	(1,991)
Retiree insurance	722	722	659	63
Payroll taxes	11,109	11,109	9,425	1,684
Total Personnel Services	<u>189,135</u>	<u>189,135</u>	<u>166,965</u>	<u>22,170</u>
SUPPLIES AND MATERIALS:				
Office supplies	5,000	5,000	4,626	374
Data processing supplies	1,000	1,000	622	378
Photo/audio/video supplies	935	935	1,167	(232)
Postage and delivery	2,000	2,000	1,617	383
Motor vehicle supplies	9,000	9,000	9,445	(445)
Educational and training	800	800	3,178	(2,378)
Other supplies	2,000	2,000	2,857	(857)
Total Supplies and Materials	<u>20,735</u>	<u>20,735</u>	<u>23,512</u>	<u>(2,777)</u>
MAINTENANCE OF BUILDING/GROUNDS:				
Building and grounds	<u>2,500</u>	<u>2,500</u>	<u>1,024</u>	<u>1,476</u>
Total Maintenance of Building/Grounds	<u>2,500</u>	<u>2,500</u>	<u>1,024</u>	<u>1,476</u>

CITY OF WHITEHOUSE, TEXAS
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2011

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
MAINTENANCE OF EQUIPMENT/MACHINERY:				
Office equipment	\$ 950	\$ 950	\$ 923	\$ 27
HVAC equipment	1,000	1,000	978	22
Communication equipment	1,000	1,000	510	490
Total Maintenance of Equipment/ Machinery	2,950	2,950	2,411	539
CONTRACTUAL SERVICES:				
Communication services	9,000	9,000	9,982	(982)
Insurance	2,511	2,511	3,238	(727)
Advertising	1,800	1,800	856	944
Business and travel	1,000	1,000	1,480	(480)
Legal fees	1,000	1,000	10,058	(9,058)
Contractual and fee base services	7,550	7,550	2,574	4,976
Utility services	66,500	66,500	69,777	(3,277)
Data processing maintenance	6,000	6,000	5,905	95
Computer training	100	100	-	100
Memberships/subscriptions	4,000	4,000	4,806	(806)
Miscellaneous expense	250	250	128	122
Total Contractual Services	99,711	99,711	108,804	(9,093)
CAPITAL OUTLAY				
Motor vehicles	25,000	25,000	21,632	3,368
Library books and periodicals	2,000	2,000	2,671	(671)
Total Capital Outlay	27,000	27,000	24,303	2,697
TOTAL GENERAL ADMINISTRATION	\$ 342,031	\$ 342,031	\$ 327,019	\$ 15,012
TREASURY AND FINANCIAL				
PERSONNEL SERVICES:				
Administration	\$ 32,976	\$ 32,976	\$ 32,975	\$ 1
Workers compensation	102	102	83	19
Unemployment compensation	692	692	72	620
Employee retirement	2,229	2,229	2,169	60
Employee insurance	5,425	5,425	5,528	(103)
Payroll taxes	2,523	2,523	2,414	109
Total Personnel Services	43,947	43,947	43,241	706
CONTRACTUAL SERVICES:				
Contractual/fee services	26,000	26,000	26,000	-
Total Contractual Services	26,000	26,000	26,000	-
TOTAL TREASURY AND FINANCIAL	\$ 69,947	\$ 69,947	\$ 69,241	\$ 706

CITY OF WHITEHOUSE, TEXAS
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2011

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>TAX APPRAISAL AND COLLECTIONS</u>				
CONTRACTUAL SERVICES:				
Contractual/Fee Services	\$ 40,293	\$ 40,293	\$ 42,116	\$ (1,823)
Total Contractual Services	40,293	40,293	42,116	(1,823)
TOTAL TAX APPRAISAL AND COLLECTIONS	\$ 40,293	\$ 40,293	\$ 42,116	\$ (1,823)
<u>MUNICIPAL COURT</u>				
PERSONNEL SERVICES:				
Clerical	\$ 52,416	\$ 52,416	\$ 52,947	\$ (531)
Overtime	500	500	207	293
Workers compensation	163	163	117	46
Unemployment compensation	1,111	1,111	224	887
Employee retirement	3,577	3,577	3,500	77
Employee insurance	10,335	10,335	15,608	(5,273)
Payroll taxes	4,048	4,048	3,809	239
Total Personnel Services	72,150	72,150	76,412	(4,262)
SUPPLIES AND MATERIALS:				
Educational and training	200	200	124	76
Total Supplies and Materials	200	200	124	76
CONTRACTUAL SERVICES:				
Business and travel	500	500	560	(60)
Legal fees	6,000	6,000	6,000	-
Contractual/fee services	13,200	13,200	14,200	(1,000)
Collection agency fees	18,000	18,000	14,543	3,457
State Fee	165,000	165,000	122,472	42,528
Omni base fee	1,800	1,800	1,254	546
On Line / Credit Card Fees	5,000	5,000	4,722	278
School Truancy fee	1,500	1,500	-	1,500
Memberships/subscriptions	100	100	259	(159)
Total Contractual Services	211,100	211,100	164,010	47,090
TOTAL MUNICIPAL COURT	\$ 283,450	\$ 283,450	\$ 240,546	\$ 42,904
<u>LIBRARY SERVICES</u>				
CONTRACTUAL SERVICES				
Contractual and fee basis services	\$ 42,500	\$ 42,500	\$ 42,500	\$ -
Total Contractual Services	42,500	42,500	42,500	-
TOTAL LIBRARY SERVICES	\$ 42,500	\$ 42,500	\$ 42,500	\$ -

CITY OF WHITEHOUSE, TEXAS

DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2011

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>PARKS/RECREATION SERVICES</u>				
<u>MAINTENANCE OF BUILDINGS/LAND</u>				
Building and grounds	\$ 20,000	\$ 20,000	\$ 12,174	\$ 7,826
Total Maintenance of Buildings/Land	20,000	20,000	12,174	7,826
<u>MAINTENANCE OF EQUIPMENT/MACHINERY</u>				
Playground equipment	1,000	1,000	377	623
Total Maintenance of Equipment/Machinery	1,000	1,000	377	623
<u>CONTRACTUAL SERVICES</u>				
Contractual and fee basis services	46,000	46,000	46,000	-
Total Contractual Services	46,000	46,000	46,000	-
TOTAL PARKS/RECREATION SERVICES	\$ 67,000	\$ 67,000	\$ 58,551	\$ 8,449
<u>COMMUNITY DEVELOPMENT</u>				
<u>PERSONNEL SERVICES:</u>				
Operations and maintenance	\$ 11,137	\$ 11,137	\$ -	\$ 11,137
Part-time	16,163	16,163	-	16,163
Workers compensation	950	950	341	609
Unemployment compensation	234	234	-	234
Employee retirement	753	753	-	753
Employee insurance	-	-	-	-
Payroll taxes	2,088	2,088	-	2,088
Total Personnel Services	31,325	31,325	341	30,984
<u>SUPPLIES AND MATERIALS:</u>				
Educational and training	500	500	300	200
Total Supplies and Materials	500	500	300	200
<u>CONTRACTUAL SERVICES:</u>				
Insurance	571	571	557	14
Business and travel	500	500	972	(472)
Contractual/fee services	18,000	18,000	16,625	1,375
Economic Development	5,000	5,000	4,929	71
Memberships and subscriptions	400	400	263	137
Miscellaneous expense	1,200	1,200	1,200	-
Total Contractual Services	25,671	25,671	24,546	1,125
TOTAL COMMUNITY DEVELOPMENT	\$ 57,496	\$ 57,496	\$ 25,187	\$ 32,309

