

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, 2010. 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 October 4, 2010. 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 2010. 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 13, 2011.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

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



Certified Public Accountants

Tyler, Texas

January 13, 2011

**CITY OF WHITEHOUSE, TEXAS
BASIC FINANCIAL STATEMENTS
and
REQUIRED SUPPLEMENTARY and
OTHER INFORMATION**

**FISCAL YEAR ENDED
SEPTEMBER 30, 2010**

Gollob Morgan Peddy
CERTIFIED PUBLIC ACCOUNTANTS

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CITY OF WHITEHOUSE, TEXAS

TABLE OF CONTENTS

SEPTEMBER 30, 2010

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
FINANCIAL SECTION		
Independent Auditors' Report		1-2
Management's Discussion and Analysis		3-9
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets	1	10
Statement of Activities	2	11
Fund Financial Statements:		
Balance Sheet – Governmental Funds	3	12-13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	4	14-15
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Funds to the Statement of Activities	5	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP Budget Basis) – General Fund	6	17-18
Statement of Net Assets – Proprietary Funds	7	19-20
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	8	21
Statement of Cash Flows – Proprietary Funds	9	22-23
Notes to the Financial Statements		24-38
Additional Supplemental Information:		
Combining Statements:		
Combining Financial Statements – Nonmajor Governmental Funds Combining Balance Sheet	1	39
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	40
Detailed Schedule of Expenditures –		
Budget and Actual (Non-GAAP Budget Basis) – General Fund	3	41-50
Combining Balance Sheet – Debt Service Funds	4	51
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Debt Service Funds	5	52
Combining Statement of Net Assets – Utility Fund	6	53-54
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Utility Fund	7	55
Combining Statement of Cash Flows – Utility Fund	8	56-57

CITY OF WHITEHOUSE, TEXAS

TABLE OF CONTENTS

SEPTEMBER 30, 2010

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
Detailed Schedule of Revenues –		
Budget and Actual (Non-GAAP Budget Basis) – Utility Operating Fund	9	58
Detailed Schedule of Expenses –		
Budget and Actual (Non-GAAP Budget Basis) – Utility Operating Fund	10	59-62
Detailed Schedule of Revenues and Expenses –		
Budget and Actual (Non-GAAP Budget Basis) – Enterprise Debt Service Fund	11	63
Schedule of Changes in Governmental Capital Assets – by Source	12	64
Schedule of Changes in Governmental Long-Term Debt	13	65
Schedule of Revenue and General Obligation Bonds and Notes Payable	14	66-68
Other Reports:		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		69-70

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, 2010, 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, 2010, 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 13, 2011 on our consideration of the City of Whitehouse, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the City of Whitehouse, Texas taken as a whole. The accompanying financial information listed as additional supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the

basic financial statements of the City of Whitehouse, Texas. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Callow Morgan Kelly". The signature is written in a cursive, flowing style.

Certified Public Accountants

Tyler, Texas
January 13, 2011

Management's Discussion and Analysis

As management of the City of Whitehouse, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2010.

Financial Highlights

- As of the end of the current fiscal year, the assets of the City exceed its liabilities by \$ 7,841,444 (net assets). Of this amount \$905,266 (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 \$317,544. Of this amount \$279,486 (88%) is available for spending at the government's discretion.
- The total net assets of \$7,841,444 are made up of \$6,844,976 in capital assets net of related debt and \$996,468 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, 2010 the City's assets exceeded liabilities by \$7,841,444.

By far the largest portion of the City's net assets (\$6,844,976) 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 \$347,000 during the current year primarily due to the completion of the water tank improvements. 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 (\$905,266) increased by \$469,879 during the year.

City of Whitehouse's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 491,210	\$ 498,560	\$ 1,568,282	\$ 2,687,224	\$ 2,059,492	\$ 3,185,784
Capital assets	8,037,581	8,189,437	19,664,130	18,886,336	27,701,711	27,075,773
Total Assets	8,528,791	8,687,997	21,232,412	21,573,560	29,761,203	30,261,557
Current liabilities	134,170	202,578	357,519	289,062	491,689	491,640
Non current liabilities	4,334,744	4,809,792	17,093,326	17,705,999	21,428,070	22,515,791
Total Liabilities	4,468,914	5,012,370	17,450,845	17,995,061	21,919,759	23,007,431
Net invested in						
capital assets	3,746,295	3,579,435	3,098,681	2,918,541	6,844,976	6,497,976
Restricted	22,848	33,954	68,354	286,809	91,202	320,763
Unrestricted	290,734	62,238	614,532	373,149	905,266	435,387
Total Net Assets	\$ 4,059,877	\$ 3,675,627	\$ 3,781,567	\$ 3,578,499	\$ 7,841,444	\$ 7,254,126

Governmental activities. During the current year the governmental activities had an increase in net assets of \$384,250 which represented a \$691,720 increase from the

previous year. The increase came primarily from an increase in property taxes, an overall decrease in expenses, and an increase in transfers from business-type activities.

Business-type activities. The City had a \$203,068 increase in net assets for its business-type activities during the year. This is up by \$310,921 from the previous year. The increase comes primarily from the write off of the City's deposit in the Lake Striker project that was abandoned during the previous fiscal year.

City of Whitehouse's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Charges for services	\$ 1,122,250	\$ 1,037,124	\$ 2,631,807	\$ 2,450,331	\$ 3,754,057	\$ 3,487,455
Capital grants and contributions	131,262	12,025	-	(337,500)	131,262	(325,475)
General revenue:						
Property taxes	1,643,899	1,433,012	581,652	665,654	2,225,551	2,098,666
Franchise taxes	284,790	291,551	-	-	284,790	291,551
Sales taxes	657,274	614,099	-	-	657,274	614,099
Gain (loss) on sale of assets	-	304	-	-	-	304
Interest income	12,347	16,652	4,979	19,258	17,326	35,910
Total revenues	3,851,822	3,404,767	3,218,438	2,797,743	7,070,260	6,202,510
Expenses:						
General government	569,275	503,786	-	-	569,275	503,786
Public safety	1,897,960	1,917,694	-	-	1,897,960	1,917,694
Community development	974,783	1,060,284	-	-	974,783	1,060,284
Parks and recreation	76,782	80,933	-	-	76,782	80,933
Interest	179,099	200,272	-	-	179,099	200,272
Water and sewer operations	-	-	2,785,043	2,854,864	2,785,043	2,854,864
Total expenses	3,697,899	3,762,969	2,785,043	2,854,864	6,482,942	6,617,833
Transfers	230,327	50,732	(230,327)	(50,732)	-	-
Change in net assets	384,250	(307,470)	203,068	(107,853)	587,318	(415,323)
Net assets beginning of year,	3,675,627	3,983,097	3,578,499	3,686,352	7,254,126	7,669,449
Net Assets End of Year	\$ 4,059,877	\$ 3,675,627	\$ 3,781,567	\$ 3,578,499	\$ 7,841,444	\$ 7,254,126

