

Michael Gollob, CPA-Retired  
Tony K. Morgan, CPA/ABV  
Robert W. Peddy, CPA  
Barbara R. Bass, CPA  
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Lisa G. Robinson, CPA  
Joe Wylie, CPA  
Kevin R. Cashion, CPA

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

Certified Public Accountants

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

Harvey W. Jackson, CPA  
Dianne C. Johnston, CPA  
Jeanne C. Lewis, CPA  
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Lori A. Bogan, CPA  
James Clinton Carroll, CPA  
Melissa J. Carnes, CPA  
Michael Jason Creel, CPA  
Tina T. Smith, CPA

January 20, 2010

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, 2009. 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 December 7, 2009. 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 2009. 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.

#### *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 January 20, 2010.

### *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.

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.

*Collob, Morgan, Seddy & Co., P.C.*

Certified Public Accountants

Tyler, Texas

**CITY OF WHITEHOUSE, TEXAS**  
**BASIC FINANCIAL STATEMENTS and**  
**REQUIRED SUPPLEMENTARY and OTHER INFORMATION**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2009**

**CITY OF WHITEHOUSE, TEXAS**

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**CITY OF WHITEHOUSE, TEXAS**

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**INDEPENDENT AUDITORS' REPORT**

City Council  
City of Whitehouse, Texas  
Whitehouse, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Whitehouse, Texas as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City 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, 2009, 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 January 20, 2010 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.

*Gallst, Morgan, Reddy + Co., P.C.*

Certified Public Accountants

Tyler, Texas  
January 20, 2010

## 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, 2009.

### Financial Highlights

- As of the end of the current fiscal year, the assets of the City exceed its liabilities by \$ 7,254,126 (net assets). Of this amount \$435,387 (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 \$255,004. Of this amount \$204,150 (80.06%) is available for spending at the government's discretion.
- The total net assets of \$7,254,126 are made up of \$6,497,976 in capital assets net of related debt and \$756,150 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, 2009 the City's assets exceeded liabilities by \$7,254,126.

By far the largest portion of the City's net assets (\$6,497,976) 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 \$521,487 during the current year primarily due to the completion of the water well and plant on the south side of town. 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 (\$435,387) decreased by \$107,852 during the year.

### City of Whitehouse's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 498,560	\$ 915,732	\$ 2,687,224	\$ 3,668,033	\$ 3,185,784	\$ 4,583,765
Capital assets	8,189,437	8,530,889	18,886,336	18,904,220	27,075,773	27,435,109
Total Assets	8,687,997	9,446,621	21,573,560	22,572,253	30,261,557	32,018,874
Current liabilities	202,578	250,941	289,062	684,901	491,640	935,842
Non current liabilities	4,809,792	5,212,583	17,705,999	18,201,000	22,515,791	23,413,583
Total Liabilities	5,012,370	5,463,524	17,995,061	18,885,901	23,007,431	24,349,425
Net invested in						
capital assets	3,579,435	3,705,503	2,918,541	2,270,986	6,497,976	5,976,489
Restricted	33,954	322,565	286,809	827,156	320,763	1,149,721
Unrestricted	62,238	(44,971)	373,149	588,210	435,387	543,239
Total Net Assets	\$ 3,675,627	\$ 3,983,097	\$ 3,578,499	\$ 3,686,352	\$ 7,254,126	\$ 7,669,449

*Governmental activities.* During the current year the governmental activities had a decrease in net assets of \$307,470 which represented a \$216,481 decrease from the

previous year. The decrease came primarily from a decrease in fines revenues and from a decrease in transfers from business-type activities.

*Business-type activities.* The City had a \$107,853 decrease in net assets for its business-type activities during the year. This is \$58,488 less than the previous year. The decrease comes primarily from the write off of the City's deposit in the Lake Striker project that was abandoned during the current fiscal year.

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

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Revenues:</b>						
Charges for services	\$ 1,037,124	\$ 1,222,541	\$ 2,450,331	\$ 1,988,159	\$ 3,487,455	\$ 3,210,700
Capital grants and contributions	12,025	9,250	(337,500)	-	(325,475)	9,250
<b>General revenue:</b>						
Property taxes	1,433,012	1,414,236	665,654	579,446	2,098,666	1,993,682
Franchise taxes	291,551	266,514	-	-	291,551	266,514
Sales taxes	614,099	613,781	-	-	614,099	613,781
Gain (loss) on sale of assets	304	6,789	-	-	304	6,789
Interest income	16,652	51,350	19,258	108,344	35,910	159,694
<b>Total revenues</b>	<b>3,404,767</b>	<b>3,584,461</b>	<b>2,797,743</b>	<b>2,675,949</b>	<b>6,202,510</b>	<b>6,260,410</b>
<b>Expenses:</b>						
General government	503,786	511,565	-	-	503,786	511,565
Public safety	1,917,694	1,933,274	-	-	1,917,694	1,933,274
Community development	1,060,284	1,153,040	-	-	1,060,284	1,153,040
Parks and recreation	80,933	79,417	-	-	80,933	79,417
Interest	200,272	222,576	-	-	200,272	222,576
Water and sewer operations	-	-	2,854,864	2,500,892	2,854,864	2,500,892
<b>Total expenses</b>	<b>3,762,969</b>	<b>3,899,872</b>	<b>2,854,864</b>	<b>2,500,892</b>	<b>6,617,833</b>	<b>6,400,764</b>
Transfers	50,732	224,422	(50,732)	(224,422)	-	-
<b>Change in net assets</b>	<b>(307,470)</b>	<b>(90,989)</b>	<b>(107,853)</b>	<b>(49,365)</b>	<b>(415,323)</b>	<b>(140,354)</b>
Net assets beginning of year,	3,983,097	4,074,086	3,686,352	3,735,717	7,669,449	7,809,803
<b>Net Assets End of Year</b>	<b>\$ 3,675,627</b>	<b>\$ 3,983,097</b>	<b>\$ 3,578,499</b>	<b>\$ 3,686,352</b>	<b>\$ 7,254,126</b>	<b>\$ 7,669,449</b>

## **Financial Analysis of the Government's Funds**

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

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

At the end of the current fiscal year, the City's governmental funds reported an ending fund balance of \$255,004 of which \$204,150 is unrestricted and available for spending at the City's discretion. The total fund balance for the governmental funds decreased by \$376,600 during the year which was mostly due to a decrease in transfers to the debt service fund and from the FM 346 fund transferring its remaining cash to the 2008 Capital Projects fund to help fund water well improvements.

*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 \$373,149 at year end as compared to \$588,210 at the end of the prior year.

## **General Fund Budgetary Highlights**

Over the year, the City of Whitehouse made allocation amendments to its budget but did not change the total amount originally budgeted. Revenues were \$73,617 under budget while expenditures were under budget by \$373,713. After considering operating transfers, the City had a favorable variance of \$113,643 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, 2009, amounts to \$6,497,976 net of accumulated depreciation and related debt. This investment in capital assets includes land, buildings, machinery and equipment, water and sewer systems, infrastructure and construction in progress. The biggest change during the current year was the City's construction and completion of water wells on the south side of town. The total net decrease in the City's investment in fixed assets for the current year (see Note 4C) was \$359,336.

### City of Whitehouse's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
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	-	-	165,740	3,072,426	165,740	3,072,426
Buildings and improvements	2,009,270	2,061,881	140,256	148,918	2,149,526	2,210,799
Water and sewer system	-	-	18,327,077	15,383,898	18,327,077	15,383,898
Infrastructure	5,542,980	5,706,568	-	-	5,542,980	5,706,568
Machinery and equipment	508,405	633,658	220,463	266,178	728,868	899,836
Total	\$ 8,189,437	\$ 8,530,889	\$ 18,886,336	\$ 18,904,220	\$ 27,075,773	\$ 27,435,109

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

*Long-term debt.* During the current year, the City received \$13,999 in loan proceeds for a work truck. After principal payments of \$939,654 were made against debt during the year, the City had total debt outstanding of \$22,529,791 at the end of the fiscal year.

### City of Whitehouse's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 4,532,000	\$ 4,885,000	\$ -	\$ -	\$ 4,532,000	\$ 4,885,000
Notes Payable	140,616	204,270	13,999	-	154,615	204,270
Compensated absences	151,176	123,313	-	-	151,176	123,313
Revenue bonds and Certificates of obligation	-	-	17,692,000	18,201,000	17,692,000	18,201,000
Total	\$ 4,823,792	\$ 5,212,583	\$ 17,705,999	\$ 18,201,000	\$ 22,529,791	\$ 23,413,583

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

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

Economic trends in the City continue to reflect a favorable environment. New residential and commercial construction continues in the city providing a steady increase in the City's property tax base.

The City has adopted the FY09/FY10 Budget and will strive to operate with maximum efficiency, controlling expenditures and finding ways to increase revenues. The City reduced personnel in both the Public Works Department and in the City Hall Staff. Reassigning the duties of the lost personnel to other staff members in the departments resulted in significant dollar savings and increased the efficiency.

The City has applied for two grants which will significantly impact the economic development of the City. First, the city has applied for a Broadband Internet grant which will provide the opportunity for the development of a business park providing a redundant internet base and an additional revenue stream as an addition to the customary city provided utilities, secondly the city has applied for and has had approved a grant to convert two city buildings to 100% solar power and to supplement the electrical power for the city hall complex with approximately 12% solar power providing the first step for the city to begin "going green". While a dollar savings due to the conversion to solar power may not be extremely significant, the public opinion value and the "progressive thinking image" created by the conversion to solar power even on a limited scale will prove to be "priceless".

All of these factors were considered in preparing and adopting the City's budget and tax rate of \$0.632749 per \$100 valuation for the 2010 fiscal year and will be factors for consideration in the preparation of future budgets when determining and adopting future tax rates for the city.

## **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**

**EXHIBIT 1**

**CITY OF WHITEHOUSE, TEXAS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2009**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash and cash equivalents	\$ 14,910	\$ -	\$ 14,910
Receivables (net of allowance for doubtful accounts)	268,355	496,251	764,606
Internal balances	153,053	(153,053)	-
Restricted Assets:			
Temporarily restricted			
Cash and cash equivalents	2,288	1,963,289	1,965,577
Water rights - Lake Columbia	-	230,000	230,000
Bond issue costs (net)	59,954	150,737	210,691
Capital Assets (net of accumulated depreciation):			
Land	128,782	25,000	153,782
Easements	-	7,800	7,800
Construction in progress	-	165,740	165,740
Buildings and improvements	2,009,270	140,256	2,149,526
Infrastructure	5,542,980	-	5,542,980
Machinery and equipment	508,405	220,463	728,868
Water and sewer system	-	18,327,077	18,327,077
Total Assets	8,687,997	21,573,560	30,261,557
<b>LIABILITIES</b>			
Accounts payable	180,449	31,386	211,835
Deposits and other refundable balances	-	154,925	154,925
Deferred revenue	-	30,825	30,825
Accrued interest	22,129	71,926	94,055
Non-current liabilities:			
Due within one year	462,549	612,673	1,075,222
Due in more than one year	4,347,243	17,093,326	21,440,569
Total Liabilities	5,012,370	17,995,061	23,007,431
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	3,579,435	2,918,541	6,497,976
Restricted for:			
Debt service	33,954	-	33,954
Construction	-	286,809	286,809
Unrestricted	62,238	373,149	435,387
Total Net Assets	\$ 3,675,627	\$ 3,578,499	\$ 7,254,126

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, 2009**

PROGRAM ACTIVITIES	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
<b>PRIMARY GOVERNMENT:</b>						
Governmental activities:						
General government	\$ 503,786	\$ 16,363	\$ -	\$ (487,423)	\$ -	\$ (487,423)
Public safety	1,917,694	389,580	12,025	(1,516,089)	-	(1,516,089)
Community development	1,060,284	631,181	-	(429,103)	-	(429,103)
Parks and recreation	80,933	-	-	(80,933)	-	(80,933)
Interest	200,272	-	-	(200,272)	-	(200,272)
Total governmental activities	<u>3,762,969</u>	<u>1,037,124</u>	<u>12,025</u>	<u>(2,713,820)</u>	<u>-</u>	<u>(2,713,820)</u>
Business-type activities:						
Water and sewer	2,854,864	2,450,331	(337,500)	-	(742,033)	(742,033)
Total business-type activities	<u>2,854,864</u>	<u>2,450,331</u>	<u>(337,500)</u>	<u>-</u>	<u>(742,033)</u>	<u>(742,033)</u>
Total primary government	<u>\$ 6,617,833</u>	<u>\$ 3,487,455</u>	<u>\$ (325,475)</u>	<u>(2,713,820)</u>	<u>(742,033)</u>	<u>(3,455,853)</u>
General revenues:						
Property taxes				1,433,012	665,654	2,098,666
Franchise taxes				291,551	-	291,551
Sales and use taxes				614,099	-	614,099
Gain on sale of assets				304	-	304
Interest and rent				16,652	19,258	35,910
Transfers				50,732	(50,732)	-
Total general revenues and transfers				<u>2,406,350</u>	<u>634,180</u>	<u>3,040,530</u>
Change in net assets				(307,470)	(107,853)	(415,323)
Net assets - beginning of year				<u>3,983,097</u>	<u>3,686,352</u>	<u>7,669,449</u>
Net assets - end of year				<u>\$ 3,675,627</u>	<u>\$ 3,578,499</u>	<u>\$ 7,254,126</u>

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

CITY OF WHITEHOUSE, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2009

	MAJOR FUNDS			ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS		
<b>ASSETS</b>					
Cash and investments	\$ 1,490	\$ -	\$ 13,420	\$ -	\$ 14,910
Receivables:					
Property taxes	56,629	-	-	-	56,629
Sales taxes	93,656	-	-	-	93,656
Street assessments	-	-	24,471	-	24,471
Charges for services	111,593	-	-	-	111,593
Restricted Assets:					
Temporarily restricted					
Cash and cash equivalents	-	2,288	-	-	2,288
Due from other funds	123,738	136,012	698	(107,395)	153,053
Bond issue costs (net)	-	-	59,954	-	59,954
Total Assets	<u>\$ 387,106</u>	<u>\$ 138,300</u>	<u>\$ 98,543</u>	<u>\$ (107,395)</u>	<u>\$ 516,554</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued expenses	180,450	-	-	-	180,450
Due to other funds	-	104,346	3,049	(107,395)	-
Deferred revenue	56,629	-	24,471	-	81,100
Total Liabilities	<u>237,079</u>	<u>104,346</u>	<u>27,520</u>	<u>(107,395)</u>	<u>261,550</u>
Fund Balances:					
Reserved for:					
Debt Service	-	33,954	-	-	33,954
Construction	-	-	16,900	-	16,900
Total Reserved Fund Balances	<u>-</u>	<u>33,954</u>	<u>16,900</u>	<u>-</u>	<u>50,854</u>
Unreserved					
Undesignated	150,027	-	54,123	-	204,150
Total Undesignated Fund Balances	<u>150,027</u>	<u>-</u>	<u>54,123</u>	<u>-</u>	<u>204,150</u>
Total Fund Balances	<u>150,027</u>	<u>33,954</u>	<u>71,023</u>	<u>-</u>	<u>255,004</u>
Total Liabilities and Fund Balances	<u>\$ 387,106</u>	<u>\$ 138,300</u>	<u>\$ 98,543</u>	<u>\$ (107,395)</u>	