CITY OF WHITEHOUSE, TEXAS
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2011

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>STREET AND GROUNDS MAINTENANCE</u>				
PERSONNEL SERVICES:				
Administration	\$ 14,949	\$ 14,949	\$ 14,950	\$ (1)
Operations and maintenance	69,779	69,779	72,915	(3,136)
Overtime	6,000	6,000	4,366	1,634
Uniforms and clothing	300	300	300	-
Workers compensation	6,111	6,111	4,862	1,249
Unemployment compensation	1,905	1,905	151	1,754
Employee retirement	6,133	6,133	6,067	66
Employee insurance	17,995	17,995	17,998	(3)
Payroll taxes	6,941	6,941	6,787	154
Total Personnel Services	130,113	130,113	128,396	1,717
SUPPLIES AND MATERIALS:				
Tires and tubes	1,500	1,500	1,179	321
Minor tools and apparatus	700	700	629	71
Chemical and mechanical	250	250	108	142
Safety supplies	150	150	80	70
Other supplies	150	150	115	35
Total Supplies and Materials	2,750	2,750	2,111	639
MAINTENANCE OF BUILDINGS/LAND:				
Streets and alleys	25,000	25,000	24,997	3
Storm sewers and drainageways	25,000	25,000	21,868	3,132
Total Maintenance of Buildings/Land	50,000	50,000	46,865	3,135
MAINTENANCE OF EQUIPMENT/MACHINERY:				
Machinery and heavy equipment	5,000	5,000	5,431	(431)
Automotive equipment	2,500	2,500	878	1,622
Shop equipment	1,000	1,000	661	339
Minor tools and equipment	500	500	129	371
Signal and sign system	2,500	2,500	1,740	760
Communication equipment	250	250	220	30
Total Maintenance of Equipment/Machinery	11,750	11,750	9,059	2,691
CONTRACTUAL SERVICES				
Leases and rentals	2,000	2,000	600	1,400
Insurance	3,424	3,424	3,299	125
Total Contractual Services	5,424	5,424	3,899	1,525
TOTAL STREET AND GROUNDS MAINTENANCE	\$ 200,037	\$ 200,037	\$ 190,330	\$ 9,707

CITY OF WHITEHOUSE, TEXAS
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2011

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>COMMUNICATION CENTER</u>				
PERSONNEL SERVICES:				
Operations and maintenance	\$ 132,230	\$ 132,230	\$ 123,413	\$ 8,817
Overtime	10,000	10,000	18,550	(8,550)
Uniforms and clothing	500	500	171	329
Workers compensation	438	438	290	148
Unemployment compensation	2,987	2,987	318	2,669
Employee retirement	9,615	9,615	9,338	277
Employee insurance	32,000	32,000	28,596	3,404
Payroll taxes	10,881	10,881	10,581	300
Total Personnel Services	<u>198,651</u>	<u>198,651</u>	<u>191,257</u>	<u>7,394</u>
SUPPLIES AND MATERIALS:				
Office supplies	1,000	1,000	1,001	(1)
Data processing supplies	700	700	284	416
Photo/audio/video	150	150	-	150
Emergency medical services	75	75	-	75
Janitorial supplies	100	100	28	72
Educational and training	150	150	150	-
Total Supplies and Materials	<u>2,175</u>	<u>2,175</u>	<u>1,463</u>	<u>712</u>
MAINTENANCE OF EQUIPMENT/MACHINERY:				
Office equipment	500	500	-	500
Communication equipment	750	750	98	652
Total Maintenance of Equipment/Machinery	<u>1,250</u>	<u>1,250</u>	<u>98</u>	<u>1,152</u>
CONTRACTUAL SERVICES:				
Communication services	2,500	2,500	2,277	223
Business and travel	1,050	1,050	305	745
Data processing maintenance	500	500	-	500
Memberships and subscriptions	600	600	522	78
Total Contractual Services	<u>4,650</u>	<u>4,650</u>	<u>3,104</u>	<u>1,546</u>
CAPITAL OUTLAY				
Office equipment	4,500	4,500	269	4,231
Total Capital Outlay	<u>4,500</u>	<u>4,500</u>	<u>269</u>	<u>4,231</u>
TOTAL COMMUNICATION CENTER	\$ <u>211,226</u>	\$ <u>211,226</u>	\$ <u>196,191</u>	\$ <u>15,035</u>

CITY OF WHITEHOUSE, TEXAS
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2011

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
POLICE OPERATIONS				
PERSONNEL SERVICES:				
Administration	\$ 65,122	\$ 65,122	\$ 65,122	\$ -
Clerical	64,452	64,452	61,942	2,510
Operations and maintenance	612,831	612,831	559,869	52,962
Overtime	42,000	42,000	40,556	1,444
Special projects	27,240	27,240	27,211	29
Uniforms and clothing	5,000	5,000	5,720	(720)
Workers compensation	17,654	17,654	16,067	1,587
Unemployment compensation	16,472	16,472	1,512	14,960
Employee retirement	53,026	53,026	49,463	3,563
Employee insurance	123,628	123,628	109,946	13,682
Payroll taxes	60,007	60,007	56,499	3,508
Total Personnel Services	<u>1,087,432</u>	<u>1,087,432</u>	<u>993,907</u>	<u>93,525</u>
SUPPLIES AND MATERIALS:				
Office supplies	6,000	6,000	5,274	726
Data processing supplies	300	300	107	193
Photo/audio/video	1,000	1,000	695	305
Laboratory supplies	1,500	1,500	3,105	(1,605)
Postage and delivery	700	700	494	206
Tires and tubes	9,000	9,000	3,002	5,998
Motor vehicle supplies	30,000	30,000	39,645	(9,645)
Emergency medical supplies	150	150	171	(21)
Minor tools and apparatus	1,000	1,000	1,064	(64)
Janitorial supplies	1,000	1,000	757	243
Safety supplies	3,000	3,000	2,475	525
Educational and training	2,500	2,500	2,065	435
Other supplies	8,000	8,000	8,000	-
Community resource supply	1,000	1,000	973	27
Evidence processing	250	250	-	250
Evidence supplies	400	400	343	57
CID supplies	300	300	15	285
Total Supplies and Materials	<u>66,100</u>	<u>66,100</u>	<u>68,185</u>	<u>(2,085)</u>
MAINTENANCE OF BUILDINGS/LAND:				
Buildings and grounds	<u>7,000</u>	<u>7,000</u>	<u>4,325</u>	<u>2,675</u>
Total Maintenance of Buildings/Land	<u>7,000</u>	<u>7,000</u>	<u>4,325</u>	<u>2,675</u>