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 \$317,544 of which \$279,486 is unrestricted and available for spending at the City's discretion. The total fund balance for the governmental funds increased by \$62,540 during the year which was mostly due to an increase in property taxes, fines, and transfers that exceeds the increase in expenditures from the prior year.

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 \$614,532 at year end as compared to \$373,149 at the end of the prior year.

General Fund Budgetary Highlights

Over the year, the City of Whitehouse did not make any budget amendments to its original budget. Revenues were \$140,571 over budget while expenditures exceeded the budget by \$162,740. After considering operating transfers, the City had a favorable variance of \$93,300 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, 2010, amounts to \$6,844,976 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 continued work on various construction projects for water and sewer improvements. The total net increase in the City's investment in fixed assets for the current year (see Note 4C) was \$625,938.

City of Whitehouse's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
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	-	-	1,287,123	165,740	1,287,123	165,740
Buildings and improvements	2,013,503	2,009,270	131,595	140,256	2,145,098	2,149,526
Water and sewer system	-	-	18,053,517	18,327,077	18,053,517	18,327,077
Infrastructure	5,453,800	5,542,980	-	-	5,453,800	5,542,980
Machinery and equipment	441,496	508,405	159,095	220,463	600,591	728,868
Total	\$ 8,037,581	\$ 8,189,437	\$ 19,664,130	\$ 18,886,336	\$ 27,701,711	\$ 27,075,773

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

Long-term debt. During the current year, the City did not incur any new debt. After principal payments of \$1,061,119 were made against debt during the year, the City had total debt outstanding of \$21,437,396 at the end of the fiscal year.

City of Whitehouse's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 4,165,000	\$ 4,532,000	\$ -	\$ -	\$ 4,165,000	\$ 4,532,000
Notes Payable	54,496	140,616	9,326	13,999	63,822	154,615
Compensated absences	124,574	151,176	-	-	124,574	151,176
Revenue bonds and Certificates of obligation	-	-	17,084,000	17,692,000	17,084,000	17,692,000
Total	\$ 4,344,070	\$ 4,823,792	\$ 17,093,326	\$ 17,705,999	\$ 21,437,396	\$ 22,529,791

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 FY10/11 budget and will strive to operate with maximum efficiency, controlling expenditures and exploring ways to increase revenues. The addition of an Assistant City Manager to the City Hall Staff and the assignment of the duties of the former Director of Community Development, Planning and Zoning and combining all grant writing within this office will result in savings in both man-hours and dollars as well as increased efficiency within the City Hall Staff.

Proposed development of the "Town Center" is scheduled to begin during FY10/11. Developers have presented to the city a proposed developmental site plan to the Planning and Zoning Commission of the city for consideration. The final site plan for this project is scheduled to be presented during the February 2011 Planning and Zoning Commission meeting. The development includes a fueling station/convenience store, a major chain restaurant, and a forty-five room extended stay Hotel. Additional commercial development includes another fueling station/convenience store and meeting hall/convention center type building. These proposed commercial developments in the city, when completed, will provide a significant number of new jobs and both increased sales and property tax revenue.

None of these proposed construction or proposed development factors was considered in preparing the City's budget and tax rate of \$ 0.682749 per \$100 valuation for the 2011 fiscal year but 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, 2010

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 9,848	\$ 13,278	\$ 23,126
Receivables (net of allowance for doubtful accounts)	284,854	536,218	821,072
Internal balances	144,235	(144,235)	-
Restricted Assets:			
Temporarily restricted			
Cash and cash equivalents	-	798,724	798,724
Water rights - Lake Columbia	-	230,000	230,000
Bond issue costs (net)	52,273	134,297	186,570
Capital Assets (net of accumulated depreciation):			
Land	128,782	25,000	153,782
Easements	-	7,800	7,800
Construction in progress	-	1,287,123	1,287,123
Buildings and improvements	2,013,503	131,595	2,145,098
Infrastructure	5,453,800	-	5,453,800
Machinery and equipment	441,496	159,095	600,591
Water and sewer system	-	18,053,517	18,053,517
Total Assets	8,528,791	21,232,412	29,761,203
LIABILITIES			
Accounts payable	113,662	96,018	209,680
Deposits and other refundable balances	-	159,915	159,915
Deferred revenue	-	5,667	5,667
Accrued interest	20,508	95,919	116,427
Non-current liabilities:			
Due within one year	293,803	674,345	968,148
Due in more than one year	4,040,941	16,418,981	20,459,922
Total Liabilities	4,468,914	17,450,845	21,919,759
NET ASSETS			
Investment in capital assets, net of related debt	3,746,295	3,098,681	6,844,976
Restricted for:			
Debt service	22,848	-	22,848
Construction	-	68,354	68,354
Unrestricted	290,734	614,532	905,266
Total Net Assets	\$ 4,059,877	\$ 3,781,567	\$ 7,841,444