CITY OF WHITEHOUSE, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2009

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)	\$ 255,004
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	8,189,437
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	63,107
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	(22,129)
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>(4,809,792)</u>
Net Assets of governmental activities	<u>\$ 3,675,627</u>

CITY OF WHITEHOUSE, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FISCAL YEAR ENDED SEPTEMBER 30, 2009

	MAJOR FUNDS		OTHER GOVERNMENTAL FUNDS	ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	DEBT SERVICE			
<b>REVENUES</b>					
Current and delinquent taxes	\$ 877,134	\$ 549,912	\$ -	\$ -	\$ 1,427,046
Fines and forfeitures	384,183	-	-	-	384,183
Licenses and permits	4,793	-	-	-	4,793
Franchise taxes	291,551	-	-	-	291,551
Sales taxes - regular	380,744	-	-	-	380,744
Sales taxes - additional 1/2 cent	190,372	-	-	-	190,372
Sales tax fees	42,983	-	-	-	42,983
Donations	-	-	526	-	526
Solid waste collections	631,181	-	-	-	631,181
Intergovernmental revenue	12,025	-	-	-	12,025
Interest and rent	12,393	3,412	847	-	16,652
Miscellaneous income	10,162	1,408	4,871	-	16,441
<b>Total Revenues</b>	<b>2,837,521</b>	<b>554,732</b>	<b>6,244</b>	<b>-</b>	<b>3,398,497</b>
<b>EXPENDITURES</b>					
Legislative	29,346	-	-	-	29,346
General administration	236,936	-	599	-	237,535
Treasury and financial	138,154	-	-	-	138,154
Tax appraisal and collections	40,713	-	-	-	40,713
Municipal court	247,126	-	-	-	247,126
Library	42,500	-	-	-	42,500
Parks/recreation	59,093	-	-	-	59,093
Community development	94,409	-	-	-	94,409
Street and ground maintenance	177,045	-	-	-	177,045
Communication center	200,804	-	-	-	200,804
Police	1,177,315	-	-	-	1,177,315
Animal control	47,801	-	-	-	47,801
Fire	110,972	-	-	-	110,972
Sanitation	540,775	-	-	-	540,775
Debt service:					
Bond principal	-	353,000	-	-	353,000
Note principal	-	77,654	-	-	77,654
Interest and fees	-	202,097	-	-	202,097
Capital outlay	41,925	-	-	-	41,925
<b>Total Expenditures</b>	<b>3,184,914</b>	<b>632,751</b>	<b>599</b>	<b>-</b>	<b>3,818,264</b>
Revenues Over (Under) Expenditures	(347,393)	(78,019)	5,645	-	(419,767)

**CITY OF WHITEHOUSE, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2009**

	<u>MAJOR FUNDS</u>		<u>OTHER GOVERNMENTAL FUNDS</u>	<u>ELIMINATIONS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
	<u>GENERAL</u>	<u>DEBT SERVICE</u>			
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 385,243	\$ 525,126	\$ -	\$ (197)	\$ 910,172
Transfers out	-	(735,718)	(123,919)	197	(859,440)
Amortization	-	-	(7,869)	-	(7,869)
Sale of assets	304	-	-	-	304
Total Other Financing Sources (Uses)	<u>385,547</u>	<u>(210,592)</u>	<u>(131,788)</u>	<u>-</u>	<u>43,167</u>
Net Change in Fund Balances	38,154	(288,611)	(126,143)	-	(376,600)
Fund Balance, October 1, 2008	<u>111,873</u>	<u>322,565</u>	<u>197,166</u>	<u>-</u>	<u>631,604</u>
Fund Balance, September 30, 2009	<u>\$ 150,027</u>	<u>\$ 33,954</u>	<u>\$ 71,023</u>	<u>\$ -</u>	<u>\$ 255,004</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, 2009

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

Net change in fund balances - total governmental funds	\$ (376,600)
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.	(341,452)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the government wide statements.	5,966
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>404,616</u>
Change in net assets of governmental activities	<u>\$ (307,470)</u>

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

**CITY OF WHITEHOUSE, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**(NON-GAAP BUDGET BASIS)**  
**GENERAL FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2009**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
<b>REVENUES</b>				
Current and delinquent taxes	\$ 867,947	\$ 867,947	\$ 877,134	\$ 9,187
Fines and forfeitures	486,000	486,000	384,183	(101,817)
Licenses and permits	14,600	14,600	4,793	(9,807)
Franchise taxes	276,000	276,000	291,551	15,551
Sales taxes - regular	384,000	384,000	384,769	769
Sales taxes - additional 1/2 cent	192,000	192,000	192,384	384
Sales tax fees	43,000	43,000	42,983	(17)
Solid waste collections	630,000	630,000	635,653	5,653
Zoning and platting fees	500	500	-	(500)
Intergovernmental revenue	5,200	5,200	12,025	6,825
Interest and rent	22,400	22,400	12,393	(10,007)
Miscellaneous income	-	-	10,162	10,162
<b>Total Revenues</b>	<b>2,921,647</b>	<b>2,921,647</b>	<b>2,848,030</b>	<b>(73,617)</b>
<b>EXPENDITURES</b>				
Legislative	41,685	41,685	43,346	(1,661)
General administration	252,393	252,393	234,553	17,840
Treasury and financial	136,688	136,688	138,154	(1,466)
Tax appraisal and collections	38,000	38,000	40,713	(2,713)
Municipal court	273,116	273,116	231,530	41,586
Library	42,500	42,500	42,500	-
Parks/recreation	77,000	77,000	71,043	5,957
Community development	114,249	114,249	94,409	19,840
Street and ground maintenance	309,514	309,514	277,045	32,469
Communication center	228,985	228,985	200,804	28,181
Police	1,361,096	1,361,096	1,179,266	181,830
Animal control	48,323	48,323	47,801	522
Fire	110,377	110,377	110,972	(595)
Sanitation	594,122	594,122	542,199	51,923
<b>Total Expenditures</b>	<b>3,628,048</b>	<b>3,628,048</b>	<b>3,254,335</b>	<b>373,713</b>
Revenues Over (Under) Expenditures	(706,401)	(706,401)	(406,305)	300,096
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	500,000	500,000	385,243	(114,757)
Transfers out	-	-	-	-
Loan proceeds	62,000	62,000	-	(62,000)
Sale of assets	10,000	10,000	304	(9,696)
<b>Total Other Financing Sources (Uses)</b>	<b>572,000</b>	<b>572,000</b>	<b>385,547</b>	<b>(186,453)</b>
Revenues and Other Sources Over (Under) Expenditures and Other Uses - Budget Basis	(134,401)	(134,401)	(20,758)	113,643
Budget Basis to GAAP Basis Adjustments (Note A)	-	-	58,912	58,912
Revenues and Other Sources Over (Under) Expenditures and Other Uses - GAAP Basis	(134,401)	(134,401)	38,154	172,555

**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, 2009**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
Fund Balance, October 1, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,873</u>	<u>\$ 111,873</u>
Fund Balance, September 30, 2009	<u>\$ (134,401)</u>	<u>\$ (134,401)</u>	<u>\$ 150,027</u>	<u>\$ 284,428</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 \$ (4,472)

Increase in revenues recognized for exchange transactions occurring during current year  
but received in following year (6,037)

Uses/Outflows of Resources:

Differences - Budget to GAAP

Reclassify posting error on budget adjustment 100,000

Increase in accrued expenses for services rendered or goods provided during the current  
year but paid for in the following year (30,579)

Net Change in Budget Basis Presentation and GAAP Basis Presentation \$ 58,912

**CITY OF WHITEHOUSE, TEXAS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2009**

	<u>UTILITY FUND</u>
<b>ASSETS</b>	
Current Assets:	
Cash and certificates of deposit	\$ -
Due from other funds	325
Accounts receivable (Net)	<u>496,251</u>
Total Current Assets	<u>496,576</u>
Restricted current assets:	
Temporarily Restricted	
Customer deposits	<u>86,960</u>
Total restricted current assets	<u>86,960</u>
Noncurrent Assets:	
Restricted Assets:	
Temporarily Restricted	
Cash for construction	<u>1,876,329</u>
Total Restricted Assets	<u>1,876,329</u>
Water rights - Lake Columbia	230,000
Bond Issue Costs (Net)	150,737
Capital Assets:	
Land	25,000
Easements	7,800
Buildings	324,633
Water and sewer system	22,238,343
Machinery & equipment	942,290
Construction in progress	165,740
Less: Accumulated depreciation	<u>(4,817,470)</u>
Total Capital Assets Net Of Accumulated Depreciation	<u>18,886,336</u>
Total Noncurrent Assets:	<u>21,143,402</u>
Total Assets	<u>\$ 21,726,938</u>
	(continued)

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

**CITY OF WHITEHOUSE, TEXAS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2009**

	<b>UTILITY FUND</b>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	\$ 31,386
Deferred revenue	30,825
Due to other funds	153,378
Total Current Liabilities	215,589
Current liabilities payable from restricted assets:	
Customer deposits	154,925
Accrued interest	71,926
Notes payable	4,673
Revenue bonds payable	608,000
Total current liabilities payable from restricted assets	839,524
Noncurrent Liabilities:	
Notes payable	9,326
Revenue bonds payable	17,084,000
Total Noncurrent Liabilities	17,093,326
Total Liabilities	18,148,439
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	2,918,541
Restricted net assets:	
Restricted for construction	286,809
Total restricted net assets	286,809
Unrestricted	373,149
Total Net Assets	\$ 3,578,499

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

**CITY OF WHITEHOUSE, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2009**

	<u>UTILITY FUND</u>
<b>OPERATING REVENUES</b>	
Water sales	\$ 1,672,184
Sewer charges	658,778
Assessment revenue	36,640
Tax revenue	665,654
Charges for other services	<u>82,729</u>
Total Operating Revenues	<u>3,115,985</u>
<b>OPERATING EXPENSES</b>	
Utility administration	602,032
Customer service	140,371
Water operations	253,368
Sewer operations	258,343
Water supply	254,700
Depreciation	<u>500,838</u>
Total Operating Expenses	<u>2,009,652</u>
Operating Income (Loss)	<u>1,106,333</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest and fiscal charge expense	(827,810)
Amortization of bond issue costs	(17,402)
Write off of water option deposit	(337,500)
Interest income	<u>19,258</u>
Total non-operating revenue (expenses)	<u>(1,163,454)</u>
Income before transfers	(57,121)
Transfers in	859,441
Transfers out	<u>(910,173)</u>
Total Transfers	<u>(50,732)</u>
Change in Net Assets	(107,853)
Net Assets, October 1, 2008	<u>3,686,352</u>
Net Assets, September 30, 2009	<u>\$ 3,578,499</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, 2009

	UTILITY FUND
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers and users	\$ 2,969,534
Cash paid to suppliers for goods and services	(944,876)
Cash paid to employees for services	(559,070)
	<u>1,465,588</u>
Net cash provided by operating activities	
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers in	905,826
Transfers out	(956,558)
Net cash provided by (used in) non-capital financing activities	<u>(50,732)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchases or construction of capital assets	(785,879)
Interest paid	(892,372)
Deposit paid on Lake Striker project	(112,500)
Note proceeds	13,999
Principal paid on bonds	(509,000)
Net cash (used in) capital and related financing activities	<u>(2,285,752)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest earned on investments	<u>19,259</u>
Net cash provided by investing activities	<u>19,259</u>
Net increase (decrease) in cash	(851,637)
Cash, beginning of period	<u>2,814,926</u>
Cash, end of period	<u>\$ 1,963,289</u>
Reconciliation of cash to Exhibit 7:	
Cash - current asset	\$ -
Cash - restricted current asset	86,960
Cash - restricted non-current asset	<u>1,876,329</u>
Total cash, end of period	<u>\$ 1,963,289</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, 2009

	<u>UTILITY FUND</u>
<b>Reconciliation of Operating Income (Loss) To Net Cash Provided By (Used In) Operating Activities:</b>	
Operating income (loss)	\$ 1,106,333
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	
Depreciation expense	500,838
Increase in accounts receivable	(149,872)
Decrease in accounts payable	4,869
Increase in customer deposits	<u>3,420</u>
Total adjustments	<u>359,255</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,465,588</u>

CITY OF WHITEHOUSE, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

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.

7. Fund equity – Reserves of fund balance are used to indicate that a portion of fund equity is not available for expenditure or is legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

8. 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.

9. 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 \$8,189,437 difference are as follows:

Capital assets, October 1, 2008, net of accumulated depreciation	\$	8,530,889
Capital asset additions, net of retirements		41,925
Depreciation of capital assets, current year		<u>(383,377)</u>
	\$	<u>8,189,437</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 \$63,107 difference are as follows:

Allowance account for uncollectible taxes	\$	(17,993)
Deferred tax revenues		<u>81,100</u>
	\$	<u>63,107</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 \$(4,809,792) difference are as follows:

Long-term liabilities, October 1, 2008	\$	(5,690,291)
Principal paid on debt this year		430,654
Change in compensated absences		<u>(27,863)</u>
	\$	<u>(4,809,792)</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 \$(341,452) difference are as follows:

Capital outlay, asset additions	\$	41,925
Depreciation expense		<u>(383,377)</u>
	\$	<u>(341,452)</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 \$5,966 difference are as follows:

Change in allowance for uncollectible taxes	\$	(333)
Change in deferred tax revenues		<u>6,299</u>
	\$	<u><u>5,966</u></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 \$404,616 difference are as follows:

Principal payments on debt	\$	430,654
Change in accrued interest		1,825
Change in compensated absences		<u>(27,863)</u>
	\$	<u><u>404,616</u></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, 2009, the City had the following deposits and investments:

	<u>BOOK BALANCE</u>	<u>BANK BALANCE</u>
Depository Accounts		
Insured	\$ 311,755	\$ 373,282
Collateral held by pledging bank's Trust		
Department in City's name	<u>223,909</u>	<u>223,949</u>
Total Depository Accounts	\$ 535,664	\$ 597,231
 Intergovernmental investment pools:		
Logic	516,271	516,271
Texpool	486,620	530,447
MBIA	<u>440,442</u>	<u>440,422</u>
	1,978,997	2,084,371
Petty Cash on Hand	<u>1,490</u>	<u>-</u>
Total Cash and Cash Equivalents	<u>\$ 1,980,487</u>	<u>\$ 2,084,371</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>Enterprise Capital Projects Fund</u>	<u>Non Major Funds</u>	<u>Total</u>
Receivables:					
Taxes	\$ 56,629	\$ -	-	\$ -	\$ 56,629
Assessments	-	-	30,825	24,471	55,296
Sales Tax	93,656	-	-	-	93,656
Accounts (services)	<u>111,593</u>	<u>465,426</u>	<u>-</u>	<u>-</u>	<u>577,019</u>
Gross receivables	261,878	465,426	30,825	24,471	782,600
 Less: Allowance for Uncollectibles	<u>17,994</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,994</u>
Net Receivables	<u>\$243,884</u>	<u>\$ 465,426</u>	<u>\$ 30,825</u>	<u>\$ 24,471</u>	<u>\$764,606</u>