CITY OF WHITEHOUSE, TEXAS
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2011

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>POLICE OPERATIONS (cont'd.)</u>				
<u>MAINTENANCE OF EQUIPMENT/MACHINERY:</u>				
Office equipment	\$ 500	\$ 500	\$ 465	\$ 35
HVAC equipment	200	200	-	200
Automotive equipment	25,000	25,000	23,613	1,387
Shop equipment	350	350	329	21
Minor tools and equipment	250	250	28	222
Communication equipment	1,000	1,000	625	375
Outdoor warning system	10,000	10,000	10,480	(480)
Other maintenance	100	100	-	100
Total Maintenance of Equipment/Machinery	37,400	37,400	35,540	1,860
<u>CONTRACTUAL SERVICES:</u>				
Communication services	16,720	16,720	16,488	232
Insurance	19,115	19,115	18,697	418
Advertising	2,000	2,000	3,254	(1,254)
Business and travel	2,500	2,500	3,515	(1,015)
Contractual/fee services	45,000	45,000	42,116	2,884
Utility services	15,000	15,000	11,148	3,852
Data processing maintenance	2,000	2,000	1,438	562
Memberships and subscriptions	750	750	528	222
Total Contractual Services	103,085	103,085	97,184	5,901
<u>CAPITAL OUTLAY:</u>				
Machinery and equipment	1,700	1,700	683	1,017
Other equipment	53,300	53,300	52,528	772
Motor vehicles	71,100	71,100	67,239	3,861
Total Capital Outlay	126,100	126,100	120,450	5,650
TOTAL POLICE OPERATIONS	\$ 1,427,117	\$ 1,427,117	\$ 1,319,591	\$ 107,526
<u>ANIMAL CONTROL</u>				
<u>PERSONNEL SERVICES:</u>				
Operations and maintenance	\$ 27,104	\$ 27,104	\$ 27,356	\$ (252)
Overtime	300	300	210	90
Uniforms and clothing	250	250	397	(147)
Workers compensation	752	752	422	330
Unemployment compensation	575	575	79	496
Employee retirement	1,852	1,852	1,815	37
Employee insurance	5,175	5,175	5,173	2
Payroll taxes	2,096	2,096	2,109	(13)
Total Personnel Services	38,104	38,104	37,561	543

CITY OF WHITEHOUSE, TEXAS
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2011

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>ANIMAL CONTROL (cont'd.)</u>				
<u>SUPPLIES AND MATERIALS:</u>				
Tires and tubes	\$ 700	\$ 700	\$ 120	\$ 580
Motor vehicle supplies	100	100	11	89
Minor tools and apparatus	250	250	215	35
Chemical and mechanical supplies	100	100	-	100
Safety supplies	100	100	154	(54)
Educational and training	100	100	15	85
Total Supplies and Materials	<u>1,350</u>	<u>1,350</u>	<u>515</u>	<u>835</u>
<u>MAINTENANCE OF BUILDING:</u>				
Building and grounds	<u>200</u>	<u>200</u>	<u>-</u>	<u>200</u>
Total Maintenance of Equipment/Machinery	<u>200</u>	<u>200</u>	<u>-</u>	<u>200</u>
<u>MAINTENANCE OF EQUIPMENT/MACHINERY:</u>				
Automotive equipment	<u>700</u>	<u>700</u>	<u>87</u>	<u>613</u>
Total Maintenance of Equipment/Machinery	<u>700</u>	<u>700</u>	<u>87</u>	<u>613</u>
<u>CONTRACTUAL SERVICES:</u>				
Insurance	571	571	557	14
Business and travel	150	150	126	24
Custody support services	500	500	120	380
Contractual and fee based services	9,000	9,000	5,730	3,270
Memberships and subscriptions	50	50	-	50
Total Contractual Services	<u>10,271</u>	<u>10,271</u>	<u>6,533</u>	<u>3,738</u>
TOTAL ANIMAL CONTROL	<u>\$ 50,625</u>	<u>\$ 50,625</u>	<u>\$ 44,696</u>	<u>\$ 5,929</u>
<u>FIRE OPERATIONS</u>				
<u>CONTRACTUAL SERVICES:</u>				
Contractual/fee services	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>	<u>-</u>
Total Contractual Services	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>	<u>-</u>
TOTAL FIRE OPERATIONS	<u>\$ 120,000</u>	<u>\$ 120,000</u>	<u>\$ 120,000</u>	<u>\$ -</u>
<u>SANITATION</u>				
<u>CONTRACTUAL SERVICES:</u>				
Contractual/fee services	\$ 506,741	\$ 506,741	\$ 515,884	\$ (9,143)
Sales tax	<u>43,700</u>	<u>43,700</u>	<u>44,351</u>	<u>(651)</u>
Total Contractual Services	<u>550,441</u>	<u>550,441</u>	<u>560,235</u>	<u>(9,794)</u>
TOTAL SANITATION	<u>\$ 550,441</u>	<u>\$ 550,441</u>	<u>\$ 560,235</u>	<u>\$ (9,794)</u>
TOTAL EXPENDITURES - BUDGET BASIS	<u>\$ 3,473,706</u>	<u>\$ 3,473,706</u>	3,248,034	<u>\$ 225,672</u>
Financial Statement Adjustments:				
Transfers on expenditures paid in other funds			87,414	
Capital expenditures recorded in Utility Fund			(5,168)	
Increase in accrued expenses			<u>5,287</u>	
TOTAL EXPENDITURES - GAAP BASIS			<u>\$ 3,335,567</u>	

CITY OF WHITEHOUSE, TEXAS

COMBINING BALANCE SHEET

DEBT SERVICE FUNDS

SEPTEMBER 30, 2011

	1970 SERIES GENERAL OBLIGATION SEWER BOND	GENERAL OBLIGATION NOTES	2004 SERIES CERTIFICATES OF OBLIGATION	2006 SERIES REFUNDING FUND	1996 SERIES GENERAL OBLIGATION BOND	TOTAL
<u>ASSETS</u>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	-
Receivables:						
Due from Utility Fund	-	38,690	-	-	-	38,690
Due from Capital Projects	-	3,050	-	-	-	3,050
Due from 1988 Street Construction Fund	-	2,150	-	-	-	2,150
Due from Interest and Sinking Fund - 1985 Certificate of Obligation	-	77,041	-	-	-	77,041
 TOTAL ASSETS	\$ -	\$ 120,931	\$ -	\$ -	\$ -	\$ 120,931
<u>LIABILITIES AND FUND BALANCE</u>						
<u>LIABILITIES</u>						
Due to General Fund	\$ -	\$ 104,346	\$ -	\$ -	\$ -	\$ 104,346
 Total Liabilities	-	104,346	-	-	-	104,346
<u>FUND BALANCE</u>						
Restricted:						
Debt Service	-	16,585	-	-	-	16,585
 TOTAL LIABILITIES AND FUND BALANCE	\$ -	\$ 120,931	\$ -	\$ -	\$ -	\$ 120,931