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, 2010

PROGRAM ACTIVITIES	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS PRIMARY GOVERNMENT		
		CHARGES FOR SERVICES	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
PRIMARY GOVERNMENT:						
Governmental activities:						
General government	\$ 569,275	\$ 27,759	\$ -	\$ (541,516)	\$ -	\$ (541,516)
Public safety	1,897,960	452,571	620	(1,444,769)	-	(1,444,769)
Community development	974,783	641,920	130,642	(202,221)	-	(202,221)
Parks and recreation	76,782	-	-	(76,782)	-	(76,782)
Interest	179,099	-	-	(179,099)	-	(179,099)
Total governmental activities	<u>3,697,899</u>	<u>1,122,250</u>	<u>131,262</u>	<u>(2,444,387)</u>	<u>-</u>	<u>(2,444,387)</u>
Business-type activities:						
Water and sewer	<u>2,785,043</u>	<u>2,631,807</u>	<u>-</u>	<u>-</u>	<u>(153,236)</u>	<u>(153,236)</u>
Total business-type activities	<u>2,785,043</u>	<u>2,631,807</u>	<u>-</u>	<u>-</u>	<u>(153,236)</u>	<u>(153,236)</u>
Total primary government	<u>\$ 6,482,942</u>	<u>\$ 3,754,057</u>	<u>\$ 131,262</u>	<u>(2,444,387)</u>	<u>(153,236)</u>	<u>(2,597,623)</u>
General revenues:						
Property taxes				1,643,899	581,652	2,225,551
Franchise taxes				284,790	-	284,790
Sales and use taxes				657,274	-	657,274
Interest and rent				12,347	4,979	17,326
Transfers				<u>230,327</u>	<u>(230,327)</u>	<u>-</u>
Total general revenues and transfers				<u>2,828,637</u>	<u>356,304</u>	<u>3,184,941</u>
Change in net assets				384,250	203,068	587,318
Net assets - beginning of year				<u>3,675,627</u>	<u>3,578,499</u>	<u>7,254,126</u>
Net assets - end of year				<u>\$ 4,059,877</u>	<u>\$ 3,781,567</u>	<u>\$ 7,841,444</u>

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

CITY OF WHITEHOUSE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	MAJOR FUNDS		OTHER GOVERNMENTAL FUNDS	ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	DEBT SERVICE			
ASSETS					
Cash and investments	\$ 1,490	\$ -	\$ 8,358	\$ -	\$ 9,848
Receivables:					
Property taxes	56,742	-	-	-	56,742
Sales taxes	108,783	-	-	-	108,783
Street assessments	-	-	22,371	-	22,371
Charges for services	116,069	-	-	-	116,069
Restricted Assets:					
Temporarily restricted					
Cash and cash equivalents	-	-	-	-	-
Due from other funds	123,738	127,194	698	(107,395)	144,235
Bond issue costs (net)	-	-	52,273	-	52,273
Total Assets	<u>\$ 406,822</u>	<u>\$ 127,194</u>	<u>\$ 83,700</u>	<u>\$ (107,395)</u>	<u>\$ 510,321</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued expenses	113,664	-	-	-	113,664
Due to other funds	-	104,346	3,049	(107,395)	-
Deferred revenue	56,742	-	22,371	-	79,113
Total Liabilities	<u>170,406</u>	<u>104,346</u>	<u>25,420</u>	<u>(107,395)</u>	<u>192,777</u>
Fund Balances:					
Reserved for:					
Debt Service	-	22,848	-	-	22,848
Construction	-	-	15,210	-	15,210
Total Reserved Fund Balances	<u>-</u>	<u>22,848</u>	<u>15,210</u>	<u>-</u>	<u>38,058</u>
Unreserved					
Undesignated	236,416	-	43,070	-	279,486
Total Undesignated Fund Balances	<u>236,416</u>	<u>-</u>	<u>43,070</u>	<u>-</u>	<u>279,486</u>
Total Fund Balances	<u>236,416</u>	<u>22,848</u>	<u>58,280</u>	<u>-</u>	<u>317,544</u>
Total Liabilities and Fund Balances	<u>\$ 406,822</u>	<u>\$ 127,194</u>	<u>\$ 83,700</u>	<u>\$ (107,395)</u>	

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

CITY OF WHITEHOUSE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

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)	\$ 317,544
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	8,037,581
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	60,004
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	(20,508)
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>(4,334,744)</u>
Net Assets of governmental activities	<u>\$ 4,059,877</u>

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2010

	MAJOR FUNDS		OTHER GOVERNMENTAL FUNDS	ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	DEBT SERVICE			
REVENUES					
Current and delinquent taxes	\$ 968,447	\$ 676,456	\$ -	\$ -	\$ 1,644,903
Fines and forfeitures	452,571	-	-	-	452,571
Licenses and permits	6,840	-	-	-	6,840
Franchise taxes	284,790	-	-	-	284,790
Sales taxes - regular	408,584	-	-	-	408,584
Sales taxes - additional 1/2 cent	204,291	-	-	-	204,291
Sales tax fees	44,217	-	-	-	44,217
Misc taxes	182	-	-	-	182
Donations	-	-	620	-	620
Solid waste collections	644,020	-	-	-	644,020
Intergovernmental revenue	130,642	-	-	-	130,642
Interest and rent	11,450	882	15	-	12,347
Miscellaneous income	20,919	-	-	-	20,919
Total Revenues	3,176,953	677,338	635	-	3,854,926
EXPENDITURES					
Legislative	42,482	-	-	-	42,482
General administration	362,014	-	4,009	-	366,023
Treasury and financial	77,997	-	-	-	77,997
Tax appraisal and collections	40,229	-	-	-	40,229
Municipal court	277,299	-	-	-	277,299
Library	42,500	-	-	-	42,500
Parks/recreation	54,942	-	-	-	54,942
Community development	42,159	-	-	-	42,159
Street and ground maintenance	156,876	-	-	-	156,876
Communication center	187,046	-	-	-	187,046
Police	1,162,092	-	-	-	1,162,092
Animal control	47,375	-	-	-	47,375
Fire	111,967	-	-	-	111,967
Sanitation	553,968	-	-	-	553,968
Debt service:					
Bond principal	-	367,000	-	-	367,000
Note principal	-	81,446	-	-	81,446
Interest and fees	-	180,720	-	-	180,720
Capital outlay	222,910	-	-	-	222,910
Total Expenditures	3,381,856	629,166	4,009	-	4,015,031
Revenues Over (Under) Expenditures	(204,903)	48,172	(3,374)	-	(160,105)