### C. Capital Assets

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

PRIMARY GOVERNMENT	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 128,782	\$ -	\$ -	\$ 128,782
Construction in Progress	-	-	-	-
Total Capital Assets, Not Being Depreciated	128,782	-	-	128,782
Capital Assets, Being Depreciated				
Buildings and Improvements	2,423,021	7,655	-	2,430,676
Infrastructure	7,021,511	11,950	-	7,033,461
Machinery and Equipment	1,827,361	22,320	-	1,849,681
Total Capital Assets, Being Depreciated	11,271,893	41,925	-	11,313,818
Less Accumulated Depreciation For:				
Buildings and Improvements	(361,140)	(60,266)	-	(421,406)
Infrastructure	(1,314,943)	(175,538)	-	(1,490,481)
Machinery and Equipment	(1,193,703)	(147,573)	-	(1,341,276)
Total Accumulated Depreciation	(2,869,786)	(383,377)	-	(3,253,163)
Net Total Assets Being Depreciated	8,402,107	(341,452)	-	8,060,655
Governmental Activities Capital Assets, Net	<u>\$ 8,530,889</u>	<u>\$ (341,452)</u>	<u>\$ -</u>	<u>\$ 8,189,437</u>
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Easements	7,800	-	-	7,800
Construction in Progress	3,072,426	468,980	(3,375,666)	165,740
Total Capital Assets, Not Being Depreciated	3,105,226	468,980	(3,375,666)	198,540
Capital Assets, Being Depreciated				
Water and Sewer System	18,862,677	3,375,666	-	22,238,343
Buildings	324,633	-	-	324,633
Machinery and Equipment	928,316	13,974	-	942,290
Total Capital Assets, Being Depreciated	20,115,626	3,389,640	-	23,505,266
Less Accumulated Depreciation For:				
Water and Sewer System	(3,478,779)	(432,487)	-	(3,911,266)
Buildings	(175,715)	(8,662)	-	(184,377)
Machinery and Equipment	(662,138)	(59,689)	-	(721,827)
Total Accumulated Depreciation	(4,316,632)	(500,838)	-	(4,817,470)
Net Total Assets Being Depreciated	15,798,994	2,888,802	-	18,687,796
Business-Type Activities Capital Assets, Net	<u>\$ 18,904,220</u>	<u>\$ 3,357,782</u>	<u>\$ (3,375,666)</u>	<u>\$ 18,886,336</u>

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

Governmental Activities:	
General Government	\$ 42,187
Public Safety	111,203
Community Development	208,147
Parks and Recreation	21,840
Total depreciation expense, governmental activities	<u>\$ 383,377</u>
Business-Type Activities:	
Water and Sewer Operations	<u>\$ 500,838</u>

#### Construction Commitments

The government has several active construction projects as of September 30, 2009. At year-end the government's commitments with contractors are as follows:

Project	Spent-to-Date	Estimated Remaining
Lilly Outfall	\$ 36,907	\$ 23,315
Bascom Road Lift Station	37,733	31,295
Willingham Outfall Improvements	44,765	14,500
	<u>\$ 119,405</u>	<u>\$ 69,100</u>

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, 2009 is as follows:

Receivable Fund	Payable Fund	Amount
Debt Service	Utility Operating Fund	\$ 38,693
Debt Service	Enterprise Debt Service Fund	92,122
Debt Service	Street Construction Fund	2,150
General Fund	Utility Operating Fund	835
General Fund	Enterprise Debt Service Fund	19,253
		<u>\$ 153,053</u>

Interfund transfers:

	Transfers In				Total
	Debt Service Fund	Utility Capital Projects Fund	Utility Debt Service Fund	General Fund	
Transfers out:					
Debt Service Fund	\$ -	\$ -	\$ 735,762	\$ -	\$ 735,762
Utility Operating fund	445,500	-	-	385,047	830,547
Other Governmental Funds	-	123,721	-	-	123,721
Utility Capital Projects fund	79,626	-	-	-	79,626
Total transfers out/in	<u>\$525,126</u>	<u>\$ 123,721</u>	<u>\$ 735,762</u>	<u>\$ 385,047</u>	<u>\$1,769,656</u>

E. Operating Leases

During the year, the City leased out land for specified use under three operating leases. The City collected \$11,025 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, 2009:

	<u>GENERAL OBLIGATION</u>	<u>REVENUE</u>	<u>TOTAL</u>
Bonds payable – October 1, 2008	\$ 4,885,000	\$ 18,201,000	\$ 23,086,000
Additions	-	-	-
Retirements	(353,000)	(509,000)	(862,000)
Bonds Payable – September 30, 2009	<u>\$ 4,532,000</u>	<u>\$ 17,692,000</u>	<u>\$ 22,224,000</u>

Outstanding bonds at September 30, 2009 are comprised of the following issues:

Governmental Activities:

\$400,000 Series 1970 Sewer System Bonds; maturing serially in various amounts through -31-10 at 5% interest	\$ 25,000
\$3,140,000 Series 2006 Refunding Bonds; maturing serially in varying amounts through 2-15-26 at 4.80%	2,805,000
\$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%	290,000
\$529,000 Series 2003 Refunding Bonds; maturing serially in varying amounts through 9-30-10. Interest rates varying from 2.48% to 3.46%	108,000
\$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>1,300,000</u>
Total Governmental Bonded Debt	<u>\$ 4,532,000</u>

Business-Type Activities:

\$760,000 1995 Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation; maturing serially in varying amounts through 8-15-10. Interest rates varying from 3.75% to 5.50%	\$ 90,000
\$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%	5,000,000
\$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%	2,550,000

\$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%	3,039,000
\$4,359,000 Series 2007 Tax Refunding; maturing annually in varying amounts through 2-15-27 at 4.52%	4,317,000
\$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%	1,885,000
\$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%	<u>811,000</u>
<b>Total Business-Type Bonded Debt</b>	<b>\$ <u>17,692,000</u></b>

The funding requirements to amortize all bonds outstanding as of September 30, 2009, including interest, are as follows:

	GOVERNMENTAL		GOVERNMENTAL		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2010	\$ 367,000	\$ 177,257	\$ 608,000	\$ 817,823	\$ 1,970,080
2011	240,000	164,068	670,000	916,775	1,990,843
2012	255,000	152,790	775,444	746,526	1,929,760
2013	205,000	142,775	979,958	693,361	2,021,094
2014	215,000	134,149	1,066,951	647,501	2,063,601
2015-2019	1,260,000	536,032	6,094,281	2,435,881	10,326,194
2020-2024	1,550,000	257,474	5,641,366	941,921	8,390,761
2025-2028	440,000	28,262	1,856,000	121,734	2,445,996
	<u>\$ 4,532,000</u>	<u>\$ 1,592,807</u>	<u>\$ 17,692,000</u>	<u>\$ 7,321,522</u>	<u>\$ 31,138,329</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, 2009 be disclosed.

Insurer	Policy	Limit of Liability		Expiration Date
		Each Occurrence	Annual Aggregate	
Texas Municipal League	General Liability	\$1,000,000	\$2,000,000	10/1/2010
	Law Enforcement	1,000,000	2,000,000	10/1/2010
	Errors & Omissions	1,000,000	2,000,000	10/1/2010
	Auto Liability	1,000,000	n/a	10/1/2010
	Auto Physical Damage	10,000	n/a	10/1/2010
	Uninsured/Underinsured Motorists	55,000	n/a	10/1/2010
Texas Municipal League	Real & Personal Property	13,040,730	n/a	10/1/2010
	Mobile Equipment	433,718	n/a	10/1/2010
	Boiler & Machinery	100,000	n/a	10/1/2010
Texas Municipal League	Workers Comp	500,000	n/a	10/1/2010

As of September 30, 2009, the City was not in compliance with the minimum cash requirement contained in its bond ordinances as follows:

Minimum required balance	\$ 509,538
Actual balance held at September 30, 2009	<u>2,286</u>
Shortage	<u>\$ 507,252</u>

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

The City also has the following notes payable at September 30, 2009:

GOVERNMENTAL ACTIVITIES

Note Payable to Austin Bank at 3.5% payable in annual installments of \$27,328.26 including interest, secured by three vehicles	\$ 51,893
Note payable to Austin Bank at 3.25% payable in five annual installments of \$3,735 plus accrued interest, secured by a motorcycle	11,203
Note payable to Capital One Bank at 3.5% payable in annual installments of \$18,952.74 including interest, secured by police vehicles	18,101
Note payable to Austin Bank at 4.95% payable in annual installments of \$11,745 including interest, secured by backhoe	24,051
Note payable to Capital One Bank at 4.5% payable in annual installments of \$22,133 including interest, secured by two trucks	<u>21,368</u>
Total General Obligation Notes	\$ 126,616
Less: Current Portion	<u>\$ 80,432</u>
LONG-TERM PORTION	<u>\$ 46,184</u>

BUSINESS-TYPE ACTIVITIES

Note Payable to Austin Bank at 3/45% payable in three annual installments of \$5,156 including interest, secured by a truck	\$ 13,999
Less: Current Portion	<u>4,673</u>
Long-Term Portion	<u>9,326</u>

The approximate maturities of notes payable for the next five years are as follows:

<u>YEAR ENDED SEPTEMBER 30,</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS ACTIVITIES</u>
2010	\$ 80,432	\$ 4,673
2011	42,450	4,345
2012	<u>3,734</u>	<u>4,981</u>
Total	<u>\$ 126,616</u>	<u>\$ 13,999</u>

### Changes in long-term liabilities

Long term liability activity for the year ended September 30, 2009 was as follows:

	Beginning Balance 10/1/08	Additions	Reductions	Ending Balance 9/30/09	Due Within One Year
<b>Governmental Activities:</b>					
General Obligation Bonds	\$ 4,885,000	\$ -	\$ 353,000	\$ 4,532,000	\$ 367,000
Notes Payable	204,270	-	77,654	126,616	80,432
Compensated Absences	123,313	27,863	-	151,176	15,117
<b>Governmental Activity Long-Term Liabilities</b>	<b>\$ 5,212,583</b>	<b>\$ 27,863</b>	<b>\$ 430,654</b>	<b>\$ 4,809,792</b>	<b>\$ 462,549</b>
<b>Business-type Activities:</b>					
Revenue Bonds	\$ 18,201,000	\$ -	\$ 509,000	\$ 17,692,000	\$ 608,000
Notes Payable	-	13,999	-	13,999	4,673
<b>Business-type Activity Long-Term Liabilities</b>	<b>\$ 18,201,000</b>	<b>\$ 13,999</b>	<b>\$ 509,000</b>	<b>\$ 17,705,999</b>	<b>\$ 612,673</b>

#### 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, 2009, the City had \$577,019 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](http://www.TMRS.com).

	Plan Year 2008	Plan Year 2009
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)	\$ 58,345
Interest on Net Pension Obligation	-
Adjustment to the ARC	-
Annual Pension Cost (APC)	58,345
Contributions Made	<u>58,345</u>
Increase (decrease) in net pension obligation	-
Net Pension Obligation/(Asset), beginning of year	-
Net Pension Obligation/(Asset), end of year	<u>\$ -</u>

### Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
9/30/2007	\$ 62,752	\$ 62,752	100%	\$ -
9/30/2008	66,806	66,806	100%	-
9/30/2009	58,345	58,345	100%	-

## General System-wide Actuarial Assumptions

The required contribution rates for fiscal year 2009 were determined as part of the December 31, 2006 and 2007 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2008, also follows:

Valuation Date	12/31/2006	12/31/2007	12/31/2008
Actuarial Cost Method	Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	25 years; open period	30 years; closed period	29 years; closed period
Asset Valuation Method	Amortized Cost	Amortized Cost	Amortized Cost
Actuarial Assumptions:			
Investment Rate of Return*	7%	7%	7.5%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3%	3%	3%
Cost-of-Living Adjustments	N/A	0.0%	0.0%

## Funding Status and Funding Progress

The funded status as of December 31, 2008, 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
12/31/2008	\$ 1,855,256	\$ 2,079,154	89.2%	\$ 223,898	\$ 1,542,558	14.5%

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.

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
12/31/2006	\$ 1,432,790	\$ 1,440,010	99.5%	\$ 7,220	\$ 1,454,820	0.5%
12/31/2007	1,637,547	1,872,936	87.4%	235,389	1,557,972	15.1%
12/31/2008	1,855,256	2,079,154	89.2%	223,898	1,542,558	14.5%

#### NOTE 7 – DEFICIT RETAINED EARNINGS

At September 30, 2009, the Enterprise Debt Service Fund, the Enterprise 2001 Series Capital Projects Fund, the Enterprise 2003 Series Capital Projects Fund, 2008 Series Capital Projects Fund and the Enterprise 2006 Series Capital Projects Fund had deficit retained earnings of \$183,300, \$4,976,044, \$5,063,269, \$3,006,456 and \$2,524,492, respectively. The deficit in the Capital Projects Funds is a result of construction projects being completed and transferred to the City's Enterprise Utility Fund and the debt related to these projects being carried as a liability in the respective fund that originally received the bond proceeds. Upon completion of all construction projects, the debt will also be transferred to the Utility Fund.

#### NOTE 8 – COMMITMENTS

Effective April 1, 2005 the City entered into a new 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, 2010.

During the fiscal year ended September 30, 2007, the City entered into an option agreement for the purchase of untreated water from Lake Striker. The agreement is for a ten year period and calls for annual option payments in the amount of \$150,000. The City also has a participation agreement with the City of Troup during this period in the amount of \$37,500 which makes the annual net cost to the City \$112,500 during the option period. In August 2009, the City Council voted to terminate the option agreement and did not make the annual payment in January 2010. Based on this, the total amount paid under the agreement of \$337,500 was written off effective September 30, 2009.

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 of \$19,320 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%. 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, 2009, has been renewed for another year through September 30, 2010.

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.

#### 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, 2009, the City did not have any liability for unpaid claims or adjustments under policies carried with TML. During the year ended September 30, 2009, 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.