CITY OF WHITEHOUSE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

DEBT SERVICE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2011

	1970 SERIES GENERAL OBLIGATION SEWER BOND	GENERAL OBLIGATION NOTES	2004 SERIES CERTIFICATES OF OBLIGATION	2006 SERIES REFUNDING FUND	1996 SERIES GENERAL OBLIGATION BOND	TOTAL
REVENUES						
Current and delinquent taxes	\$ -	\$ 259,739	\$ 64,917	\$ 234,807	\$ 103,006	\$ 662,469
Interest income	-	867	-	-	-	867
Total Revenues	-	260,606	64,917	234,807	103,006	663,336
EXPENDITURES						
Debt Service:						
Bond principal	-	-	25,000	120,000	95,000	240,000
Note principal	-	45,169	-	-	-	45,169
Interest and fees	-	1,976	39,917	114,807	8,006	164,706
Total Expenditures	-	47,145	64,917	234,807	103,006	449,875
Revenues Over (Under) Expenditures	-	213,461	-	-	-	213,461
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	(219,724)	-	-	-	(219,724)
Total Other Financing Sources (Uses)	-	(219,724)	-	-	-	(219,724)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	(6,263)	-	-	-	(6,263)
Equity Transfer	(106,147)	40,513	(3,050)		68,684	-
Fund Balance (Deficit), October 1, 2010	106,147	(17,665)	3,050	-	(68,684)	22,848
FUND BALANCE (DEFICIT), SEPTEMBER 30, 2011	\$ -	\$ 16,585	\$ -	\$ -	\$ -	\$ 16,585

CITY OF WHITEHOUSE, TEXAS
COMBINING STATEMENT OF NET ASSETS
UTILITY FUND
SEPTEMBER 30, 2011

	BUSINESS-TYPE ACTIVITIES			TOTAL UTILITY FUND
	OPERATING FUND	2007 SERIES	DEBT SERVICE	
ASSETS				
Current Assets:				
Cash and certificates of deposit	\$ 722,979	\$ -	\$ 37,141	\$ 760,120
Due from other funds	325	-	-	325
Accounts receivable (Net)	769,210	-	-	769,210
Total Current Assets	1,492,514	-	37,141	1,529,655
Restricted Current Assets:				
Temporarily Restricted				
Customer deposits	187,440	-	-	187,440
Total Restricted Current Assets	187,440	-	-	187,440
Water rights - Lake Columbia	230,000	-	-	230,000
Bond Issue Costs (Net)	98,498	20,013	-	118,511
Capital Assets:				
Land	25,000	-	-	25,000
Easements	7,800	-	-	7,800
Buildings	324,633	-	-	324,633
Water and sewer system	24,204,608	-	-	24,204,608
Machinery & equipment	933,527	-	-	933,527
Construction in progress	-	77,581	-	77,581
Less: Accumulated depreciation	(5,912,930)	-	-	(5,912,930)
Total Capital Assets (net of accumulated depreciation)	19,582,638	77,581	-	19,660,219
Total Noncurrent Assets:	19,911,136	97,594	-	20,008,730
Total Assets	\$ 21,591,090	\$ 97,594	\$ 37,141	\$ 21,725,825

(continued)

CITY OF WHITEHOUSE, TEXAS
COMBINING STATEMENT OF NET ASSETS
UTILITY FUND
SEPTEMBER 30, 2011

	BUSINESS-TYPE ACTIVITIES			TOTAL UTILITY FUND
	OPERATING FUND	2007 SERIES	DEBT SERVICE	
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 30,042	\$ 35,188	\$ -	\$ 65,230
Deferred revenue	80,885	-	-	80,885
Due to other funds	42,004	-	96,291	138,295
Total Current Liabilities	152,931	35,188	96,291	284,410
Current liabilities payable from restricted assets:				
Customer deposits	187,440	-	-	187,440
Accrued interest	-	-	81,226	81,226
Revenue bonds payable	700,444	75,000	-	775,444
Total current liabilities payable from restricted assets	887,884	75,000	81,226	1,044,110
Noncurrent Liabilities:				
Revenue bonds payable	13,973,556	1,665,000	-	15,638,556
Total Noncurrent Liabilities	13,973,556	1,665,000	-	15,638,556
Total Liabilities	15,014,371	1,775,188	177,517	16,967,076
NET ASSETS				
Invested in capital assets, net of related debt	4,908,638	(1,677,594)	-	3,231,044
Unrestricted	1,668,081	-	(140,376)	1,527,705
Total Net Assets	\$ 6,576,719	\$ (1,677,594)	\$ (140,376)	\$ 4,758,749

CITY OF WHITEHOUSE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
UTILITY FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2011

	BUSINESS-TYPE ACTIVITIES				
	OPERATING FUND	2007 SERIES	DEBT SERVICE	ELIMINATIONS	TOTAL UTILITY FUND
OPERATING REVENUES					
Water sales	\$ 2,213,965	\$ -	\$ -	\$ -	\$ 2,213,965
Sewer charges	756,870	-	-	-	756,870
Assessment revenue	-	-	20,545	-	20,545
Tax revenue	-	-	802,070	-	802,070
Charges for other services	136,659	-	-	-	136,659
Total Operating Revenues	3,107,494	-	822,615	-	3,930,109
OPERATING EXPENSES					
Utility administration	620,454	-	-	-	620,454
Customer service	97,788	-	-	-	97,788
Water operations	238,715	-	-	-	238,715
Sewer operations	210,120	-	-	-	210,120
Water supply	399,801	-	-	-	399,801
Depreciation	564,835	-	-	-	564,835
Total Operating Expenses	2,131,713	-	-	-	2,131,713
Operating Income (Loss)	975,781	-	822,615	-	1,798,396
NON-OPERATING REVENUES (EXPENSES)					
Interest and fiscal charge expense	-	-	(886,781)	-	(886,781)
Amortization of bond issue costs	(13,581)	(2,205)	-	-	(15,786)
Interest income	738	572	867	-	2,177
Total Non-Operating Revenue (Expenses)	(12,843)	(1,633)	(885,914)	-	(900,390)
Income before transfers	962,938	(1,633)	(63,299)	-	898,006
Transfers in	2,357,996	-	787,444	(2,920,548)	224,892
Transfers out	(642,623)	(1,744,315)	(679,326)	2,920,548	(145,716)
Total Transfers	1,715,373	(1,744,315)	108,118	-	79,176
Change in Net Assets	2,678,311	(1,745,948)	44,819	-	977,182
Net Assets, October 1, 2010	3,898,408	68,354	(185,195)	-	3,781,567
Net Assets, September 30, 2011	\$ 6,576,719	\$ (1,677,594)	\$ (140,376)	\$ -	\$ 4,758,749