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2010

	MAJOR FUNDS		OTHER GOVERNMENTAL FUNDS	ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	DEBT SERVICE			
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 291,292	\$ 20,952	\$ -	\$ (1,365)	\$ 310,879
Transfers out	-	(80,230)	(1,687)	1,365	(80,552)
Amortization	-	-	(7,682)	-	(7,682)
Total Other Financing Sources (Uses)	291,292	(59,278)	(9,369)	-	222,645
Net Change in Fund Balances	86,389	(11,106)	(12,743)	-	62,540
Fund Balance, October 1, 2009	150,027	33,954	71,023	-	255,004
Fund Balance, September 30, 2010	\$ 236,416	\$ 22,848	\$ 58,280	\$ -	\$ 317,544

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, 2010**

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

Net change in fund balances - total governmental funds	\$	62,540
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.		(151,855)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the government wide statements.		(3,104)
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.		476,669
Change in net assets of governmental activities	\$	384,250

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, 2010

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
REVENUES				
Current and delinquent taxes	\$ 999,102	\$ 999,102	\$ 968,447	\$ (30,655)
Fines and forfeitures	361,314	361,314	452,571	91,257
Licenses and permits	7,300	7,300	6,840	(460)
Franchise taxes	285,278	285,278	284,790	(488)
Sales taxes - regular	395,600	395,600	398,499	2,899
Sales taxes - additional 1/2 cent	197,800	197,800	199,249	1,449
Sales tax fees	44,000	44,000	44,217	217
Misc taxes	-	-	182	182
Solid waste collections	656,000	656,000	645,412	(10,588)
Zoning and platting fees	250	250	-	(250)
Intergovernmental revenue	41,603	41,603	130,642	89,039
Interest and rent	16,200	16,200	11,450	(4,750)
Miscellaneous income	18,200	18,200	20,919	2,719
Total Revenues	3,022,647	3,022,647	3,163,218	140,571
EXPENDITURES				
Legislative	36,272	36,272	42,482	(6,210)
General administration	326,531	326,531	428,733	(102,202)
Treasury and financial	102,790	102,790	77,997	24,793
Tax appraisal and collections	38,000	38,000	40,229	(2,229)
Municipal court	231,184	231,184	285,439	(54,255)
Library	42,500	42,500	42,500	-
Parks/recreation	57,000	57,000	54,942	2,058
Community development	70,775	70,775	42,159	28,616
Street and ground maintenance	224,867	224,867	204,012	20,855
Communication center	206,873	206,873	187,046	19,827
Police	1,152,292	1,152,292	1,287,621	(135,329)
Animal control	48,973	48,973	47,375	1,598
Fire	110,330	110,330	111,967	(1,637)
Sanitation	594,122	594,122	552,747	41,375
Total Expenditures	3,242,509	3,242,509	3,405,249	(162,740)
Revenues Over (Under) Expenditures	(219,862)	(219,862)	(242,031)	(22,169)
OTHER FINANCING SOURCES (USES)				
Transfers in	90,000	90,000	249,469	159,469
Loan proceeds	31,000	31,000	-	(31,000)
Sale of assets	10,000	10,000	-	(10,000)
Total Other Financing Sources (Uses)	131,000	131,000	249,469	118,469
Revenues and Other Sources Over (Under) Expenditures and Other Uses - Budget Basis	(88,862)	(88,862)	7,438	96,300
Budget Basis to GAAP Basis Adjustments (Note A)	-	-	78,951	78,951
Revenues and Other Sources Over (Under) Expenditures and Other Uses - GAAP Basis	(88,862)	(88,862)	86,389	175,251

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, 2010

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
Fund Balance, October 1, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150,027</u>	<u>\$ 150,027</u>
Fund Balance, September 30, 2010	<u>\$ (88,862)</u>	<u>\$ (88,862)</u>	<u>\$ 236,416</u>	<u>\$ 325,278</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	\$ (1,392)
Increase in revenues recognized for exchange transactions occurring during current year but received in following year	15,127
Transfers on expenditures paid in other funds	41,823

Uses/Outflows of Resources:

Differences - Budget to GAAP

Transfers on expenditures paid in other funds	(41,823)
Decrease in accrued expenses for services rendered or goods provided during the current year but paid for in the following year	65,216

Net Change in Budget Basis Presentation and GAAP Basis Presentation	<u>\$ 78,951</u>
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CITY OF WHITEHOUSE, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2010

	<u>UTILITY FUND</u>
ASSETS	
Current Assets:	
Cash and certificates of deposit	\$ 13,278
Due from other funds	325
Accounts receivable (Net)	<u>536,218</u>
Total Current Assets	<u>549,821</u>
Restricted current assets:	
Temporarily Restricted	
Customer deposits	<u>152,910</u>
Total restricted current assets	<u>152,910</u>
Noncurrent Assets:	
Restricted Assets:	
Temporarily Restricted	
Cash for construction	<u>645,814</u>
Total Restricted Assets	<u>645,814</u>
Water rights - Lake Columbia	230,000
Bond Issue Costs (Net)	134,297
Capital Assets:	
Land	25,000
Easements	7,800
Buildings	324,633
Water and sewer system	22,439,310
Machinery & equipment	942,290
Construction in progress	1,287,123
Less: Accumulated depreciation	<u>(5,362,026)</u>
Total Capital Assets Net Of Accumulated Depreciation	<u>19,664,130</u>
Total Noncurrent Assets:	<u>20,674,241</u>
Total Assets	<u>\$ 21,376,972</u>

(continued)

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2010

	<u>UTILITY FUND</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 96,020
Deferred revenue	5,667
Due to other funds	<u>144,558</u>
Total Current Liabilities	246,245
Current liabilities payable from restricted assets:	
Customer deposits	159,915
Accrued interest	95,919
Notes payable	4,345
Revenue bonds payable	<u>670,000</u>
Total current liabilities payable from restricted assets	930,179
Noncurrent Liabilities:	
Notes payable	4,981
Revenue bonds payable	<u>16,414,000</u>
Total Noncurrent Liabilities	<u>16,418,981</u>
Total Liabilities	<u>17,595,405</u>
NET ASSETS	
Invested in capital assets, net of related debt	3,098,681
Restricted net assets:	
Restricted for construction	<u>68,354</u>
Total restricted net assets	68,354
Unrestricted	<u>614,532</u>
Total Net Assets	<u>\$ 3,781,567</u>