**ADDITIONAL SUPPLEMENTAL INFORMATION**

**CITY OF WHITEHOUSE, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2009**

	SPECIAL REVENUE FUND	STREET CONSTRUCTION FUND	FM 346 FUND	MUNICIPAL BUILDING FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>ASSETS</b>					
Cash and investments	\$ 13,096	\$ -	324	\$ -	\$ 13,420
Receivables:					
Street assessments	-	24,471	-	-	24,471
Restricted Assets:					
Temporarily restricted					
Cash and cash equivalents	-	-	-	-	-
Due from other funds	-	698	-	-	698
Bond issue costs (net)	-	4,065	35,940	19,949	59,954
Total Assets	<u>\$ 13,096</u>	<u>\$ 29,234</u>	<u>\$ 36,264</u>	<u>\$ 19,949</u>	<u>\$ 98,543</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Due to other funds	\$ -	\$ -	\$ -	\$ 3,049	\$ 3,049
Deferred revenue	-	24,471	-	-	24,471
Total Liabilities	<u>-</u>	<u>24,471</u>	<u>-</u>	<u>3,049</u>	<u>27,520</u>
Fund Balances:					
Reserved for construction	-	-	-	16,900	16,900
Undesignated unreserved	13,096	4,763	36,264	-	54,123
Total Fund Balances	<u>13,096</u>	<u>4,763</u>	<u>36,264</u>	<u>16,900</u>	<u>71,023</u>
Total Liabilities and Fund Balances	<u>\$ 13,096</u>	<u>\$ 29,234</u>	<u>\$ 36,264</u>	<u>\$ 19,949</u>	<u>\$ 98,543</u>

**CITY OF WHITEHOUSE, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2009**

	SPECIAL REVENUE FUND	STREET CONSTRUCTION FUND	FM 346 FUND	MUNICIPAL BUILDING FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>REVENUES</b>					
Donations	526	\$ -	\$ -	\$ -	\$ 526
Miscellaneous	4,871	-	-	-	4,871
Interest	17	-	830	-	847
<b>Total Revenues</b>	<b>5,414</b>	<b>-</b>	<b>830</b>	<b>-</b>	<b>6,244</b>
<b>EXPENDITURES</b>					
General administration	599	-	-	-	599
Capital outlay	-	-	-	-	-
<b>Total Expenditures</b>	<b>599</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>599</b>
Excess (deficiency) of revenues over (under) expenditures	4,815	-	830	-	5,645
Other Financing Sources (Uses):					
Amortization	-	(2,031)	(4,115)	(1,723)	(7,869)
Transfers in	-	-	-	-	-
Transfers out	(197)	-	(123,722)	-	(123,919)
<b>Total Other Financing Sources (Uses)</b>	<b>(197)</b>	<b>(2,031)</b>	<b>(127,837)</b>	<b>(1,723)</b>	<b>(131,788)</b>
Net change in fund balances	4,618	(2,031)	(127,007)	(1,723)	(126,143)
Fund Balance - October 1, 2008	8,478	6,794	163,271	18,623	197,166
Fund Balance - September 30, 2009	<u>\$ 13,096</u>	<u>\$ 4,763</u>	<u>\$ 36,264</u>	<u>\$ 16,900</u>	<u>\$ 71,023</u>

CITY OF WHITEHOUSE, TEXAS

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

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2009

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>LEGISLATIVE</b>				
<b>PERSONNEL SERVICES:</b>				
Administration	\$ 10,702	\$ 10,702	\$ 11,094	\$ (392)
Workers compensation	34	34	45	(11)
Unemployment compensation	75	75	-	75
Employee retirement	550	550	555	(5)
Employee insurance	1,255	1,255	1,679	(424)
Payroll taxes	819	819	806	13
Total Personnel Services	13,435	13,435	14,179	(744)
<b>CONTRACTUAL SERVICES:</b>				
Insurance	-	-	5,039	(5,039)
Business and travel	750	750	739	11
Legal fees	6,000	6,000	6,000	-
Contractual and fee base services	7,500	7,500	3,389	4,111
Total Contractual Services	14,250	14,250	15,167	(917)
<b>CAPITAL OUTLAY</b>				
Office equipment	14,000	14,000	14,000	-
TOTAL LEGISLATIVE	\$ 41,685	\$ 41,685	\$ 43,346	\$ (1,661)
<b>GENERAL/ADMINISTRATION</b>				
<b>PERSONNEL SERVICES:</b>				
Administration	\$ 36,909	\$ 36,909	\$ 36,206	\$ 703
Clerical	34,398	34,398	34,485	(87)
Overtime	500	500	126	374
Uniforms and clothing	500	500	368	132
Workers compensation	231	231	182	49
Unemployment compensation	503	503	90	413
Employee retirement	3,691	3,691	3,539	152
Employee insurance	12,755	12,755	10,193	2,562
Retiree insurance	2,333	2,333	2,188	145
Payroll taxes	5,493	5,493	5,223	270
Total Personnel Services	97,313	97,313	92,600	4,713
<b>SUPPLIES AND MATERIALS:</b>				
Office supplies	8,000	8,000	7,807	193
Data processing supplies	1,500	1,500	1,482	18
Photo/audio/video supplies	850	850	600	250
Postage and delivery	2,500	2,500	1,916	584
Motor vehicle supplies	15,000	15,000	10,338	4,662
Minor tool and apparatus	150	150	32	118
Educational and training	700	700	868	(168)
Other supplies	3,000	3,000	3,039	(39)
Total Supplies and Materials	31,700	31,700	26,082	5,618
<b>MAINTENANCE OF BUILDING/GROUNDS:</b>				
Building and grounds	3,000	3,000	5,738	(2,738)
Total Maintenance of Building/Grounds	3,000	3,000	5,738	(2,738)

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

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2009

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>MAINTENANCE OF EQUIPMENT/MACHINERY:</b>				
Office equipment	\$ 1,000	1,000	\$ 817	\$ 183
HVAC equipment	1,000	1,000	989	11
Communication equipment	1,000	1,000	1,245	(245)
Total Maintenance of Equipment/ Machinery	3,000	3,000	3,051	(51)
<b>CONTRACTUAL SERVICES:</b>				
Communication services	8,000	8,000	10,245	(2,245)
Insurance	6,680	6,680	1,770	4,910
Advertising	1,000	1,000	1,483	(483)
Business and travel	1,000	1,000	1,075	(75)
Legal fees	2,500	2,500	75	2,425
Contractual and fee base services	16,000	16,000	15,703	297
Utility services	75,000	75,000	72,857	2,143
Data processing maintenance	1,000	1,000	1,000	-
Computer training	500	500	282	218
Memberships/subscriptions	3,200	3,200	4,599	(1,399)
Miscellaneous expense	500	500	(4,005)	4,505
Total Contractual Services	115,380	115,380	105,084	10,296
<b>CAPITAL OUTLAY</b>				
Library books and periodicals	2,000	2,000	1,998	2
Total Capital Outlay	2,000	2,000	1,998	2
<b>TOTAL GENERAL ADMINISTRATION</b>	<b>\$ 252,393</b>	<b>\$ 252,393</b>	<b>\$ 234,553</b>	<b>\$ 17,840</b>
<b>TREASURY AND FINANCIAL</b>				
<b>PERSONNEL SERVICES:</b>				
Administration	\$ 84,217	\$ 84,217	\$ 85,001	\$ (784)
Workers compensation	269	269	227	42
Unemployment compensation	590	590	90	500
Employee retirement	4,329	4,329	4,249	80
Employee insurance	11,090	11,090	12,103	(1,013)
Payroll taxes	6,443	6,443	6,268	175
Total Personnel Services	106,938	106,938	107,938	(1,000)
<b>SUPPLIES AND MATERIALS:</b>				
Educational and training	1,000	1,000	139	861
Total Supplies and Materials	1,000	1,000	139	861
<b>CONTRACTUAL SERVICES:</b>				
Business and travel	750	750	77	673
Contractual/fee services	28,000	28,000	30,000	(2,000)
Total Contractual Services	28,750	28,750	30,077	(1,327)
<b>TOTAL TREASURY AND FINANCIAL</b>	<b>\$ 136,688</b>	<b>\$ 136,688</b>	<b>\$ 138,154</b>	<b>\$ (1,466)</b>

CITY OF WHITEHOUSE, TEXAS

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

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2009

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>TAX APPRAISAL AND COLLECTIONS</b>				
<b>CONTRACTUAL SERVICES:</b>				
Contractual/Fee Services	\$ 38,000	\$ 38,000	\$ 40,713	\$ (2,713)
Total Contractual Services	38,000	38,000	40,713	(2,713)
<b>TOTAL TAX APPRAISAL AND COLLECTIONS</b>	<b>\$ 38,000</b>	<b>\$ 38,000</b>	<b>\$ 40,713</b>	<b>\$ (2,713)</b>
<b>MUNICIPAL COURT</b>				
<b>PERSONNEL SERVICES:</b>				
Clerical	\$ 51,564	\$ 51,564	\$ 51,275	\$ 289
Overtime	1,000	1,000	898	102
Workers compensation	159	159	136	23
Unemployment compensation	368	368	113	255
Employee retirement	2,702	2,702	2,605	97
Employee insurance	14,852	14,852	12,197	2,655
Payroll taxes	4,021	4,021	3,887	134
Total Personnel Services	74,666	74,666	71,111	3,555
<b>SUPPLIES AND MATERIALS:</b>				
Educational and training	200	200	258	(58)
Total Supplies and Materials	200	200	258	(58)
<b>CONTRACTUAL SERVICES:</b>				
Business and travel	750	750	713	37
Legal fees	6,000	6,000	6,000	-
Contractual/fee services	24,000	24,000	24,000	-
Data processing maintenance	500	500	660	(160)
Collection agency fees	-	-	17,855	(17,855)
Regulatory inspection fees	160,000	160,000	104,405	55,595
Omni base fee	2,000	2,000	2,382	(382)
On Line / Credit Card Fees	4,900	4,900	4,110	790
Memberships/subscriptions	100	100	36	64
Total Contractual Services	198,250	198,250	160,161	38,089
<b>TOTAL MUNICIPAL COURT</b>	<b>\$ 273,116</b>	<b>\$ 273,116</b>	<b>\$ 231,530</b>	<b>\$ 41,586</b>
<b>LIBRARY SERVICES</b>				
<b>CONTRACTUAL SERVICES</b>				
Contractual and fee basis services	42,500	42,500	42,500	-
Total Contractual Services	42,500	42,500	42,500	-
<b>TOTAL LIBRARY SERVICES</b>	<b>\$ 42,500</b>	<b>\$ 42,500</b>	<b>\$ 42,500</b>	<b>\$ -</b>

CITY OF WHITEHOUSE, TEXAS

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

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2009

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>PARKS/RECREATION SERVICES</b>				
<b>MAINTENANCE OF BUILDINGS/LAND</b>				
Building and grounds	\$ 5,000	\$ 5,000	\$ 4,725	\$ 275
Total Maintenance of Buildings/Land	5,000	5,000	4,725	275
<b>MAINTENANCE OF EQUIPMENT/MACHINERY</b>				
Playground equipment	1,000	1,000	82	918
Total Maintenance of Equipment/Machinery	1,000	1,000	82	918
<b>CONTRACTUAL SERVICES</b>				
Contractual and fee basis services	46,000	46,000	46,851	(851)
Total Contractual Services	46,000	46,000	46,851	(851)
<b>CAPITAL OUTLAY</b>				
Land Improvements	25,000	25,000	19,385	5,615
Total Capital Outlay	25,000	25,000	19,385	5,615
TOTAL PARKS/RECREATION SERVICES	\$ 77,000	\$ 77,000	\$ 71,043	\$ 5,957
<b>COMMUNITY DEVELOPMENT</b>				
<b>PERSONNEL SERVICES:</b>				
Operations and maintenance	\$ 42,429	\$ 42,429	\$ 43,582	\$ (1,153)
Overtime	500	500	-	500
Uniforms and clothing	300	300	-	300
Workers compensation	219	219	227	(8)
Unemployment compensation	301	301	45	256
Employee retirement	2,207	2,207	2,180	27
Employee insurance	8,410	8,410	8,729	(319)
Payroll taxes	3,284	3,284	3,184	100
Total Personnel Services	57,650	57,650	57,947	(297)
<b>SUPPLIES AND MATERIALS:</b>				
Minor tools and apparatus	100	100	-	100
Chemical and mechanical supplies	200	200	-	200
Educational and training	1,000	1,000	410	590
Total Supplies and Materials	1,300	1,300	410	890
<b>MAINTENANCE OF EQUIPMENT/MACHINERY:</b>				
Office equipment	500	500	500	-
Automotive equipment	250	250	250	-
Communication equipment	250	250	250	-
Total Maintenance of Equipment/Machinery	1,000	1,000	1,000	-
<b>CONTRACTUAL SERVICES:</b>				
Insurance	399	399	591	(192)
Business and travel	1,500	1,500	240	1,260
Contractual/fee services	49,300	49,300	31,641	17,659
Data processing maintenance	1,000	1,000	1,000	-
Memberships and subscriptions	400	400	380	20
Miscellaneous expense	1,200	1,200	1,200	-
Total Contractual Services	53,799	53,799	35,052	18,747
<b>CAPITAL OUTLAY</b>				
Library books and periodicals	500	500	-	500
Total Capital Outlay	500	500	-	500
TOTAL COMMUNITY DEVELOPMENT	\$ 114,249	\$ 114,249	\$ 94,409	\$ 19,840

CITY OF WHITEHOUSE, TEXAS

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

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2009

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>STREET AND GROUNDS MAINTENANCE</b>				
<b>PERSONNEL SERVICES:</b>				
Administration	\$ 13,338	\$ 13,338	\$ 13,337	\$ 1
Operations and maintenance	65,935	65,935	67,761	(1,826)
Overtime	7,250	7,250	6,234	1,016
Temporary	7,200	7,200	5,860	1,340
Uniforms and clothing	300	300	300	-
Workers compensation	7,134	7,134	7,549	(415)
Unemployment compensation	606	606	85	521
Employee retirement	4,447	4,447	4,355	92
Employee insurance	17,094	17,094	17,842	(748)
Payroll taxes	7,170	7,170	6,884	286
Total Personnel Services	130,474	130,474	130,207	267
<b>SUPPLIES AND MATERIALS:</b>				
Tires and tubes	2,000	2,000	979	1,021
Minor tools and apparatus	1,000	1,000	485	515
Chemical and mechanical	500	500	12	488
Safety supplies	250	250	250	-
Botanical and agricultural	500	500	-	500
Other supplies	250	250	129	121
Total Supplies and Materials	4,500	4,500	1,855	2,645
<b>MAINTENANCE OF BUILDINGS/LAND:</b>				
Streets and alleys	75,000	75,000	70,590	4,410
Storm sewers and drainageways	75,000	75,000	61,689	13,311
Total Maintenance of Buildings/Land	150,000	150,000	132,279	17,721
<b>MAINTENANCE OF EQUIPMENT/MACHINERY:</b>				
Machinery and heavy equipment	5,000	5,000	5,109	(109)
Automotive equipment	2,500	2,500	1,213	1,287
Shop equipment	1,000	1,000	341	659
Minor tools and equipment	1,000	1,000	-	1,000
Signal and sign system	5,000	5,000	1,034	3,966
Communication equipment	250	250	251	(1)
Total Maintenance of Equipment/Machinery	14,750	14,750	7,948	6,802
<b>CONTRACTUAL SERVICES</b>				
Leases and rentals	6,000	6,000	1,209	4,791
Insurance	2,790	2,790	3,547	(757)
Contractual/fee services	1,000	1,000	-	1,000
Total Contractual Services	9,790	9,790	4,756	5,034
<b>TOTAL STREET AND GROUNDS MAINTENANCE</b>	<b>\$ 309,514</b>	<b>\$ 309,514</b>	<b>\$ 277,045</b>	<b>\$ 32,469</b>