CITY OF WHITEHOUSE, TEXAS
COMBINING STATEMENT OF CASH FLOWS
UTILITY FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2011

Increase (Decrease) in Cash and Cash Equivalents

	BUSINESS-TYPE ACTIVITIES				TOTAL UTILITY FUND
	OPERATING FUND	2007 SERIES	DEBT SERVICE	ELIMINATIONS	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers and users	\$ 2,977,245	\$ -	\$ 822,615	\$ -	\$ 3,799,860
Cash paid to suppliers for goods and services	(1,039,555)	-	-	-	(1,039,555)
Cash paid to employees for services	(521,500)	-	-	-	(521,500)
Net cash provided by (used in) operating activities	<u>1,416,190</u>	<u>-</u>	<u>822,615</u>	<u>-</u>	<u>2,238,805</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Advances to other funds	-	-	(6,262)	-	(6,262)
Transfers in	5,168	-	804,045	(584,321)	224,892
Transfers out	(642,623)	-	-	584,321	(58,302)
Net cash provided by (used in) non-capital financing activities	<u>(637,455)</u>	<u>-</u>	<u>797,783</u>	<u>-</u>	<u>160,328</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Purchases or construction of capital assets	(21,964)	(646,386)	-	-	(668,350)
Interest paid	-	-	(918,076)	-	(918,076)
Principal paid on note	(9,326)	-	-	-	(9,326)
Principal payment on bonds made by Debt Service Fund	604,326	75,000	(679,326)	-	-
Principal paid on bonds	(595,000)	(75,000)	-	-	(670,000)
Net cash used in capital and related financing activities	<u>(21,964)</u>	<u>(646,386)</u>	<u>(1,597,402)</u>	<u>-</u>	<u>(2,265,752)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest earned on investments	738	572	867	-	2,177
Net cash provided by investing activities	<u>738</u>	<u>572</u>	<u>867</u>	<u>-</u>	<u>2,177</u>
Net increase (decrease) in cash	757,509	(645,814)	23,863	-	135,558
Cash, beginning of period	152,910	645,814	13,278	-	812,002
Cash, end of period	<u>\$ 910,419</u>	<u>\$ -</u>	<u>\$ 37,141</u>	<u>\$ -</u>	<u>\$ 947,560</u>
Reconciliation of cash to Schedule 6:					
Cash - current asset	\$ 722,979	\$ -	\$ 37,141	\$ -	\$ 760,120
Cash - restricted current asset	187,440	-	-	-	187,440
Total cash, end of period	<u>\$ 910,419</u>	<u>\$ -</u>	<u>\$ 37,141</u>	<u>\$ -</u>	<u>\$ 947,560</u>
Reconciliation of Operating Income (Loss) To Net Cash Provided By (Used In) Operating Activities:					
Operating income (loss)	\$ 975,781	\$ -	\$ 822,615	\$ -	\$ 1,798,396
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	564,835	-	-	-	564,835
Increase in accounts receivable	(232,992)	-	-	-	(232,992)
Increase in accounts payable	5,823	-	-	-	5,823
Increase in deferred revenue	75,218	-	-	-	75,218
Increase in customer deposits	27,525	-	-	-	27,525
Total adjustments	<u>440,409</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>440,409</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 1,416,190</u>	<u>\$ -</u>	<u>\$ 822,615</u>	<u>\$ -</u>	<u>\$ 2,238,805</u>

CITY OF WHITEHOUSE, TEXAS

DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)

UTILITY OPERATING FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2011

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>REVENUES</u>				
Charges for services:				
Water sales	\$ 1,778,464	\$ 1,778,464	\$ 2,189,510	\$ 411,046
Sewer charges	719,421	719,421	750,658	31,237
Tap and connect fees	18,540	18,540	27,747	9,207
Penalties	59,783	59,783	108,912	49,129
Interest and rent	<u>500</u>	<u>500</u>	<u>738</u>	<u>238</u>
 TOTAL REVENUES AND OTHER FINANCING SOURCES - BUDGET BASIS	 <u>\$ 2,576,708</u>	 <u>\$ 2,576,708</u>	 3,077,565	 <u>\$ 500,857</u>
 Financial Statement Adjustments:				
Debt Service Fund payment of principal on bonds and note			604,326	
Transfers recorded for completed projects and capital expenditures			1,753,670	
Increase estimate for uncollectible accounts			(21,872)	
Water and sewer usage for September 2010 billed in subsequent month			(260,639)	
Water and sewer usage for September 2011 billed in subsequent month			<u>313,178</u>	
 TOTAL REVENUES AND OTHER FINANCING SOURCES - GAAP BASIS			 <u>\$ 5,466,228</u>	

CITY OF WHITEHOUSE, TEXAS

DETAILED SCHEDULE OF EXPENSES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)

UTILITY OPERATING FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2011

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
UTILITY ADMINISTRATION				
PERSONNEL SERVICES:				
Administration	\$ 118,754	\$ 118,754	\$ 120,944	\$ (2,190)
Uniforms and clothing	500	500	238	262
Workers' compensation	1,703	1,703	566	1,137
Unemployment compensation	2,494	2,494	72	2,422
Employee retirement	8,028	8,028	7,936	92
Employee insurance	14,116	14,116	13,901	215
Payroll taxes	9,085	9,085	9,057	28
Total Personnel Services	154,680	154,680	152,714	1,966
SUPPLIES AND MATERIALS:				
Office supplies	1,500	1,500	1,478	22
Data processing supplies	1,000	1,000	0	1,000
Postage and delivery service	1,500	1,500	2,156	(656)
Motor vehicle supplies	14,000	14,000	19,191	(5,191)
Educational and training	300	300	125	175
Other supplies	1,000	1,000	814	186
Total Supplies and Materials	19,300	19,300	23,764	(4,464)
MAINTENANCE OF BUILDINGS/LAND:				
Buildings and grounds	1,500	1,500	1,212	288
Total Maintenance of Buildings/Land	1,500	1,500	1,212	288
MAINTENANCE - EQUIPMENT/MACHINERY:				
Office equipment	720	720	720	-
HVAC equipment	500	500	-	500
Total Maintenance - Equipment/Machinery	1,220	1,220	720	500
CONTRACTUAL SERVICES:				
Communication services	5,500	5,500	6,142	(642)
Insurance	21,569	21,569	21,022	547
Advertising	200	200	819	(619)
Business and travel	500	500	785	(285)
Legal fees	2,500	2,500	5,347	(2,847)
Contractual and fee basis service	10,184	10,184	11,705	(1,521)
Utility services	309,000	309,000	291,778	17,222
Data processing maintenance	25,000	25,000	23,984	1,016
Utility billing - dataprose	23,500	23,500	23,761	(261)
Computer leasing services	15,120	15,120	14,782	338
On-Line / credit card fees	12,000	12,000	14,421	(2,421)
IT support	21,000	21,000	21,000	-
Document shredding	500	500	338	162
Memberships and subscriptions	600	600	492	108
Total Contractual Services	447,173	447,173	436,376	10,797
CAPITAL OUTLAY:				
Other equipment	15,000	15,000	16,873	(1,873)
Total Capital Outlay	15,000	15,000	16,873	(1,873)
TOTAL UTILITY ADMINISTRATION	\$ 638,873	\$ 638,873	\$ 631,659	\$ 7,214