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

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2010

	<u>UTILITY FUND</u>
OPERATING REVENUES	
Water sales	\$ 1,796,691
Sewer charges	719,147
Assessment revenue	27,258
Tax revenue	581,652
Charges for other services	<u>88,711</u>
Total Operating Revenues	<u>3,213,459</u>
OPERATING EXPENSES	
Utility administration	558,075
Customer service	112,022
Water operations	245,115
Sewer operations	212,335
Water supply	309,008
Depreciation	<u>544,556</u>
Total Operating Expenses	<u>1,981,111</u>
Operating Income (Loss)	<u>1,232,348</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest and fiscal charge expense	(787,492)
Amortization of bond issue costs	(16,440)
Interest income	<u>4,979</u>
Total non-operating revenue (expenses)	<u>(798,953)</u>
Income before transfers	433,395
Transfers in	85,225
Transfers out	<u>(315,552)</u>
Total Transfers	<u>(230,327)</u>
Change in Net Assets	203,068
Net Assets, October 1, 2009	<u>3,578,499</u>
Net Assets, September 30, 2010	<u>\$ 3,781,567</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, 2010

	UTILITY FUND
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers and users	\$ 3,153,324
Cash paid to suppliers for goods and services	(902,130)
Cash paid to employees for services	(541,592)
	<u>1,709,602</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers in	771,718
Transfers out	(961,587)
Net cash provided by (used in) non-capital financing activities	<u>(198,689)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchases or construction of capital assets	(1,237,837)
Interest paid	(816,669)
Principal paid on note	(4,673)
Principal paid on bonds	(608,000)
Net cash (used in) capital and related financing activities	<u>(2,667,179)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest earned on investments	4,979
Net cash provided by investing activities	<u>4,979</u>
Net increase (decrease) in cash	(1,151,287)
Cash, beginning of period	1,963,289
Cash, end of period	<u>\$ 812,002</u>
Reconciliation of cash to Exhibit 7:	
Cash - current asset	\$ 13,278
Cash - restricted current asset	152,910
Cash - restricted non-current asset	645,814
Total cash, end of period	<u>\$ 812,002</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, 2010

	<u>UTILITY FUND</u>
Reconciliation of Operating Income (Loss) To Net Cash Provided By (Used In) Operating Activities:	
Operating income (loss)	\$ 1,232,348
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	
Depreciation expense	544,556
Increase in accounts receivable	(70,792)
Decrease in accounts payable	(7,167)
Increase in customer deposits	<u>4,990</u>
Total adjustments	<u>477,254</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 1,709,602</u></u>

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

CITY OF WHITEHOUSE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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 \$8,037,581 difference are as follows:

Capital assets, October 1, 2009, net of accumulated depreciation	\$ 8,189,436
Capital asset additions, net of retirements	222,910
Depreciation of capital assets, current year	<u>(374,765)</u>
	<u>\$ 8,037,581</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 \$60,004 difference are as follows:

Allowance account for uncollectible taxes	\$ (19,109)
Deferred tax revenues	<u>79,113</u>
	<u>\$ 60,004</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 \$(4,334,744) difference are as follows:

Long-term liabilities, October 1, 2009	\$ (4,809,792)
Principal paid on debt this year	448,446
Change in compensated absences	<u>26,602</u>
	<u>\$ (4,334,744)</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 \$(151,855) difference are as follows:

Capital outlay, asset additions	\$ 222,910
Depreciation expense	<u>(374,765)</u>
	<u>\$ (151,855)</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 \$(3,104) difference are as follows:

Change in allowance for uncollectible taxes	\$ (1,117)
Change in deferred tax revenues	<u>(1,987)</u>
	<u>\$ (3,104)</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 \$476,669 difference are as follows:

Principal payments on debt	\$ 448,446
Change in accrued interest	1,621
Change in compensated absences	<u>26,602</u>
	<u>\$ 476,669</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, 2010, the City had the following deposits and investments:

	<u>BOOK BALANCE</u>	<u>BANK BALANCE</u>
Depository Accounts		
Insured	\$ 219,264	\$ 391,271
Collateral held by pledging bank's Trust Department in City's name	-	-
Total Depository Accounts	<u>\$ 219,264</u>	<u>\$ 391,271</u>
Intergovernmental investment pools:		
Logic	241,757	241,757
Texpool	173,725	173,725
MBIA	<u>185,614</u>	<u>185,614</u>
	820,360	992,367
Petty Cash on Hand	<u>1,490</u>	<u>-</u>
Total Cash and Cash Equivalents	<u><u>\$ 821,850</u></u>	<u><u>\$ 992,367</u></u>

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

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

B. Receivables

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

	<u>General Fund</u>	<u>Utility Operating Fund</u>	<u>Non Major Funds</u>	<u>Total</u>
Receivables:				
Taxes	\$ 56,742	\$ -	\$ -	\$ 56,742
Assessments	-	5,667	22,371	28,038
Sales Tax	108,783	-	-	108,783
Accounts (services)	<u>116,069</u>	<u>530,551</u>	<u>-</u>	<u>646,620</u>
Gross receivables	281,594	536,218	22,371	840,183
Less: Allowance for Uncollectibles	<u>19,111</u>	<u>-</u>	<u>-</u>	<u>19,111</u>
Net Receivables	<u><u>\$ 262,483</u></u>	<u><u>\$ 536,218</u></u>	<u><u>\$ 22,371</u></u>	<u><u>\$ 821,072</u></u>

C. Capital Assets

Capital asset activity for the year ended September 30, 2010 was as follows:

<u>PRIMARY GOVERNMENT</u>	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 128,782	\$ -	\$ -	\$ 128,782
Total Capital Assets, Not Being Depreciated	128,782	-	-	128,782
Capital Assets, Being Depreciated				
Buildings and Improvements	2,430,676	64,865	-	2,495,541
Infrastructure	7,033,461	87,594	-	7,121,055
Machinery and Equipment	1,849,680	70,451	-	1,920,131
Total Capital Assets, Being Depreciated	11,313,817	222,910	-	11,536,727
Less Accumulated Depreciation For:				
Buildings and Improvements	(421,406)	(60,632)	-	(482,038)
Infrastructure	(1,490,481)	(176,774)	-	(1,667,255)
Machinery and Equipment	(1,341,276)	(137,359)	-	(1,478,635)
Total Accumulated Depreciation	(3,253,163)	(374,765)	-	(3,627,928)
Net Total Assets Being Depreciated	8,060,654	(151,855)	-	7,908,799
Governmental Activities Capital Assets, Net	<u>\$ 8,189,436</u>	<u>\$ (151,855)</u>	<u>\$ -</u>	<u>\$ 8,037,581</u>
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Easements	7,800	-	-	7,800
Construction in Progress	165,740	1,355,764	(234,381)	1,287,123
Total Capital Assets, Not Being Depreciated	198,540	1,355,764	(234,381)	1,319,923
Capital Assets, Being Depreciated				
Water and Sewer System	22,238,343	200,967	-	22,439,310
Buildings	324,633	-	-	324,633
Machinery and Equipment	942,290	-	-	942,290
Total Capital Assets, Being Depreciated	23,505,266	200,967	-	23,706,233
Less Accumulated Depreciation For:				
Water and Sewer System	(3,911,266)	(474,527)	-	(4,385,793)
Buildings	(184,377)	(8,661)	-	(193,038)
Machinery and Equipment	(721,827)	(61,368)	-	(783,195)
Total Accumulated Depreciation	(4,817,470)	(544,556)	-	(5,362,026)
Net Total Assets Being Depreciated	18,687,796	(343,589)	-	18,344,207
Business-Type Activities Capital Assets, Net	<u>\$ 18,886,336</u>	<u>\$ 1,012,175</u>	<u>\$ (234,381)</u>	<u>\$ 19,664,130</u>

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

Governmental Activities:	
General Government	\$ 51,945
Public Safety	121,185
Community Development	179,795
Parks and Recreation	<u>21,840</u>
Total depreciation expense, governmental activities	<u>\$ 374,765</u>
Business-Type Activities:	
Water and Sewer Operations	<u>\$ 544,556</u>

Construction Commitments

The government has several active construction projects as of September 30, 2010. At year-end the government's commitments with contractors are as follows:

Project	Spent-to-Date	Estimated Remaining
Eastside Water Improvements	\$ 1,051,679	\$ 30,000
Meadowlark Improvements	42,392	15,000
Corey Drive Water Improvements	<u>193,052</u>	<u>32,905</u>
	<u>\$ 1,287,123</u>	<u>\$ 77,905</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, 2010 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	<u>10,435</u>
		<u>\$ 144,235</u>

Interfund transfers:

	Transfers In				Total
	Debt Service Fund	Utility Capital Projects Fund	Utility Debt Service Fund	General Fund	
Transfers out:					
Debt Service Fund	\$ -	\$ -	\$ 80,230	\$ -	\$ 80,230
Utility Operating fund	25,625	-	753,139	249,469	1,028,233
Other Governmental Funds	-	-	-	1,364	1,364
Utility Capital Projects fund	<u>-</u>	<u>193,923</u>	<u>-</u>	<u>-</u>	<u>193,923</u>
Total transfers out/in	<u>\$ 25,625</u>	<u>\$ 193,923</u>	<u>\$ 833,369</u>	<u>\$ 250,833</u>	<u>\$1,303,750</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, 2010:

	<u>GENERAL OBLIGATION</u>	<u>REVENUE</u>	<u>TOTAL</u>
Bonds payable – October 1, 2009	\$ 4,532,000	\$ 17,692,000	\$ 22,224,000
Additions	-	-	-
Retirements	(367,000)	(618,000)	(985,000)
Bonds Payable – September 30, 2010	<u>\$ 4,165,000</u>	<u>\$ 17,084,000</u>	<u>\$ 21,249,000</u>

Outstanding bonds at September 30, 2010 are comprised of the following issues:

Governmental Activities:

\$3,140,000 Series 2006 Refunding Bonds; maturing serially in varying amounts through 2-15-26 at 4.80%	\$ 2,690,000
\$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%	200,000
\$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>1,275,000</u>
Total Governmental Bonded Debt	\$ <u>4,165,000</u>

Business-Type Activities:

\$5,000,000 Series 2001 Combination Tax and Revenue Certificates of Obligation; maturing annually in varying amounts through 9-1-21. Interest rates varying from 4.00% to 8.50%	\$ 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%	2,445,000
\$3,100,000 Series 2008 Combination Tax and Revenue Certificates of Obligation; maturing annually in varying amounts beginning 2-15-09 through 2-15-28 at 3.70%	2,927,000
\$4,359,000 Series 2007 Tax Refunding; maturing annually in varying amounts through 2-15-27 at 4.52%	4,253,000
\$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%	1,815,000

\$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%

644,000

Total Business-Type Bonded Debt

\$ 17,084,000

The funding requirements to amortize all bonds outstanding as of September 30, 2010, including interest, are as follows:

	GOVERNMENTAL		BUSINESS-TYPE		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
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	225,000	125,507	1,118,089	597,286	2,065,882
2016-2020	1,355,000	486,533	6,335,111	2,149,914	10,326,558
2021-2025	1,445,000	200,165	4,874,447	693,447	7,213,059
2026	225,000	9,563	1,264,000	58,889	1,557,452
	<u>\$ 4,165,000</u>	<u>\$ 1,415,550</u>	<u>\$ 17,084,000</u>	<u>\$ 6,503,699</u>	<u>\$ 29,168,249</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, 2010 be disclosed.