CITY OF WHITEHOUSE, TEXAS

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

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2009

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>COMMUNICATION CENTER</b>				
<b>PERSONNEL SERVICES:</b>				
Operations and maintenance	\$ 127,327	\$ 127,327	\$ 124,189	\$ 3,138
Overtime	24,000	24,000	26,747	(2,747)
Uniforms and clothing	750	750	718	32
Workers compensation	459	459	409	50
Unemployment compensation	1,059	1,059	339	720
Employee retirement	7,778	7,778	7,419	359
Employee insurance	34,858	34,858	19,102	15,756
Payroll taxes	11,577	11,577	11,220	357
Total Personnel Services	207,808	207,808	190,143	17,665
<b>SUPPLIES AND MATERIALS:</b>				
Office supplies	1,800	1,800	1,355	445
Data processing supplies	750	750	-	750
Photo/audio/video	500	500	445	55
Emergency medical services	75	75	43	32
Janitorial supplies	500	500	360	140
Educational and training	700	700	669	31
Total Supplies and Materials	4,325	4,325	2,872	1,453
<b>MAINTENANCE OF EQUIPMENT/MACHINERY:</b>				
Office equipment	1,000	1,000	32	968
Communication equipment	2,000	2,000	357	1,643
Total Maintenance of Equipment/Machinery	3,000	3,000	389	2,611
<b>CONTRACTUAL SERVICES:</b>				
Communication services	2,500	2,500	2,122	378
Business and travel	750	750	261	489
Contractual and fee basis services	4,000	4,000	-	4,000
Data processing maintenance	850	850	115	735
Memberships and subscriptions	1,000	1,000	-	1,000
Total Contractual Services	9,100	9,100	2,498	6,602
<b>CAPITAL OUTLAY:</b>				
Office equipment	4,752	4,752	4,902	(150)
Total Capital Outlay	4,752	4,752	4,902	(150)
TOTAL COMMUNICATION CENTER	\$ 228,985	\$ 228,985	\$ 200,804	\$ 28,181

CITY OF WHITEHOUSE, TEXAS

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

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2009

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>POLICE OPERATIONS</b>				
<b>PERSONNEL SERVICES:</b>				
Administration	\$ 56,021	\$ 56,021	\$ 56,021	\$ -
Clerical	56,544	56,544	57,415	(871)
Operations and maintenance	575,749	575,749	527,721	48,028
Overtime	40,000	40,000	49,404	(9,404)
Uniforms and clothing	6,250	6,250	6,220	30
Vehicle allowance	7,200	7,200	7,200	-
Workers compensation	23,560	23,560	25,240	(1,680)
Unemployment compensation	5,098	5,098	877	4,221
Employee retirement	37,805	37,805	35,076	2,729
Employee insurance	124,212	124,212	111,205	13,007
Payroll taxes	56,324	56,324	52,951	3,373
Total Personnel Services	988,763	988,763	929,330	59,433
<b>SUPPLIES AND MATERIALS:</b>				
Office supplies	7,000	7,000	6,702	298
Data processing supplies	1,200	1,200	1,102	98
Photo/audio/video	3,550	3,550	645	2,905
Laboratory supplies	3,000	3,000	1,570	1,430
Postage and delivery	1,250	1,250	593	657
Tires and tubes	14,000	14,000	9,499	4,501
Motor vehicle supplies	70,000	70,000	34,886	35,114
Emergency medical supplies	1,500	1,500	246	1,254
Minor tools and apparatus	1,000	1,000	974	26
Janitorial supplies	1,450	1,450	1,251	199
Chemical and mechanical	400	400	28	372
Safety supplies	3,500	3,500	1,672	1,828
Educational and training	2,500	2,500	2,648	(148)
K-9 miscellaneous	2,500	2,500	2,770	(270)
Other supplies	17,000	17,000	16,249	751
Community resource supply	1,200	1,200	1,167	33
Evidence processing	1,800	1,800	53	1,747
Evidence supplies	1,000	1,000	254	746
CID supplies	300	300	180	120
Total Supplies and Materials	134,150	134,150	82,489	51,661
<b>MAINTENANCE OF BUILDINGS/LAND:</b>				
Buildings and grounds	12,200	12,200	10,020	2,180
Total Maintenance of Buildings/Land	12,200	12,200	10,020	2,180

CITY OF WHITEHOUSE, TEXAS

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

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2009

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>POLICE OPERATIONS (cont'd.)</b>				
<b>MAINTENANCE OF EQUIPMENT/MACHINERY:</b>				
Office equipment	\$ 1,000	\$ 1,000	\$ 767	\$ 233
HVAC equipment	250	250	200	50
Automotive equipment	19,000	19,000	19,033	(33)
Shop equipment	350	350	350	-
Safety and medical equipment	300	300	-	300
Minor tools and equipment	1,950	1,950	1,434	516
Communication equipment	2,000	2,000	1,884	116
Other maintenance	800	800	73	727
<b>Total Maintenance of Equipment/Machinery</b>	<b>25,650</b>	<b>25,650</b>	<b>23,741</b>	<b>1,909</b>
<b>CONTRACTUAL SERVICES:</b>				
Communication services	16,000	16,000	18,412	(2,412)
Insurance	14,913	14,913	20,166	(5,253)
Advertising	2,500	2,500	3,295	(795)
Business and travel	3,500	3,500	2,870	630
Custody support services	500	500	-	500
Legal Fees	3,000	3,000	-	3,000
Contractual/fee services	43,000	43,000	44,667	(1,667)
Utility services	15,000	15,000	11,674	3,326
Data processing maintenance	8,000	8,000	2,501	5,499
Memberships and subscriptions	900	900	794	106
<b>Total Contractual Services</b>	<b>107,313</b>	<b>107,313</b>	<b>104,379</b>	<b>2,934</b>
<b>CAPITAL OUTLAY:</b>				
Buildings	11,000	11,000	10,325	675
Land improvements	9,500	9,500	9,500	-
Office Equipment	8,320	8,320	8,320	-
Other equipment	4,000	4,000	1,162	2,838
Motor vehicles	60,200	60,200	-	60,200
<b>Total Capital Outlay</b>	<b>93,020</b>	<b>93,020</b>	<b>29,307</b>	<b>63,713</b>
<b>TOTAL POLICE OPERATIONS</b>	<b>\$ 1,361,096</b>	<b>\$ 1,361,096</b>	<b>\$ 1,179,266</b>	<b>\$ 181,830</b>
<b>ANIMAL CONTROL</b>				
<b>PERSONNEL SERVICES:</b>				
Operations and maintenance	\$ 25,815	\$ 25,815	\$ 25,813	\$ 2
Overtime	1,000	1,000	19	981
Uniforms and clothing	500	500	299	201
Workers compensation	575	575	546	29
Unemployment compensation	180	180	45	135
Employee retirement	1,378	1,378	1,291	87
Employee insurance	4,880	4,880	4,977	(97)
Payroll taxes	2,051	2,051	1,976	75
<b>Total Personnel Services</b>	<b>36,379</b>	<b>36,379</b>	<b>34,966</b>	<b>1,413</b>

CITY OF WHITEHOUSE, TEXAS

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

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2009

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>ANIMAL CONTROL (cont'd)</b>				
<b>SUPPLIES AND MATERIALS:</b>				
Tires and tubes	\$ 500	\$ 500	\$ 505	\$ (5)
Motor vehicle supplies	200	200	-	200
Minor tools and apparatus	500	500	413	87
Chemical and mechanical supplies	200	200	35	165
Safety supplies	150	150	-	150
Educational and training	150	150	-	150
Total Supplies and Materials	1,700	1,700	953	747
<b>MAINTENANCE OF EQUIPMENT/MACHINERY:</b>				
Automotive equipment	1,000	1,000	339	661
Minor tools and equipment	75	75	-	75
Communication equipment	120	120	-	120
Total Maintenance of Equipment/Machinery	1,195	1,195	339	856
<b>CONTRACTUAL SERVICES:</b>				
Insurance	399	399	591	(192)
Business and travel	150	150	-	150
Custody support services	350	350	292	58
Contractual and fee based services	8,100	8,100	10,660	(2,560)
Memberships and subscriptions	50	50	-	50
Total Contractual Services	9,049	9,049	11,543	(2,494)
TOTAL ANIMAL CONTROL	\$ 48,323	\$ 48,323	\$ 47,801	\$ 522
<b>FIRE OPERATIONS</b>				
<b>PERSONNEL SERVICES:</b>				
Part-time	\$ 66,000	\$ 66,000	\$ 71,498	\$ (5,498)
Uniforms and clothing	1,000	1,000	474	526
Workers compensation	1,888	1,888	1,501	387
Unemployment compensation	-	-	259	(259)
Payroll taxes	5,049	5,049	5,470	(421)
Total Personnel Services	73,937	73,937	79,202	(5,265)
<b>SUPPLIES AND MATERIALS:</b>				
Office supplies	100	100	528	(428)
Photo, audio & video supplies	100	100	-	100
Motor vehicle supplies	6,000	6,000	3,769	2,231
Educational and training	3,000	3,000	3,352	(352)
Total Supplies and Materials	9,200	9,200	7,649	1,551
<b>MAINTENANCE OF BUILDINGS/GROUNDS</b>				
Buildings and grounds	5,000	5,000	5,025	(25)
Total Maintenance of Buildings/Grounds	5,000	5,000	5,025	(25)
<b>MAINTENANCE OF EQUIPMENT/MACHINERY:</b>				
Automotive equipment	5,000	5,000	1,087	3,913
Safety and medical equipment	5,000	5,000	5,816	(816)
Total Maintenance of Equipment/Machinery	10,000	10,000	6,903	3,097
<b>CONTRACTUAL SERVICES:</b>				
Communication services	250	250	226	24
Insurance	490	490	829	(339)
Business and travel	2,500	2,500	998	1,502
Contractual/fee services	8,000	8,000	9,731	(1,731)
Memberships and subscriptions	1,000	1,000	409	591
Total Contractual Services	12,240	12,240	12,193	47

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

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2009

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
TOTAL FIRE OPERATIONS	\$ <u>110,377</u>	\$ <u>110,377</u>	\$ <u>110,972</u>	\$ <u>(595)</u>
<u>SANITATION</u>				
CONTRACTUAL SERVICES:				
Contractual/fee services	\$ 551,122	\$ 551,122	\$ 499,535	\$ 51,587
Sales tax	<u>43,000</u>	<u>43,000</u>	<u>42,664</u>	<u>336</u>
Total Contractual Services	<u>594,122</u>	<u>594,122</u>	<u>542,199</u>	<u>51,923</u>
TOTAL SANITATION	\$ <u>594,122</u>	\$ <u>594,122</u>	\$ <u>542,199</u>	\$ <u>51,923</u>
TOTAL EXPENDITURES - BUDGET BASIS	\$ <u>3,628,048</u>	\$ <u>3,628,048</u>	3,254,335	\$ <u>373,713</u>
Financial Statement Adjustments:				
Reclassify posting error on budget adjustment			(100,000)	
Increase in accrued expenses			<u>30,579</u>	
TOTAL EXPENDITURES - GAAP BASIS			\$ <u>3,184,914</u>	

CITY OF WHITEHOUSE, TEXAS

COMBINING BALANCE SHEET

DEBT SERVICE FUNDS

SEPTEMBER 30, 2009

	1970 SERIES GENERAL OBLIGATION SEWER BOND	GENERAL OBLIGATION NOTES	2004 SERIES CERTIFICATES OF OBLIGATION	2003 SERIES REFUNDING BOND	1994 SERIES REFUNDING FUND	2006 SERIES REFUNDING FUND	1996 SERIES GENERAL OBLIGATION BOND	TOTAL
<b>ASSETS</b>								
Cash and cash equivalents	\$ -	\$ 2,288	\$ -	\$ -	\$ -	\$ -	\$ -	2,288
Receivables:								
Due from Utility Fund	38,209	481	-	-	-	-	-	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	92,122	-	-	-	-	-	-	92,122
<b>TOTAL ASSETS</b>	<b>\$ 130,331</b>	<b>\$ 4,919</b>	<b>\$ 3,050</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>138,300</b>
<b>LIABILITIES AND FUND BALANCE</b>								
<b>LIABILITIES</b>								
Due to General Fund	\$ 15,366	\$ 20,296	\$ -	\$ -	\$ -	\$ -	\$ 68,684	\$ 104,346
Total Liabilities	15,366	20,296	-	-	-	-	68,684	104,346
<b>FUND BALANCE</b>								
Fund Balance	114,965	(15,377)	3,050	-	-	-	(68,684)	33,954
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 130,331</b>	<b>\$ 4,919</b>	<b>\$ 3,050</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>138,300</b>

CITY OF WHITEHOUSE, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE

DEBT SERVICE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2009

	1970 SERIES GENERAL OBLIGATION SEWER BOND	GENERAL OBLIGATION NOTES	2004 SERIES CERTIFICATES OF OBLIGATION	2003 SERIES REFUNDING BOND	1994 SERIES REFUNDING BOND	2006 SERIES REFUNDING FUND	1996 SERIES GENERAL OBLIGATION BOND	TOTAL
<b>REVENUES</b>								
Current and delinquent taxes	\$ -	\$ 38,417	\$ 68,445	\$ 113,636	\$ -	\$ 233,888	\$ 95,526	\$ 549,912
Miscellaneous income	-	1,408	-	-	-	-	-	1,408
Interest income	569	568	569	568	-	569	569	3,412
<b>Total Revenues</b>	<b>569</b>	<b>40,393</b>	<b>69,014</b>	<b>114,204</b>	<b>-</b>	<b>234,457</b>	<b>96,095</b>	<b>554,732</b>
<b>EXPENDITURES</b>								
Debt Service:								
Bond principal	25,000	-	25,000	108,000	-	110,000	85,000	353,000
Note principal	-	77,654	-	-	-	-	-	77,654
Interest and fees	3,125	8,675	42,836	5,636	-	124,369	17,456	202,097
<b>Total Expenditures</b>	<b>28,125</b>	<b>86,329</b>	<b>67,836</b>	<b>113,636</b>	<b>-</b>	<b>234,369</b>	<b>102,456</b>	<b>632,751</b>
Revenues Over (Under) Expenditures	(27,556)	(45,936)	1,178	568	-	88	(6,361)	(78,019)
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	26,875	491,890	-	-	-	-	6,361	525,126
Transfers out	(102,256)	(443,666)	(5,021)	(4,914)	-	(72,042)	(107,819)	(735,718)
<b>Total Other Financing Sources (Uses)</b>	<b>(75,381)</b>	<b>48,224</b>	<b>(5,021)</b>	<b>(4,914)</b>	<b>-</b>	<b>(72,042)</b>	<b>(101,458)</b>	<b>(210,592)</b>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(102,937)	2,288	(3,843)	(4,346)	-	(71,954)	(107,819)	(288,611)
Fund Balance (Deficit), October 1, 2008	123,664	(17,665)	6,893	4,346	94,238	71,954	39,135	322,565
Equity Transfer	94,238	-	-	-	(94,238)	-	-	-
<b>FUND BALANCE (DEFICIT), SEPTEMBER 30, 2009</b>	<b>\$ 114,965</b>	<b>\$ (15,377)</b>	<b>\$ 3,050</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (68,684)</b>	<b>\$ 33,954</b>