CITY OF WHITEHOUSE, TEXAS

DETAILED SCHEDULE OF EXPENSES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)

UTILITY OPERATING FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2011

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
CUSTOMER SERVICE				
PERSONNEL SERVICES:				
Clerical	\$ 58,645	\$ 58,645	\$ 55,630	\$ 3,015
Operations and maintenance	22,943	22,943	13,224	9,719
Overtime	3,500	3,500	1,327	2,173
Uniforms and clothing	300	300	300.00	-
Worker's compensation	2,171	2,171	1,504	667
Unemployment compensation	1,787	1,787	223	1,564
Employee retirement	5,751	5,751	4,537	1,214
Employee insurance	15,526	15,526	13,884	1,642
Payroll taxes	6,508	6,508	5,188	1,320
Total Personnel Services	117,131	117,131	95,817	21,314
SUPPLIES AND MATERIALS				
Other supplies	300	300	300	-
Total Supplies and Materials	300	300	300	-
CONTRACTUAL SERVICES				
Insurance	1,712	1,712	1,671	41
Total Contractual Services	1,712	1,712	1,671	41
TOTAL CUSTOMER SERVICE	\$ 119,143	\$ 119,143	\$ 97,788	\$ 21,355
WATER OPERATIONS				
PERSONNEL SERVICES:				
Operations and maintenance	\$ 111,930	\$ 111,930	\$ 98,294	\$ 13,636
Overtime	7,000	7,000	8,431	(1,431)
Uniforms and clothing	2,000	2,000	2,000	-
Workers' compensation	4,137	4,137	3,404	733
Unemployment compensation	2,498	2,498	295	2,203
Employee retirement	8,040	8,040	6,983	1,057
Employee insurance	28,751	28,751	24,830	3,921
Payroll taxes	9,098	9,098	7,781	1,317
Total Personnel Services	173,454	173,454	152,018	21,436
SUPPLIES AND MATERIALS:				
Tires and tubes	2,000	2,000	662	1,338
Water meter supplies	15,000	15,000	11,729	3,271
Minor tools and apparatus	1,500	1,500	568	932
Chemical and mechanical supplies	15,000	15,000	15,215	(215)
Botanical and agricultural supplies	500	500	-	500
Educational and training	1,500	1,500	1,265	235
Other supplies	750	750	525	225
Total Supplies and Materials	36,250	36,250	29,964	6,286
MAINTENANCE - BUILDING/LAND:				
Buildings and grounds	5,000	5,000	2,889	2,111
Chlorination facilities	6,000	6,000	2,308	3,692
Water system	25,000	25,000	23,798	1,202
Meters and settings	7,000	7,000	7,435	(435)
Other	30,000	30,000	2,500	27,500
Total Maintenance - Building/Land	73,000	73,000	38,930	34,070

CITY OF WHITEHOUSE, TEXAS

DETAILED SCHEDULE OF EXPENSES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)

UTILITY OPERATING FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2011

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>WATER OPERATIONS (cont'd.)</u>				
<u>MAINTENANCE - EQUIPMENT/MACHINERY:</u>				
Machinery and heavy equipment	\$ 10,000	\$ 10,000	\$ 9,690	\$ 310
Auto equipment maintenance	1,500	1,500	1,132	368
Safety and medical equipment	300	300	36	264
Total Maintenance - Equipment/Machinery	11,800	11,800	10,858	942
<u>CONTRACTUAL SERVICES:</u>				
Leases and rentals	1,500	1,500	1,855	(355)
Insurance	1,712	1,712	1,671	41
Business and travel	1,000	1,000	780	220
Contractual and fee basis service	6,000	6,000	4,120	1,880
Regulatory inspection fee	6,000	6,000	5,885	115
Total Contractual Services	16,212	16,212	14,311	1,901
TOTAL WATER OPERATIONS	\$ 310,716	\$ 310,716	\$ 246,081	\$ 64,635
<u>WASTEWATER OPERATIONS</u>				
<u>PERSONNEL SERVICES:</u>				
Operations and maintenance	\$ 79,436	\$ 79,436	\$ 80,848	\$ (1,412)
Overtime	7,000	7,000	7,835	(835)
Uniforms and clothing	1,500	1,500	1,500	-
Workers' compensation	2,130	2,130	1,318	812
Unemployment compensation	1,815	1,815	151	1,664
Employee retirement	5,843	5,843	5,937	(94)
Employee insurance	16,615	16,615	16,608	7
Payroll taxes	6,612	6,612	6,754	(142)
Total Personnel Services	120,951	120,951	120,951	-
<u>SUPPLIES AND MATERIALS:</u>				
Tires and tubes	2,000	2,000	1,460	540
Minor tools and apparatus	2,000	2,000	1,012	988
Chemical and mechanical supplies	27,000	27,000	21,319	5,681
Safety supplies	1,000	1,000	900	100
Educational and training	1,500	1,500	811	689
Total Supplies and Materials	33,500	33,500	25,502	7,998
<u>MAINTENANCE - BUILDING/LAND:</u>				
Building and grounds	2,000	2,000	1,288	712
Sanitary sewers	15,000	15,000	11,446	3,554
Lift stations	25,000	25,000	19,671	5,329
Other	30,000	30,000	-	30,000
Total Maintenance - Building/Land	72,000	72,000	32,405	39,595

CITY OF WHITEHOUSE, TEXAS

DETAILED SCHEDULE OF EXPENSES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)