Insurer	Policy	Limit of Liability		Expiration Date
		Each Occurrence	Annual Aggregate	
Texas Municipal League	General Liability	\$1,000,000	\$2,000,000	10/1/2011
	Law Enforcement	1,000,000	2,000,000	10/1/2011
	Errors & Omissions	1,000,000	2,000,000	10/1/2011
	Auto Liability	1,000,000	n/a	10/1/2011
	Auto Physical Damage	10,000	n/a	10/1/2011
	Uninsured/Underinsured Motorists	55,000	n/a	10/1/2011
Texas Municipal League	Real & Personal Property	17,821,530	n/a	10/1/2011
	Mobile Equipment	430,718	n/a	10/1/2011
	Boiler & Machinery	100,000	n/a	10/1/2011
Texas Municipal League	Workers Comp	500,000	n/a	10/1/2011

As of September 30, 2010, the City was not in compliance with the minimum cash requirement contained in its bond ordinances as follows:

Minimum required balance	\$ 463,209
Actual balance held at September 30, 2010	<u>13,278</u>
Shortage	<u>\$ 463,209</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, 2010:

GOVERNMENTAL ACTIVITIES

Note Payable to Austin Bank at 3.5% payable in annual installments of \$27,328.26 including interest, secured by three vehicles	\$ 26,410
Note payable to Austin Bank at 3.25% payable in five annual installments of \$3,735 plus accrued interest, secured by a motorcycle	7,469
Note payable to Austin Bank at 4.95% payable in annual installments of \$11,745 including interest, secured by backhoe	<u>11,291</u>
Total General Obligation Notes	45,170
Less: Current Portion	<u>41,436</u>
LONG-TERM PORTION	<u>\$ 3,734</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	\$ 9,326
Less: Current Portion	<u>4,345</u>
Long-Term Portion	<u>\$ 4,981</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>
2011	\$ 41,436	\$ 4,345
2012	<u>3,734</u>	<u>4,981</u>
Total	<u>\$ 45,170</u>	<u>\$ 9,326</u>

Changes in long-term liabilities

Long term liability activity for the year ended September 30, 2010 was as follows:

	Beginning Balance 10/1/09	Additions	Reductions	Ending Balance 9/30/10	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 4,532,000	\$ -	\$ 367,000	\$ 4,165,000	\$ 240,000
Notes Payable	126,616	-	81,446	45,170	41,346
Compensated Absences	151,176	-	26,602	124,574	12,457
Governmental Activity Long-Term Liabilities	\$ 4,809,792	\$ -	\$ 475,048	\$ 4,334,744	\$ 293,803
Business-type Activities:					
Revenue Bonds	\$ 17,692,000	\$ -	\$ 608,000	\$ 17,084,000	\$ 670,000
Notes Payable	13,999	-	4,673	9,326	4,345
Business-type Activity Long-Term Liabilities	\$ 17,705,999	\$ -	\$ 612,673	\$ 17,093,326	\$ 674,345

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, 2010, the City had \$646,620 in net receivables from its residents for the usage of these services.

NOTE 6 – EMPLOYEES’ PENSION PLAN OBLIGATIONS

Plan Description

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

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

	Plan Year 2009	Plan Year 2010
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)	\$ 62,164
Interest on Net Pension Obligation	-
Adjustment to the ARC	-
Annual Pension Cost (APC)	62,164
Contributions Made	<u>62,164</u>
Increase (decrease) in net pension obligation	-
Net Pension Obligation/(Asset), beginning of year	<u>-</u>
Net Pension Obligation/(Asset), end of year	<u>\$ -</u>

Three-Year Trend Information

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Actual</u> <u>Contribution</u> <u>Made</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation/</u> <u>(Asset)</u>
9/30/2008	\$ 66,806	\$ 66,806	100%	\$ -
9/30/2009	58,345	58,345	100%	-
9/30/2010	62,164	62,164	100%	-

General System-wide Actuarial Assumptions

The required contribution rates for fiscal year 2010 were determined as part of the December 31, 2007 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2009, also follows:

Valuation Date	12/31/2007	12/31/2008	12/31/2009
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	30 years; open period	29 years; closed period	29 years; closed period
Asset Valuation Method	Amortized Cost	Amortized Cost	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7%	7.5%	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	2.1%	2.1%	2.1%

Funding Status and Funding Progress

The funded status as of December 31, 2009, 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
12/31/2009	\$ 2,090,187	\$ 2,433,241	85.9%	\$ 343,054	\$ 1,628,046	21.1%

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
12/31/2007	\$ 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%
12/31/2009	2,090,187	2,433,241	85.9%	343,054	1,628,046	21.1%

NOTE 7 – DEFICIT RETAINED EARNINGS

At September 30, 2010, the Enterprise Debt Service Fund had a deficit retained earnings of \$185,195.

NOTE 8 – COMMITMENTS

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

Effective October 1, 2008, the City entered into a water delivery contract with the City of Tyler to purchase treated water on an “as need” basis. The contract calls for a monthly demand fee to be paid each month regardless of consumption and a volume rate per each 1,000 gallons consumed. The contract is for a 25 year period and calls for an increase in the demand rate and the volume rate equal to any increase in Tyler’s residential rate plus 1%. During the fiscal year ended September 30, 2010, the City paid a demand fee of \$20,672 per month as outlined in the agreement and notified by Tyler. The contract contains termination clauses including Whitehouse taking delivery of untreated water from either Lake Striker or Lake Columbia.

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

The City has a contract with Smith County for use of its jail facility. Under this agreement, the city will pay \$35 per prisoner for each day of confinement in the jail. The agreement, which ended September 30, 2010, has been renewed for another year through September 30, 2011.

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, 2010, the City did not have any liability for unpaid claims or adjustments under policies carried with TML. During the year ended September 30, 2010, there was no reduction in insurance coverage from the prior year. There were no settlements in the prior three fiscal years which exceeded insurance coverage carried by the City.

NOTE 10 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2010, expenditures exceeded appropriations in the following departments of the General Fund: Legislative, General Administration, Tax Appraisal and Collections, Municipal Court, Police and Fire. Also, expenditures exceeded appropriations in the following departments of the Utility Operating Fund: Utility Administration and Water Supply. These overexpenditures were funded by greater than anticipated revenues and by available fund balance.