CITY OF WHITEHOUSE, TEXAS  
COMBINING STATEMENT OF NET ASSETS  
UTILITY FUND  
SEPTEMBER 30, 2009

	BUSINESS-TYPE ACTIVITIES							TOTAL UTILITY FUND
	OPERATING FUND	CAPITAL PROJECTS FUNDS					DEBT SERVICE	
	2001 SERIES	2003 SERIES	2006 SERIES	2007 SERIES	2007 SERIES	2008 SERIES		
<b>ASSETS</b>								
Current Assets:								
Cash and certificates of deposit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	325	-	-	-	-	-	-	325
Accounts receivable (Net)	465,426	30,825	-	-	-	-	-	496,251
Total Current Assets	465,751	30,825	-	-	-	-	-	496,576
Restricted Current Assets:								
Temporarily Restricted								
Customer deposits	86,960	-	-	-	-	-	-	86,960
Total Restricted Current Assets	86,960	-	-	-	-	-	-	86,960
Noncurrent Assets:								
Restricted Assets:								
Temporarily Restricted								
Cash for construction	-	3,606	-	1,872,710	-	13	-	1,876,329
Total Restricted Assets	-	3,606	-	1,872,710	-	13	-	1,876,329
Water rights - Lake Columbia	230,000	-	-	-	-	-	-	230,000
Bond Issue Costs (Net)	2,053	20,350	45,787	25,508	24,508	-	32,531	150,737
Capital Assets:								
Land	25,000	-	-	-	-	-	-	25,000
Easements	7,800	-	-	-	-	-	-	7,800
Buildings	324,633	-	-	-	-	-	-	324,633
Water and sewer system	22,238,343	-	-	-	-	-	-	22,238,343
Machinery & equipment	942,290	-	-	-	-	-	-	942,290
Construction in progress	-	-	18,944	-	146,796	-	-	165,740
Less: Accumulated depreciation	(4,817,470)	-	-	-	-	-	-	(4,817,470)
Total Capital Assets (net of accumulated depreciation)	18,720,596	-	18,944	-	146,796	-	-	18,886,336
Total Noncurrent Assets:	18,952,649	23,956	64,731	25,508	2,044,014	-	32,544	21,143,402
Total Assets	\$ 19,505,360	\$ 54,781	\$ 64,731	\$ 25,508	\$ 2,044,014	\$ -	\$ 32,544	\$ 21,726,938

(continued)

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CITY OF WHITEHOUSE, TEXAS  
COMBINING STATEMENT OF NET ASSETS  
UTILITY FUND  
SEPTEMBER 30, 2009

	BUSINESS-TYPE ACTIVITIES							DEBT SERVICE	TOTAL UTILITY FUND
	OPERATING FUND	CAPITAL PROJECTS FUNDS							
	2001 SERIES	2003 SERIES	2006 SERIES	2007 SERIES	2007 SERIES	2008 SERIES			
<b>LIABILITIES</b>									
Current Liabilities:									
Accounts payable	31,386	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,386	
Deferred revenue	-	30,825	-	-	-	-	-	30,825	
Due to other funds	42,004	-	-	-	-	-	111,374	153,378	
Total Current Liabilities	73,390	30,825	-	-	-	-	111,374	215,589	
Current liabilities payable from restricted assets:									
Customer deposits	154,925	-	-	-	-	-	-	154,925	
Accrued interest	-	-	-	-	-	-	71,926	71,926	
Notes payable	4,673	-	-	-	-	-	-	4,673	
Revenue bonds payable	90,000	-	231,000	105,000	70,000	-	112,000	608,000	
Total current liabilities payable from restricted assets	249,598	-	231,000	105,000	70,000	-	112,000	839,524	
Noncurrent Liabilities:									
Notes payable	9,326	-	-	-	-	-	-	9,326	
Revenue bonds payable	-	5,000,000	4,897,000	2,445,000	1,815,000	-	2,927,000	17,084,000	
Total Noncurrent Liabilities	9,326	5,000,000	4,897,000	2,445,000	1,815,000	-	2,927,000	17,093,326	
Total Liabilities	332,314	5,030,825	5,128,000	2,550,000	1,885,000	-	3,039,000	18,148,439	
<b>NET ASSETS</b>									
Invested in capital assets, net of related debt	18,616,597	(5,000,000)	(5,109,056)	(2,550,000)	-	-	(3,039,000)	2,918,541	
Restricted net assets:									
Restricted for construction	-	23,956	45,787	25,508	159,014	-	32,544	286,809	
Total restricted net assets	-	23,956	45,787	25,508	159,014	-	32,544	286,809	
Unrestricted	556,449	-	-	-	-	-	(183,300)	373,149	
Total Net Assets	\$ 19,173,046	\$ (4,976,044)	\$ (5,063,269)	\$ (2,524,492)	\$ 159,014	\$ -	\$ (3,006,456)	\$ 3,578,499	

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CITY OF WHITEHOUSE, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 UTILITY FUND  
 FISCAL YEAR ENDED SEPTEMBER 30, 2009

BUSINESS-TYPE ACTIVITIES

	OPERATING FUND	CAPITAL PROJECTS FUNDS					DEBT SERVICE	ELIMINATIONS	TOTAL UTILITY FUND
		2001 SERIES	2003 SERIES	2006 SERIES	2007 SERIES	2007 SERIES			
<b>OPERATING REVENUES</b>									
Water sales	1,672,184	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,672,184
Sewer charges	658,778	-	-	-	-	-	-	-	658,778
Assessment revenue	-	36,640	-	-	-	-	-	-	36,640
Tax revenue	-	-	-	-	-	-	665,654	-	665,654
Charges for other services	82,729	-	-	-	-	-	-	-	82,729
<b>Total Operating Revenues</b>	<b>2,413,691</b>	<b>36,640</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>665,654</b>	<b>-</b>	<b>3,115,985</b>
<b>OPERATING EXPENSES</b>									
Utility administration	601,940	52	-	-	15	-	25	-	602,032
Customer service	140,371	-	-	-	-	-	-	-	140,371
Water operations	252,323	-	-	1,045	-	-	-	-	253,368
Sewer operations	258,343	-	-	-	-	-	-	-	258,343
Water supply	254,700	-	-	-	-	-	-	-	254,700
Depreciation	500,838	-	-	-	-	-	-	-	500,838
<b>Total Operating Expenses</b>	<b>2,008,515</b>	<b>52</b>	<b>-</b>	<b>1,045</b>	<b>15</b>	<b>-</b>	<b>25</b>	<b>-</b>	<b>2,009,652</b>
<b>Operating Income (Loss)</b>	<b>405,176</b>	<b>36,588</b>	<b>-</b>	<b>(1,045)</b>	<b>(15)</b>	<b>-</b>	<b>(25)</b>	<b>665,654</b>	<b>1,106,333</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>									
Interest and fiscal charge expense	-	-	-	-	-	-	(827,810)	-	(827,810)
Amortization of bond issue costs	(1,437)	(1,850)	(6,111)	(2,650)	(2,369)	-	(2,985)	-	(17,402)
Write off of water option deposit	(337,500)	-	-	-	-	-	-	-	(337,500)
Interest income	1,340	861	5	334	15,915	-	803	-	19,258
<b>Total Non-Operating Revenue (Expenses)</b>	<b>(337,597)</b>	<b>(989)</b>	<b>(6,106)</b>	<b>(2,316)</b>	<b>13,546</b>	<b>-</b>	<b>(2,182)</b>	<b>-</b>	<b>(1,163,454)</b>
<b>Income before transfers</b>	<b>67,579</b>	<b>35,599</b>	<b>(6,106)</b>	<b>(3,361)</b>	<b>13,531</b>	<b>-</b>	<b>(2,207)</b>	<b>-</b>	<b>(57,121)</b>
Transfers in	3,460,666	-	198,000	100,000	76,108	-	306,517	719,467	859,441
Transfers out	(831,814)	(39,104)	(6,384)	(77,242)	(71,716)	(564)	(3,375,666)	(509,000)	(910,173)
<b>Total Transfers</b>	<b>2,628,852</b>	<b>(39,104)</b>	<b>191,616</b>	<b>22,758</b>	<b>4,392</b>	<b>(564)</b>	<b>(3,069,149)</b>	<b>210,467</b>	<b>(50,732)</b>
<b>Change in Net Assets</b>	<b>2,696,431</b>	<b>(3,505)</b>	<b>185,510</b>	<b>19,397</b>	<b>17,923</b>	<b>(564)</b>	<b>(3,071,356)</b>	<b>48,311</b>	<b>(107,853)</b>
<b>Net Assets, October 1, 2008</b>	<b>16,476,615</b>	<b>(4,972,539)</b>	<b>(5,248,779)</b>	<b>(2,543,889)</b>	<b>141,091</b>	<b>564</b>	<b>64,900</b>	<b>(231,611)</b>	<b>3,686,352</b>
<b>Net Assets, September 30, 2009</b>	<b>\$ 19,173,046</b>	<b>\$ (4,976,044)</b>	<b>\$ (5,063,269)</b>	<b>\$ (2,524,492)</b>	<b>\$ 159,014</b>	<b>\$ -</b>	<b>\$ (3,006,456)</b>	<b>\$ (183,300)</b>	<b>\$ 3,578,499</b>

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CITY OF WHITEHOUSE, TEXAS  
COMBINING STATEMENT OF CASH FLOWS  
UTILITY FUND  
FISCAL YEAR ENDED SEPTEMBER 30, 2009

Increase (Decrease) in Cash and Cash Equivalents

	BUSINESS-TYPE ACTIVITIES								TOTAL UTILITY FUND	
	OPERATING FUND	CAPITAL PROJECTS FUNDS				DEBT SERVICE	ELIMINATIONS			
	2001 SERIES	2003 SERIES	2006 SERIES	2007 SERIES	2007 SERIES	2008 SERIES				
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>										
Cash received from customers and users	\$ 2,267,240	\$ 36,640	\$ -	\$ -	\$ -	\$ -	\$ 665,654	\$ -	\$ 2,969,534	
Cash paid to suppliers for goods and services	(943,739)	(52)	-	(1,045)	(15)	-	-	-	(944,876)	
Cash paid to employees for services	(559,070)	-	-	-	-	-	-	-	(559,070)	
Net cash provided by (used in) operating activities	764,431	36,588	-	(1,045)	(15)	-	665,654	-	1,465,588	
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>										
Transfers in	-	-	-	-	7,652	-	232,722	735,718	(70,266)	905,826
Transfers out	(831,814)	(39,104)	(6,384)	(77,242)	(71,716)	(564)	-	-	70,266	(956,558)
Net cash provided by (used in) non-capital financing activities	(831,814)	(39,104)	(6,384)	(77,242)	(64,064)	(564)	232,722	735,718	-	(50,732)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>										
Purchases or construction of capital assets	(13,974)	-	-	-	(80,282)	-	(691,623)	-	-	(785,879)
Interest paid	-	-	-	-	-	-	(892,372)	-	-	(892,372)
Deposit paid on Lake Striker project	(112,500)	-	-	-	-	-	-	-	-	(112,500)
Note proceeds	13,999	-	-	-	-	-	-	-	-	13,999
Principal payment on bonds made by Debt Service Fund	85,000	-	198,000	100,000	65,000	-	61,000	(509,000)	-	-
Principal paid on bonds	(85,000)	-	(198,000)	(100,000)	(65,000)	-	(61,000)	-	-	(509,000)
Net cash used in capital and related financing activities	(112,475)	-	-	-	(80,282)	-	(691,623)	(1,401,372)	-	(2,285,752)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>										
Interest earned on investments	1,340	861	6	334	15,915	-	803	-	-	19,259
Net cash provided by investing activities	1,340	861	6	334	15,915	-	803	-	-	19,259
Net increase (decrease) in cash	(178,518)	(1,655)	(6,378)	(77,953)	(128,446)	(564)	(458,123)	-	-	(851,637)
Cash, beginning of period	265,478	5,261	6,378	77,953	2,001,156	564	458,136	-	-	2,814,926
Cash, end of period	\$ 86,960	\$ 3,606	\$ -	\$ -	\$ 1,872,710	\$ -	\$ 13	\$ -	\$ -	\$ 1,963,289
<b>Reconciliation of cash to Schedule 6</b>										
Cash - current asset	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash - restricted current asset	86,960	-	-	-	-	-	-	-	-	86,960
Cash - restricted non-current asset	-	3,606	-	-	1,872,710	-	13	-	-	1,876,329
Total cash, end of period	\$ 86,960	\$ 3,606	\$ -	\$ -	\$ 1,872,710	\$ -	\$ 13	\$ -	\$ -	\$ 1,963,289

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CITY OF WHITEHOUSE, TEXAS  
COMBINING STATEMENT OF CASH FLOWS  
UTILITY FUND  
FISCAL YEAR ENDED SEPTEMBER 30, 2009

Increase (Decrease) in Cash and Cash Equivalents

OPERATING FUND	CAPITAL PROJECTS FUNDS						DEBT SERVICE	ELIMINATIONS	TOTAL UTILITY FUND	
	2001 SERIES	2003 SERIES	2006 SERIES	2007 SERIES	2007 SERIES	2008 SERIES				
<b>Reconciliation of Operating Income (Loss) To Net Cash Provided By (Used In) Operating Activities:</b>										
Operating income (loss)	\$ 405,176	\$ 36,588	\$ -	\$ (1,045)	\$ (15)	\$ -	\$ (25)	\$ 665,654	\$ -	\$ 1,106,333
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:										
Depreciation expense	500,838	-	-	-	-	-	-	-	-	500,838
Increase in accounts receivable	(149,872)	-	-	-	-	-	-	-	-	(149,872)
Increase in accounts payable	4,869	-	-	-	-	-	-	-	-	4,869
Increase in customer deposits	3,420	-	-	-	-	-	-	-	-	3,420
Total adjustments	359,255	-	-	-	-	-	-	-	-	359,255
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>\$ 764,431</b>	<b>\$ 36,588</b>	<b>\$ -</b>	<b>\$ (1,045)</b>	<b>\$ (15)</b>	<b>\$ -</b>	<b>\$ (25)</b>	<b>\$ 665,654</b>	<b>\$ -</b>	<b>\$ 1,465,588</b>