UTILITY OPERATING FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2011

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>WASTEWATER OPERATIONS (cont'd.)</u>				
<u>MAINTENANCE - EQUIPMENT/MACHINERY:</u>				
Machinery and heavy equipment	\$ 10,000	\$ 10,000	\$ 6,111	\$ 3,889
Automotive equipment	1,500	1,500	443	1,057
Shop equipment	1,000	1,000	652	348
Communication equipment	250	250	-	250
Total Maintenance - Equipment/Machinery	<u>12,750</u>	<u>12,750</u>	<u>7,206</u>	<u>5,544</u>
<u>CONTRACTUAL SERVICES:</u>				
Leases and rentals	500	500	-	500
Insurance	1,141	1,141	1,114	27
Business and travel	1,500	1,500	-	1,500
Contractual and fee basis service	20,000	20,000	21,788	(1,788)
Regulatory inspection fee	7,000	7,000	6,745	255
Total Contractual Services	<u>30,141</u>	<u>30,141</u>	<u>29,647</u>	<u>494</u>
TOTAL WASTEWATER OPERATIONS	<u>\$ 269,342</u>	<u>\$ 269,342</u>	<u>\$ 215,711</u>	<u>\$ 53,631</u>
<u>WATER SUPPLY</u>				
<u>CONTRACTUAL SERVICES:</u>				
Contractual and fee basis service	\$ 271,708	\$ 271,708	\$ 386,824	\$ (115,116)
Total Contractual Services	<u>271,708</u>	<u>271,708</u>	<u>386,824</u>	<u>(115,116)</u>
TOTAL WATER SUPPLY	<u>\$ 271,708</u>	<u>\$ 271,708</u>	<u>\$ 386,824</u>	<u>\$ (115,116)</u>
<u>UTILITY DEBT SERVICE</u>				
<u>DEBT SERVICE:</u>				
Revenue bonds principal	\$ 301,000	\$ 301,000	\$ 301,000	\$ -
Revenue bonds interest	283,321	283,321	283,321	-
Due to other funds	-	-	-	-
Total Debt Service	<u>584,321</u>	<u>584,321</u>	<u>584,321</u>	<u>-</u>
TOTAL UTILITY DEBT SERVICE	<u>\$ 584,321</u>	<u>\$ 584,321</u>	<u>\$ 584,321</u>	<u>\$ -</u>
TOTAL EXPENSES - BUDGET BASIS	<u>\$ 2,194,103</u>	<u>\$ 2,194,103</u>	<u>\$ 2,162,384</u>	<u>\$ 31,719</u>
Financial Statement Adjustments:				
Amortization			13,581	
Depreciation			564,385	
Record transfers to other funds			58,302	
Reclassify capital expenditures			(16,796)	
Increase in accrued expenses			6,061	
TOTAL EXPENSES AND TRANSFERS - GAAP BASIS			<u>\$ 2,787,917</u>	

CITY OF WHITEHOUSE, TEXAS

DETAILED SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)

ENTERPRISE DEBT SERVICE FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2011

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
Property taxes	\$ 911,002	\$ 802,070	\$ (108,932)
Project assessments	17,000	20,545	3,545
Interest income	835	867	32
Transfers in	<u>584,321</u>	<u>804,045</u>	<u>219,724</u>
TOTAL REVENUES - BUDGET BASIS	<u>\$ 1,513,158</u>	1,627,527	<u>\$ 114,369</u>
Transfer of interest costs on construction projects		<u>(16,601)</u>	
TOTAL REVENUES - GAAP BASIS		<u>\$ 1,610,926</u>	
<u>EXPENSES</u>			
Bond principal:			
2001 Certificates of Obligation	\$ 75,000	\$ 75,000	\$ -
2003 Certificates of Obligation	209,000	209,000	-
2006 Certificates of Obligation	110,000	110,000	-
2007 Certificates of Obligation	75,000	75,000	-
2008 Certificates of Obligation	116,000	116,000	-
2007 Refunding	85,000	85,000	-
Bond interest:			
2001 Certificates of Obligation	425,000	425,000	-
2003 Certificates of Obligation	18,139	18,139	-
2006 Certificates of Obligation	100,380	100,380	-
2007 Certificates of Obligation	76,788	76,788	-
2008 Certificates of Obligation	106,153	106,153	-
2007 Refunding	190,315	190,315	-
Administrative fees	<u>1,383</u>	<u>1,300</u>	<u>83</u>
TOTAL EXPENSES - BUDGET BASIS	<u>\$ 1,588,158</u>	1,588,075	<u>\$ 83</u>
Transfer of interest costs on construction projects		(16,601)	
Interest paid on Utility Fund note		9,326	
Change in accrued interest on bonds		<u>(14,693)</u>	
TOTAL EXPENSES - GAAP BASIS		<u>\$ 1,566,107</u>	

CITY OF WHITEHOUSE, TEXAS

SCHEDULE OF CHANGES IN GOVERNMENTAL CAPITAL ASSETS - BY SOURCE

FISCAL YEAR ENDED SEPTEMBER 30, 2011

	TOTAL	LAND	BUILDINGS	INFRASTRUCTURE	AUTOS	MACHINERY & EQUIPMENT OTHER EQUIPMENT	CONSTRUCTION IN PROGRESS
Governmental assets - October 1, 2010	\$ 11,665,509	\$ 128,782	\$ 2,495,541	\$ 7,121,054	\$ 859,508	\$ 1,060,624	\$ -
EXPENDITURES FROM GOVERNMENTAL FUNDS:							
GENERAL FUND							
Street Improvements	40,491	-	-	40,491	-	-	-
Police Vehicles	68,402	-	-	-	68,402	-	-
Machinery & Equipment	56,459	-	-	-	-	56,459	-
EXPENDITURES FROM CAPITAL PROJECTS							
FUNDS:							
2007 CAPITAL PROJECTS FUND							
Street Improvements	87,414	-	-	87,414	-	-	-
RETIREMENTS FROM GOVERNMENTAL FUNDS:							
GENERAL FUND							
Police Vehicles	(134,629)	-	-	-	(134,629)	-	-
GOVERNMENTAL ASSETS - SEPTEMBER 30, 2011	\$ 11,783,646	\$ 128,782	\$ 2,495,541	\$ 7,248,959	\$ 793,281	\$ 1,117,083	\$ -

CITY OF WHITEHOUSE, TEXAS

SCHEDULE OF CHANGES IN GOVERNMENTAL LONG-TERM DEBT

FISCAL YEAR ENDED SEPTEMBER 30, 2011

	TOTAL	NOTES PAYABLE	1996 SERIES	2006 SERIES	2004 SERIES	COMPENSATED ABSENCES	COMPENSATORY TIME PAYABLE
Governmental fund debt, October 1, 2010	\$ 4,344,070	\$ 54,496	\$ 200,000	\$ 2,690,000	\$ 1,275,000	\$ 100,452	\$ 24,122
ADDITIONS							
Compensatory time payable	3,024	-	-	-	-	-	3,024
Total Additions	3,024	-	-	-	-	-	3,024
RETIREMENTS							
Bond principal:							
1996 Street Construction General Obligation	95,000	-	95,000	-	-	-	-
2006 Limited Tax Refunding Bonds	120,000	-	-	120,000	-	-	-
2004 Certificates of Obligation	25,000	-	-	-	25,000	-	-
Total Bond Retirements	240,000	-	95,000	120,000	25,000	-	-
Notes Payable:							
Austin Bank							
Ford F150 Truck	9,326	9,326	-	-	-	-	-
Backhoe	11,291	11,291	-	-	-	-	-
Vehicles	26,410	26,410	-	-	-	-	-
Motorcycle	7,469	7,469	-	-	-	-	-
Total Note Retirements	54,496	54,496	-	-	-	-	-
Compensated absences	46,843	-	-	-	-	46,843	-
GOVERNMENTAL FUND DEBT, SEPTEMBER 30, 2011	\$ 4,005,755	\$ -	\$ 105,000	\$ 2,570,000	\$ 1,250,000	\$ 53,609	\$ 27,146