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CITY OF WHITEHOUSE, TEXAS

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

UTILITY OPERATING FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2009

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>REVENUES</b>				
Charges for services:				
Water sales	\$ 1,782,525	\$ 1,782,525	\$ 1,637,737	\$ (144,788)
Sewer charges	641,518	641,518	644,451	2,933
Tap and connect fees	30,000	30,000	19,011	(10,989)
Penalties	65,000	65,000	63,718	(1,282)
Loan proceeds	16,000	16,000	13,974	(2,026)
Interest and rent	9,000	9,000	1,340	(7,660)
Intergovernmental Revenue	<u>37,500</u>	<u>37,500</u>	<u>37,500</u>	<u>-</u>
<b>TOTAL REVENUES AND OTHER     FINANCING SOURCES -     BUDGET BASIS</b>	 <u>\$ 2,581,543</u>	 <u>\$ 2,581,543</u>	 2,417,731	 <u>\$ (163,812)</u>
 Financial Statement Adjustments:				
Debt Service Fund payment of principal on bonds			85,000	
Loan proceeds reclassified as a liability			(13,974)	
Other transfers			3,375,666	
Capitalize receipt on Lake Striker option contract			(37,500)	
Increase estimate for uncollectible accounts			(15,182)	
Water and sewer usage for September 2008 billed in subsequent month			(152,197)	
Water and sewer usage for September 2009 billed in subsequent month			<u>216,153</u>	
<b>TOTAL REVENUES AND OTHER     FINANCING SOURCES - GAAP BASIS</b>			 <u>\$ 5,875,697</u>	

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

UTILITY OPERATING FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2009

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>UTILITY ADMINISTRATION</b>				
<b>PERSONNEL SERVICES:</b>				
Administration	\$ 87,624	\$ 87,624	\$ 87,313	\$ 311
Uniforms and clothing	500	500	414	86
Vehicle allowance	7,200	7,200	7,200	-
Workers' compensation	339	339	364	(25)
Unemployment compensation	613	613	45	568
Employee retirement	4,874	4,874	4,724	150
Employee insurance	10,345	10,345	15,457	(5,112)
Payroll taxes	7,254	7,254	7,069	185
<b>Total Personnel Services</b>	<b>118,749</b>	<b>118,749</b>	<b>122,586</b>	<b>(3,837)</b>
<b>SUPPLIES AND MATERIALS:</b>				
Office supplies	3,000	3,000	3,343	(343)
Data processing supplies	1,000	1,000	874	126
Photo, audio, & video supplies	100	100	0	100
Postage and delivery service	2,000	2,000	1,239	761
Tires and tubes	300	300	0	300
Motor vehicle supplies	15,000	15,000	14,327	673
Educational and training	500	500	279	221
Other supplies	1,000	1,000	856	144
<b>Total Supplies and Materials</b>	<b>22,900</b>	<b>22,900</b>	<b>20,918</b>	<b>1,982</b>
<b>MAINTENANCE OF BUILDINGS/LAND:</b>				
Buildings and grounds	2,000	2,000	2,557	(557)
<b>Total Maintenance of Buildings/Land</b>	<b>2,000</b>	<b>2,000</b>	<b>2,557</b>	<b>(557)</b>
<b>MAINTENANCE - EQUIPMENT/MACHINERY:</b>				
Office equipment	750	750	1,339	(589)
HVAC equipment	2,000	2,000	425	1,575
Automotive equipment	1,200	1,200	65	1,135
Communication equipment	500	500	599	(99)
<b>Total Maintenance - Equipment/Machinery</b>	<b>4,450</b>	<b>4,450</b>	<b>2,428</b>	<b>2,022</b>
<b>CONTRACTUAL SERVICES:</b>				
Communication services	7,500	7,500	5,660	1,840
Insurance	13,945	13,945	22,702	(8,757)
Advertising	750	750	894	(144)
Business and travel	500	500	156	344
Legal fees	5,000	5,000	435	4,565
Contractual and fee basis service	12,000	12,000	20,862	(8,862)
Utility services	150,000	150,000	171,587	(21,587)
Data processing maintenance	12,000	12,000	12,000	-
Utility billing - dataprose	22,000	22,000	27,880	(5,880)
On-Line / credit card fees	10,000	10,000	10,139	(139)
Document shredding	500	500	558	(58)
Memberships and subscriptions	800	800	977	(177)
<b>Total Contractual Services</b>	<b>234,995</b>	<b>234,995</b>	<b>273,850</b>	<b>(38,855)</b>
<b>CAPITAL OUTLAY:</b>				
Other Equipment	5,025	5,025	4,602	423
<b>Total Capital Outlay</b>	<b>5,025</b>	<b>5,025</b>	<b>4,602</b>	<b>423</b>
<b>TOTAL UTILITY ADMINISTRATION</b>	<b>\$ 388,119</b>	<b>\$ 388,119</b>	<b>\$ 426,941</b>	<b>\$ (38,822)</b>

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

UTILITY OPERATING FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2009

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>CUSTOMER SERVICE</b>				
<b>PERSONNEL SERVICES:</b>				
Clerical	\$ 48,376	\$ 48,376	\$ 50,046	\$ (1,670)
Operations and maintenance	49,773	49,773	49,242	531
Overtime	5,000	5,000	3,630	1,370
Uniforms and clothing	300	300	300	-
Worker's compensation	3,649	3,649	2,137	1,512
Unemployment compensation	722	722	181	541
Employee retirement	5,302	5,302	5,146	156
Employee insurance	24,714	24,714	19,863	4,851
Payroll taxes	7,891	7,891	7,873	18
Total Personnel Services	145,727	145,727	138,418	7,309
<b>SUPPLIES AND MATERIALS</b>				
Other supplies	300	300	180	120
Total Supplies and Materials	300	300	180	120
<b>CONTRACTUAL SERVICES</b>				
Leases and rentals	500	500	-	500
Insurance	1,196	1,196	1,773	(577)
Business and travel	250	250	-	250
Contractual and fee basis service	500	500	-	500
Total Contractual Services	2,446	2,446	1,773	673
<b>TOTAL CUSTOMER SERVICE</b>	<b>\$ 148,473</b>	<b>\$ 148,473</b>	<b>\$ 140,371</b>	<b>\$ 8,102</b>
<b>WATER OPERATIONS</b>				
<b>PERSONNEL SERVICES:</b>				
Operations and maintenance	\$ 105,487	\$ 105,487	\$ 109,763	\$ (4,276)
Overtime	10,000	10,000	9,097	903
Uniforms and clothing	2,000	2,000	2,120	(120)
Workers' compensation	4,790	4,790	5,394	(604)
Unemployment compensation	808	808	180	628
Employee retirement	5,936	5,936	5,652	284
Employee insurance	26,261	26,261	29,149	(2,888)
Payroll taxes	8,835	8,835	8,202	633
Total Personnel Services	164,117	164,117	169,557	(5,440)
<b>SUPPLIES AND MATERIALS:</b>				
Tires and tubes	2,000	2,000	1,080	920
Water meter supplies	20,000	20,000	13,447	6,553
Minor tools and apparatus	1,500	1,500	860	640
Chemical and mechanical supplies	6,000	6,000	638	5,362
Botanical and agricultural supplies	500	500	-	500
Educational and training	1,500	1,500	340	1,160
Other supplies	750	750	371	379
Total Supplies and Materials	32,250	32,250	16,736	15,514

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

UTILITY OPERATING FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2009

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>WATER OPERATIONS (cont'd.)</u>				
<u>MAINTENANCE - BUILDING/LAND:</u>				
Buildings and grounds	\$ 5,000	\$ 5,000	\$ 2,950	\$ 2,050
Chlorination facilities	5,000	5,000	3,022	1,978
Water system	25,000	25,000	22,748	2,252
Meters and settings	10,000	10,000	5,851	4,149
Other	30,000	30,000	30,846	(846)
Total Maintenance - Building/Land	75,000	75,000	65,417	9,583
<u>MAINTENANCE - EQUIPMENT/MACHINERY:</u>				
Machinery and heavy equipment	10,000	10,000	9,945	55
Auto equipment maintenance	1,500	1,500	1,336	164
Safety and medical equipment	300	300	310	(10)
Communication equipment	500	500	314	186
Total Maintenance - Equipment/Machinery	12,300	12,300	11,905	395
<u>CONTRACTUAL SERVICES:</u>				
Leases and rentals	2,500	2,500	1,267	1,233
Insurance	1,196	1,196	1,773	(577)
Business and travel	1,000	1,000	255	745
Contractual and fee basis service	5,000	5,000	5,218	(218)
Regulatory inspection fee	2,000	2,000	1,895	105
Total Contractual Services	11,696	11,696	10,408	1,288
<u>CAPITAL OUTLAY:</u>				
Motor Vehicles	16,000	16,000	13,974	2,026
Total Capital Outlay	16,000	16,000	13,974	2,026
TOTAL WATER OPERATIONS	\$ 311,363	\$ 311,363	\$ 287,997	\$ 23,366
<u>WASTEWATER OPERATIONS</u>				
<u>PERSONNEL SERVICES:</u>				
Operations and maintenance	\$ 79,214	\$ 79,214	\$ 82,587	\$ (3,373)
Overtime	7,000	7,000	8,354	(1,354)
Uniforms and clothing	1,500	1,500	1,126	374
Workers' compensation	2,148	2,148	1,683	465
Unemployment compensation	603	603	90	513
Employee retirement	2,586	2,586	4,548	(1,962)
Employee insurance	22,222	22,222	23,564	(1,342)
Payroll taxes	6,595	6,595	6,557	38
Total Personnel Services	121,868	121,868	128,509	(6,641)

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

UTILITY OPERATING FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2009

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>WASTEWATER OPERATIONS (cont'd.)</b>				
<b>SUPPLIES AND MATERIALS:</b>				
Laboratory supplies	\$ 1,000	\$ 1,000	\$ 841	\$ 159
Tires and tubes	2,000	2,000	1,486	514
Minor tools and apparatus	2,000	2,000	1,383	617
Janitorial supplies	100	100	45	55
Chemical and mechanical supplies	20,000	20,000	31,535	(11,535)
Safety supplies	1,000	1,000	1,073	(73)
Botanical and agricultural supplies	500	500	-	500
Educational and training	1,500	1,500	170	1,330
<b>Total Supplies and Materials</b>	<b>28,100</b>	<b>28,100</b>	<b>36,533</b>	<b>(8,433)</b>
<b>MAINTENANCE - BUILDING/LAND:</b>				
Building and grounds	2,000	2,000	1,498	502
Sanitary sewers	15,000	15,000	15,824	(824)
Lift stations	20,000	20,000	21,977	(1,977)
Other	30,000	30,000	37,625	(7,625)
<b>Total Maintenance - Building/Land</b>	<b>67,000</b>	<b>67,000</b>	<b>76,924</b>	<b>(9,924)</b>
<b>MAINTENANCE - EQUIPMENT/MACHINERY:</b>				
Machinery and heavy equipment	10,000	10,000	9,989	11
Automotive equipment	1,500	1,500	889	611
Shop equipment	1,000	1,000	1,764	(764)
Communication equipment	250	250	-	250
<b>Total Maintenance - Equipment/Machinery</b>	<b>12,750</b>	<b>12,750</b>	<b>12,642</b>	<b>108</b>
<b>CONTRACTUAL SERVICES:</b>				
Leases and rentals	1,000	1,000	325	675
Insurance	797	797	1,182	(385)
Business and travel	1,500	1,500	58	1,442
Contractual and fee basis service	25,000	25,000	21,050	3,950
Regulatory inspection fee	6,000	6,000	6,120	(120)
<b>Total Contractual Services</b>	<b>34,297</b>	<b>34,297</b>	<b>28,735</b>	<b>5,562</b>
<b>TOTAL WASTEWATER OPERATIONS</b>	<b>\$ 264,015</b>	<b>\$ 264,015</b>	<b>\$ 283,343</b>	<b>\$ (19,328)</b>
<b>WATER SUPPLY</b>				
<b>CONTRACTUAL SERVICES:</b>				
Contractual and fee basis service	\$ 410,643	\$ 410,643	\$ 410,380	\$ 263
<b>Total Contractual Services</b>	<b>410,643</b>	<b>410,643</b>	<b>410,380</b>	<b>263</b>
<b>TOTAL WATER SUPPLY</b>	<b>\$ 410,643</b>	<b>\$ 410,643</b>	<b>\$ 410,380</b>	<b>\$ 263</b>

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

UTILITY OPERATING FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2009

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>UTILITY DEBT SERVICE</b>				
<b>DEBT SERVICE:</b>				
G.O. bonds principal	\$ 25,000	\$ 25,000	\$ 25,000	\$ -
Revenue bonds principal	309,300	309,300	309,300	-
G.O. interest	1,875	1,875	1,875	-
Revenue bonds interest	363,387	363,387	109,325	254,062
Due to other funds	561,675	561,675	-	561,675
<b>Total Debt Service</b>	<u>1,261,237</u>	<u>1,261,237</u>	<u>445,500</u>	<u>815,737</u>
<b>TOTAL UTILITY DEBT SERVICE</b>	<u>\$ 1,261,237</u>	<u>\$ 1,261,237</u>	<u>\$ 445,500</u>	<u>\$ 815,737</u>
<b>TOTAL EXPENSES - BUDGET BASIS</b>	<u>\$ 2,783,850</u>	<u>\$ 2,783,850</u>	<u>\$ 1,994,532</u>	<u>\$ 789,318</u>
<b>Financial Statement Adjustments:</b>				
Amortization			1,437	
Depreciation			500,838	
Reclassify payment for water rights - Lake Striker			(150,000)	
Reclassify posting error on budget adjustment			100,000	
Record transfers to other funds			386,314	
Write off of Lake Striker water option deposit			337,500	
Reclassify capital expenditures			(13,974)	
Increase in accrued expenses			22,619	
<b>TOTAL EXPENSES AND TRANSFERS - GAAP BASIS</b>			<u>\$ 3,179,266</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, 2009

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>REVENUES</b>			
Property taxes	\$ 728,280	\$ 665,654	\$ (62,626)
Transfers in	<u>672,685</u>	<u>735,718</u>	<u>63,033</u>
<b>TOTAL REVENUES - BUDGET BASIS</b>	<b>\$ <u>1,400,965</u></b>	<b>1,401,372</b>	<b>\$ <u>407</u></b>
Transfer of interest costs on construction projects		<u>(16,251)</u>	
<b>TOTAL REVENUES - GAAP BASIS</b>		<b>\$ <u>1,385,121</u></b>	
<b>EXPENSES</b>			
Bond principal:			
1995 Certificates of Obligation	\$ 85,000	\$ 85,000	\$ -
2003 Certificates of Obligation	161,000	161,000	-
2006 Certificates of Obligation	100,000	100,000	-
2007 Certificates of Obligation	65,000	65,000	-
2008 Certificates of Obligation	61,000	61,000	-
2007 Refunding	37,000	37,000	-
Bond interest:			
1995 Certificates of Obligation	9,540	9,540	-
2001 Certificates of Obligation	300,000	302,466	(2,466)
2003 Certificates of Obligation	32,424	28,789	3,635
2006 Certificates of Obligation	109,200	109,246	(46)
2007 Certificates of Obligation	82,836	82,836	-
2008 Certificates of Obligation	162,001	161,989	12
2007 Refunding	195,964	195,964	-
Administrative fees	<u>-</u>	<u>1,542</u>	<u>(1,542)</u>
<b>TOTAL EXPENSES - BUDGET BASIS</b>	<b>\$ <u>1,400,965</u></b>	<b>1,401,372</b>	<b>\$ <u>(407)</u></b>
Transfer of interest costs on construction projects		<u>(16,251)</u>	
Change in accrued interest on bonds		<u>(48,311)</u>	
<b>TOTAL EXPENSES - GAAP BASIS</b>		<b>\$ <u>1,336,810</u></b>	

CITY OF WHITEHOUSE, TEXAS

SCHEDULE OF CHANGES IN GOVERNMENTAL CAPITAL ASSETS - BY SOURCE

FISCAL YEAR ENDED SEPTEMBER 30, 2009

	<u>TOTAL</u>	<u>LAND</u>	<u>BUILDINGS</u>	<u>INFRASTRUCTURE</u>	<u>MACHINERY &amp; EQUIPMENT</u>		<u>CONSTRUCTION</u>
					<u>AUTOS</u>	<u>OTHER</u> <u>EQUIPMENT</u>	<u>IN</u> <u>PROGRESS</u>
Governmental assets - October 1, 2008	\$ 11,400,674	\$ 128,782	\$ 2,423,021	\$ 7,021,510	\$ 836,138	\$ 991,223	\$ -
EXPENDITURES FROM GOVERNMENTAL FUNDS:							
<u>GENERAL FUND</u>							
Furniture and fixtures	14,000	-	-	-	-	14,000	-
Park improvements	11,950	-	-	11,950	-	-	-
Building	7,655	-	7,655	-	-	-	-
Copier	8,320	-	-	-	-	8,320	-
GOVERNMENTAL ASSETS - SEPTEMBER 30, 2009	<u>\$ 11,442,599</u>	<u>\$ 128,782</u>	<u>\$ 2,430,676</u>	<u>\$ 7,033,460</u>	<u>\$ 836,138</u>	<u>\$ 1,013,543</u>	<u>\$ -</u>

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CITY OF WHITEHOUSE, TEXAS

SCHEDULE OF CHANGES IN GOVERNMENTAL LONG-TERM DEBT

FISCAL YEAR ENDED SEPTEMBER 30, 2009

	GENERAL OBLIGATION BOND							COMPENSATED ABSENCES	COMPENSATORY TIME PAYABLE
	TOTAL	NOTES PAYABLE	PRINCIPAL						
			1970 SEWER	1996 SERIES	2003 SERIES	2006 SERIES	2004 SERIES		
Governmental fund debt, October 1, 2008	\$ 5,014,583	\$ 204,270	\$ 50,000	\$ 375,000	\$ 22,000	\$ 2,915,000	\$ 1,325,000	\$ 105,400	\$ 17,913
<b>ADDITIONS</b>									
Austin Bank - Ford F150 truck	13,999	13,999	-	-	-	-	-	-	-
Compensatory time payable	3,826	-	-	-	-	-	-	-	3,826
Compensated absences	24,037	-	-	-	-	-	-	24,037	-
Total Additions	41,862	13,999	-	-	-	-	-	24,037	3,826
<b>RETIREMENTS</b>									
Bond principal:									
1970 Sewer System General Obligation	25,000	-	25,000	-	-	-	-	-	-
1996 Street Construction General Obligation	85,000	-	-	85,000	-	-	-	-	-
2003 Refunding Bonds	108,000	-	-	-	108,000	-	-	-	-
2006 Limited Tax Refunding Bonds	110,000	-	-	-	-	110,000	-	-	-
2004 Certificates of Obligation	25,000	-	-	-	-	-	25,000	-	-
Total Bond Retirements	353,000	-	25,000	85,000	108,000	110,000	25,000	-	-
Notes Payable:									
Capital One									
Police Vehicles	17,353	17,353	-	-	-	-	-	-	-
Trucks	20,214	20,214	-	-	-	-	-	-	-
Austin Bank									
Backhoe	11,745	11,745	-	-	-	-	-	-	-
Vehicles	24,607	24,607	-	-	-	-	-	-	-
Motorcycle	3,735	3,735	-	-	-	-	-	-	-
Total Note Retirements	77,654	77,654	-	-	-	-	-	-	-
<b>GOVERNMENTAL FUND DEBT, SEPTEMBER 30, 2009</b>	<b>\$ 4,625,791</b>	<b>\$ 140,615</b>	<b>\$ 25,000</b>	<b>\$ 290,000</b>	<b>\$ (86,000)</b>	<b>\$ 2,805,000</b>	<b>\$ 1,300,000</b>	<b>\$ 129,437</b>	<b>\$ 21,739</b>

CITY OF WHITEHOUSE, TEXAS

SCHEDULE OF REVENUE AND GENERAL OBLIGATION BONDS AND NOTES PAYABLE

FISCAL YEAR ENDED SEPTEMBER 30, 2009

	ISSUE DATE	MATURITY	BOND NUMBERS AND INTEREST RATE	BONDS ISSUED	BOND/NOTE PRINCIPAL			BOND/NOTE PRINCIPAL AND INTEREST REQUIREMENTS YEAR ENDING 9-30-10			BOND/NOTE INTEREST TO BE PROVIDED IN FUTURE YEARS	
					BALANCE 10-1-08	ISSUED CURRENT YEAR	CURRENT YEAR RETIREMENTS	OUTSTANDING 9-30-09	PRINCIPAL	INTEREST		TOTAL
<b>BODED INDEBTEDNESS:</b>												
<b>BUSINESS TYPE ACTIVITIES</b>												
2001 Combination Tax Revenue Certificates of Obligations	5/25/01	Payable serially in varying amounts to 5-15-21	5.2%	\$ 5,000,000	\$ 5,000,000	\$ -	\$ -	\$ 5,000,000	\$ -	\$ 300,000	\$ 300,000	\$ 2,006,945
2006-Water & Sewer Certificates of Obligation	4/1/06	Payable serially in varying amounts to 2-15-26	4.20%	2,800,000	2,650,000	-	100,000	2,550,000	105,000	104,895	209,895	911,085
2007 Tax Refunding Bonds	7/15/07	Payable serially in varying amounts to 2-15-27	4.52%	4,359,000	4,354,000	-	37,000	4,317,000	64,000	193,682	257,682	1,723,499
2007-Water & Sewer Certificates of Obligation	5/15/07	Payable serially in varying amounts to 2-15-26	4.32%	2,000,000	1,950,000	-	65,000	1,885,000	70,000	79,920	149,920	746,388
2008-Water & Sewer Certificates of Obligation	3/12/08	Payable serially in varying amounts to 2-15-28	3.70%	3,100,000	3,100,000	-	61,000	3,039,000	112,000	110,371	222,371	1,082,565
1995 Combination Tax, Waterworks, and Sewer System Revenue Bond	3/1/95	Payable serially in varying amounts from 8-15-96 to 8-16-2010;		760,000	175,000	-	85,000	90,000	90,000	4,950	94,950	-
		\$30,000	3.75%									
		\$30,000	4.05%									
		\$30,000	4.20%									
		\$35,000	4.30%									
		\$35,000	4.40%									
		\$35,000	4.55%									
		\$35,000	4.65%									
		\$40,000	4.60%									
		\$40,000	4.90%									
		\$45,000	5.00%									
		\$75,000	5.10%									
		\$80,000	5.30%									
		\$85,000	5.40%									
		\$90,000	5.50%									
2003-Water & Sewer Certificates of Obligation	2/15/03	Payable serially in varying amounts from 2-15-06 to 02-15-23		4,575,000	972,000	-	161,000	811,000	167,000	24,005	191,005	33,218
		100,000										
		109,000										
		106,000										
		161,000										
		167,000										
		209,000										
		213,000										
		222,000										
		230,000										
		238,000										
		245,000										
		253,000										
		262,000										
		270,000										
		279,000										
		288,000										
		601,000										
		622,000										
Total Business Type Activities				22,594,000	18,201,000	-	509,000	17,692,000	608,000	817,823	1,425,823	6,503,700

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CITY OF WHITEHOUSE, TEXAS

SCHEDULE OF REVENUE AND GENERAL OBLIGATION BONDS AND NOTES PAYABLE

FISCAL YEAR ENDED SEPTEMBER 30, 2009

	ISSUE DATE	MATURITY	BOND NUMBERS AND INTEREST RATE	BONDS ISSUED	BOND/NOTE PRINCIPAL			OUTSTANDING 9-30-09	BOND/NOTE PRINCIPAL AND INTEREST REQUIREMENTS YEAR ENDING 9-30-10			BOND/NOTE INTEREST TO BE PROVIDED IN FUTURE YEARS
					BALANCE 10-1-08	ISSUED CURRENT YEAR	CURRENT YEAR RETIREMENTS		PRINCIPAL	INTEREST	TOTAL	
GOVERNMENTAL FUND DEBT:												
BONDED DEBT												
1970 General Obligation												
Sewer System Bonds	6/1/70	Payable serially in varying amounts to 3-1-10	5%	\$ 400,000	\$ 50,000	\$ -	\$ 25,000	\$ 25,000	\$ 25,000	\$ 625	\$ 25,625	-
1996 General Obligation Bonds												
	11/15/96	Payable serially in varying amounts to 9-30-12										
		\$45,000	6.65%	1,000,000	375,000	-	85,000	290,000	90,000	12,862	102,862	10,763
		\$50,000	6.65%									
		\$55,000	6.65%									
		\$55,000	6.65%									
		\$60,000	6.65%									
		\$65,000	6.65%									
		\$70,000	6.65%									
		\$70,000	6.13%									
		\$75,000	5.15%									
		\$80,000	5.25%									
		\$85,000	5.25%									
		\$90,000	5.25%									
		\$95,000	5.25%									
		\$105,000	5.25%									
2004 Certificates of Obligation	3/15/04	Payable serially in varying amounts to 2-15-23	4.80%	1,400,000	1,325,000	-	25,000	1,300,000	25,000	42,619	67,619	331,662
2006 Limited Tax Refunding Bonds	10/15/06	Payable serially in varying amounts to 2-15-26	4.80%	3,140,000	2,915,000	-	110,000	2,805,000	115,000	119,212	234,212	1,073,125
2003 Texas Limited Refunding Bonds												
	3/19/03	Payable serially in varying amounts to 9-30-10										
		\$100,000	2.48%	529,000	220,000	-	108,000	112,000	112,000	1,938	113,938	-
		\$102,000	2.80%									
		\$107,000	3.07%									
		\$108,000	3.26%									
		\$112,000	3.46%									
Total General Fund Bonded Debt				<u>6,469,000</u>	<u>4,885,000</u>	<u>-</u>	<u>353,000</u>	<u>4,532,000</u>	<u>367,000</u>	<u>177,256</u>	<u>544,256</u>	<u>1,415,550</u>
Total Bonded Indebtedness				<u>29,063,000</u>	<u>23,086,000</u>	<u>-</u>	<u>862,000</u>	<u>22,224,000</u>	<u>975,000</u>	<u>995,079</u>	<u>1,970,079</u>	<u>7,919,250</u>

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CITY OF WHITEHOUSE, TEXAS

SCHEDULE OF REVENUE AND GENERAL OBLIGATION BONDS AND NOTES PAYABLE

FISCAL YEAR ENDED SEPTEMBER 30, 2009

	ISSUE DATE	MATURITY	BOND NUMBERS AND INTEREST RATE	BOND/NOTE PRINCIPAL			OUTSTANDING 9-30-09	BOND/NOTE PRINCIPAL AND INTEREST REQUIREMENTS YEAR ENDING 9-30-10			BOND/NOTE INTEREST TO BE PROVIDED IN FUTURE YEARS	
				BONDS ISSUED	BALANCE 10-1-08	ISSUED CURRENT YEAR		CURRENT YEAR RETIREMENTS	PRINCIPAL	INTEREST		TOTAL
<b>NOTES PAYABLE:</b>												
Austin Bank:												
Backhoe	3/16/06	03/16/11	4.95%		35,796	-	11,745	24,051	11,745	1,163	12,908	581
2008 Ford F150	10/10/08	09/02/08	3.3%		-	13,999	-	13,999	4,673	483	5,156	494
Vehicles	7/8/2008	07/08/11	3.5%		76,500	-	24,607	51,893	25,483	1,846	27,329	939
Motorcycle	7/18/2008	07/18/12	3.5%		14,938	-	3,735	11,203	3,735	398	4,133	399
Capital One:												
Police vehicles	6/12/07	6/12/2010	4.5%		35,454	-	17,353	18,101	18,101	852	18,953	-
Trucks	1/3/07	1/3/2010	4.5%		41,582	-	20,214	21,368	21,368	982	22,350	-
				<hr/>								
Total Notes Payable - Governmental Fund Debt				<hr/>								
				204,270	13,999	77,654	140,615	85,105	5,724	90,829	2,413	
TOTAL DEBT				\$ 29,063,000	\$ 23,290,270	\$ 13,999	\$ 939,654	\$ 22,364,615	\$ 1,060,105	\$ 1,000,803	\$ 2,060,908	\$ 7,921,663

**OTHER REPORTS**

Michael Gollob, CPA-Retired  
Tony K. Morgan, CPA/ABV  
Robert W. Peddy, CPA  
Barbara R. Bass, CPA  
Tommy J. Chambers, CPA  
Lisa G. Robinson, CPA  
Joe Wylie, CPA  
Kevin R. Cashion, CPA

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

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

Harvey W. Jackson, CPA  
Dianne C. Johnston, CPA  
Jeanne C. Lewis, CPA  
Kristen L. Gusa, CPA  
Patricia L. Kinnaird, CPA  
Michael W. Stevens, CPA/ABV  
Robert Shane Rohrbach, CPA  
Raymond C. McKinney, CPA  
Teresa J. Campbell, CPA/CFE  
Gary D. Davis, CPA  
Wesley R. Johnston, CPA  
Lori A. Bogan, CPA  
James Clinton Carroll, CPA  
Melissa J. Carnes, CPA  
Michael Jason Creel, CPA  
Tina T. Smith, CPA

**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, 2009, which collectively comprise the City of Whitehouse, Texas' basic financial statements and have issued our report thereon dated January 20, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of 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 internal control over financial reporting.

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

Personnel Policy

The City's personnel policy contains a clause referencing employee vacation leave. Under the policy, no full time employees may accrue more than 240 hours of vacation time. However, the policy does allow for the compensation of excess vacation time exceeding the 240 hours should the employee's work situation require them to be present and thus exceed the maximum allowed vacation accrual. This exception must be approved through written notice from the City Manager. As of year end, the City had eight employees that exceeded the maximum limit which amount to approximately a \$52,000 liability to the City.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies 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.

### **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.

*Gallagher, Morgan, Peddy & Co. P.C.*

Certified Public Accountants

Tyler, Texas  
January 20, 2010