SCHEDULE OF REVENUE AND GENERAL OBLIGATION BONDS AND NOTES PAYABLE

FISCAL YEAR ENDED SEPTEMBER 30, 2011

ISSUE DATE	MATURITY	BOND NUMBERS AND INTEREST RATE	BOND/NOTE PRINCIPAL		CURRENT YEAR RETIREMENTS	OUTSTANDING 9-30-11	BOND/NOTE PRINCIPAL AND INTEREST REQUIREMENTS YEAR ENDING 9-30-12		BOND/NOTE INTEREST TO BE PROVIDED IN FUTURE YEARS
			BALANCE 10-1-10	ISSUED CURRENT YEAR			PRINCIPAL	INTEREST	
5/25/01	Payable serially in varying amounts to 5-15-21	5.2%	\$ 5,000,000	\$ -	\$ 75,000	\$ 4,925,000	\$ 223,444	\$ 276,556	\$ 1,305,389
4/1/06	Payable serially in varying amounts to 2-15-26	4.20%	2,445,000	-	110,000	2,335,000	115,000	95,655	715,050
7/15/07	Payable serially in varying amounts to 2-15-27	4.52%	4,359,000	-	85,000	4,168,000	28,000	187,761	1,345,423
5/15/07	Payable serially in varying amounts to 2-15-26	4.32%	2,000,000	-	75,000	1,740,000	75,000	73,548	596,052
3/12/08	Payable serially in varying amounts to 2-15-28	3.70%	3,100,000	-	116,000	2,811,000	121,000	101,769	874,642
2/15/03	Payable serially in varying amounts from 2-15-06 to 02-15-23		4,575,000	-	209,000	435,000	213,000	11,238	3,841
			21,834,000	17,084,000	670,000	16,414,000	775,444	746,527	1,521,971
	Total Business Type Activities								4,840,397

BONDED INDEBTEDNESS,
BUSINESS TYPE ACTIVITIES
2001 Combination Tax Revenue
Certificates of Obligations

2006-Water & Sewer
Certificates of Obligation

2007 Tax Refunding Bonds

2007-Water & Sewer
Certificates of Obligation

2008-Water & Sewer
Certificates of Obligation

2003-Water & Sewer
Certificates of Obligation

CITY OF WHITEHOUSE, TEXAS
SCHEDULE OF REVENUE AND GENERAL OBLIGATION BONDS AND NOTES PAYABLE

FISCAL YEAR ENDED SEPTEMBER 30, 2011

ISSUE DATE	Maturity	BOND NUMBERS AND INTEREST RATE	BONDS ISSUED	BOND/NOTE PRINCIPAL		OUTSTANDING 9-30-11	BOND/NOTE PRINCIPAL AND INTEREST REQUIREMENTS YEAR ENDING 9-30-12		BOND/NOTE INTEREST TO BE PROVIDED IN FUTURE YEARS
				BALANCE 10-1-10	ISSUED CURRENT YEAR		PRINCIPAL	INTEREST	
GOVERNMENTAL FUND DEBT:									
BONDED DEBT									
1996 General Obligation Bonds	11/15/96	Payable serially in varying amounts to 9-30-12							
		\$45,000	1,000,000	200,000	-	105,000	105,000	2,756	107,756
		\$50,000							
		\$55,000							
		\$55,000							
		\$60,000							
		\$65,000							
		\$70,000							
		\$70,000							
		\$75,000							
		\$80,000							
		\$85,000							
		\$90,000							
		\$95,000							
		\$105,000							
2004 Certificates of Obligation	3/15/04	Payable serially in varying amounts to 2-15-23	1,400,000	1,275,000	-	1,250,000	25,000	40,809	65,809
2006 Limited Tax Refunding Bonds	10/15/06	Payable serially in varying amounts to 2-15-26	3,140,000	2,690,000	-	2,570,000	125,000	109,225	234,225
Total General Fund Bonded Debt			5,540,000	4,165,000	-	3,925,000	255,000	152,790	407,790
Total Bonded Indebtedness			27,374,000	21,249,000	-	20,339,000	1,030,444	899,317	1,929,761
									849,575
									249,117
									1,098,692
									5,939,089

CITY OF WHITEHOUSE, TEXAS

SCHEDULE "14"
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SCHEDULE OF REVENUE AND GENERAL OBLIGATION BONDS AND NOTES PAYABLE

FISCAL YEAR ENDED SEPTEMBER 30, 2011

ISSUE DATE	Maturity	BOND NUMBERS AND INTEREST RATE	BOND/NOTE PRINCIPAL		CURRENT YEAR RETIREMENTS	OUTSTANDING 9-30-11	BOND/NOTE PRINCIPAL AND INTEREST REQUIREMENTS YEAR ENDING 9-30-12		BOND/NOTE INTEREST TO BE PROVIDED IN FUTURE YEARS
			BALANCE 10-1-10	ISSUED CURRENT YEAR			PRINCIPAL	INTEREST	
3/16/06	03/16/11	4.95%	11,291	-	11,291	-	-	-	-
10/10/08	09/02/08	3.3%	9,326	-	9,326	-	-	-	-
7/8/2008	07/08/11	3.5%	26,410	-	26,410	-	-	-	-
7/18/2008	07/18/12	3.5%	7,469	-	7,469	-	-	-	-
NOTES PAYABLE:									
Austin Bank:									
Backhoe									
2008 Ford F150									
Vehicles									
Motorcycle									
Total Notes Payable - Governmental Fund Debt			27,374,000	54,496	21,303,496	20,339,000	899,317	1,929,761	5,939,089
TOTAL DEBT			\$ 27,374,000	\$ 54,496	\$ 21,303,496	\$ 20,339,000	\$ 899,317	\$ 1,929,761	\$ 5,939,089

OTHER REPORTS

**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**

To the City Council
City of Whitehouse, Texas

We have audited the 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, 2011, which collectively comprise the City of Whitehouse, Texas' basic financial statements and have issued our report thereon dated December 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City of Whitehouse, Texas is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Whitehouse, Texas' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 of Whitehouse, Texas's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, that are described below that we consider to be significant deficiencies in internal control over financial reporting.. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Personnel Policy

The City's personnel policy contains a clause referencing employee compensatory time. Under the policy, no full time employees may accrue more than 240 hours of compensatory time (480 for police officers). However, the policy does allow for the compensation of excess compensatory time exceeding the 240 hours should the employee's work situation require them to be present and thus exceed the maximum allowed accrual. This exception must be approved through written notice from the City Manager. As of September 30, 2011, the City had one employee that exceeded the maximum limit which amounted to a \$10,882 liability to the City.

As of the date of this report, the City has one final payment on the excess compensatory time.

Purchasing Procedures

As part of the City's purchasing procedures, purchase orders are to be obtained for capital purchases. During the current year, the City acquired a vehicle but there was no purchase order issued. The vehicle purchase was accounted for in the current year budget.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Whitehouse, Texas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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



Certified Public Accountants

Tyler, Texas
December 21, 2011