ADDITIONAL SUPPLEMENTAL INFORMATION

**CITY OF WHITEHOUSE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010**

	SPECIAL REVENUE FUND	STREET CONSTRUCTION FUND	FM 346 FUND	MUNICIPAL BUILDING FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS					
Cash and investments	\$ 8,358	\$ -	\$ -	\$ -	\$ 8,358
Receivables:					
Street assessments	-	22,371	-	-	22,371
Restricted Assets:					
Temporarily restricted					
Cash and cash equivalents	-	-	-	-	-
Due from other funds	-	698	-	-	698
Bond issue costs (net)	-	2,034	31,980	18,259	52,273
Total Assets	\$ 8,358	\$ 25,103	\$ 31,980	\$ 18,259	\$ 83,700
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	\$ -	\$ -	\$ -	\$ 3,049	\$ 3,049
Deferred revenue	-	22,371	-	-	22,371
Total Liabilities	-	22,371	-	3,049	25,420
Fund Balances:					
Reserved for construction	-	-	-	15,210	15,210
Undesignated unreserved	8,358	2,732	31,980	-	43,070
Total Fund Balances	8,358	2,732	31,980	15,210	58,280
Total Liabilities and Fund Balances	\$ 8,358	\$ 25,103	\$ 31,980	\$ 18,259	\$ 83,700

**CITY OF WHITEHOUSE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	SPECIAL REVENUE FUND	STREET CONSTRUCTION FUND	FM 346 FUND	MUNICIPAL BUILDING FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES					
Donations	620	\$ -	\$ -	\$ -	\$ 620
Miscellaneous	-	-	-	-	-
Interest	15	-	-	-	15
Total Revenues	<u>635</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>635</u>
EXPENDITURES					
General administration	4,009	-	-	-	4,009
Capital outlay	-	-	-	-	-
Total Expenditures	<u>4,009</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,009</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,374)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,374)</u>
Other Financing Sources (Uses):					
Amortization	-	(2,031)	(3,961)	(1,690)	(7,682)
Transfers in	-	-	-	-	-
Transfers out	<u>(1,364)</u>	<u>-</u>	<u>(323)</u>	<u>-</u>	<u>(1,687)</u>
Total Other Financing Sources (Uses)	<u>(1,364)</u>	<u>(2,031)</u>	<u>(4,284)</u>	<u>(1,690)</u>	<u>(9,369)</u>
Net change in fund balances	<u>(4,738)</u>	<u>(2,031)</u>	<u>(4,284)</u>	<u>(1,690)</u>	<u>(12,743)</u>
Fund Balance - October 1, 2009	<u>13,096</u>	<u>4,763</u>	<u>36,264</u>	<u>16,900</u>	<u>71,023</u>
Fund Balance - September 30, 2010	<u>\$ 8,358</u>	<u>\$ 2,732</u>	<u>\$ 31,980</u>	<u>\$ 15,210</u>	<u>\$ 58,280</u>

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

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2010

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
LEGISLATIVE				
PERSONNEL SERVICES:				
Administration	\$ 15,702	\$ 15,702	\$ 16,412	\$ (710)
Workers compensation	50	50	43	7
Unemployment compensation	81	81	-	81
Employee retirement	887	887	946	(59)
Employee insurance	1,940	1,940	2,020	(80)
Payroll taxes	1,201	1,201	1,207	(6)
Total Personnel Services	19,861	19,861	20,628	(767)
CONTRACTUAL SERVICES:				
Insurance	4,661	4,661	5,811	(1,150)
Business and travel	750	750	4,623	(3,873)
Legal fees	6,000	6,000	6,000	-
Contractual and fee base services	5,000	5,000	5,420	(420)
Total Contractual Services	16,411	16,411	21,854	(5,443)
TOTAL LEGISLATIVE	\$ 36,272	\$ 36,272	\$ 42,482	\$ (6,210)
GENERAL/ADMINISTRATION				
PERSONNEL SERVICES:				
Administration	\$ 36,206	\$ 36,206	\$ 39,276	\$ (3,070)
Clerical	44,403	44,403	43,623	780
Overtime	500	500	143	357
Severance package - City Manager	84,344	84,344	112,920	(28,576)
Uniforms and clothing	500	500	146	354
Workers compensation	266	266	174	92
Unemployment compensation	140	140	560	(420)
Employee retirement	4,684	4,684	4,782	(98)
Employee insurance	10,198	10,198	11,963	(1,765)
Retiree insurance	2,310	2,310	1,348	962
Payroll taxes	6,343	6,343	6,401	(58)
Total Personnel Services	189,894	189,894	221,336	(31,442)
SUPPLIES AND MATERIALS:				
Office supplies	5,000	5,000	4,063	937
Data processing supplies	1,500	1,500	1,426	74
Photo/audio/video supplies	700	700	600	100
Postage and delivery	2,100	2,100	1,650	450
Motor vehicle supplies	9,000	9,000	11,488	(2,488)
Educational and training	500	500	560	(60)
Other supplies	2,000	2,000	1,786	214
Total Supplies and Materials	20,800	20,800	21,573	(773)
MAINTENANCE OF BUILDING/GROUNDS:				
Building and grounds	3,000	3,000	3,305	(305)
Total Maintenance of Building/Grounds	3,000	3,000	3,305	(305)

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

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2010

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
MAINTENANCE OF EQUIPMENT/MACHINERY:				
Office equipment	\$ 1,000	\$ 1,000	\$ 809	\$ 191
HVAC equipment	1,000	1,000	315	685
Communication equipment	1,500	1,500	1,017	483
Total Maintenance of Equipment/ Machinery	3,500	3,500	2,141	1,359
CONTRACTUAL SERVICES:				
Communication services	9,000	9,000	9,309	(309)
Insurance	1,637	1,637	2,517	(880)
Advertising	1,800	1,800	1,705	95
Business and travel	800	800	958	(158)
Legal fees	1,000	1,000	300	700
Contractual and fee base services	10,000	10,000	13,530	(3,530)
Utility services	72,500	72,500	72,556	(56)
Data processing maintenance	6,000	6,000	5,797	203
Computer training	100	100	-	100
Memberships/subscriptions	4,000	4,000	4,891	(891)
Miscellaneous expense	500	500	10	490
Total Contractual Services	107,337	107,337	111,573	(4,236)
CAPITAL OUTLAY				
Buildings	-	-	65,815	(65,815)
Library books and periodicals	2,000	2,000	2,990	(990)
Total Capital Outlay	2,000	2,000	68,805	(66,805)
TOTAL GENERAL ADMINISTRATION	\$ 326,531	\$ 326,531	\$ 428,733	\$ (102,202)
TREASURY AND FINANCIAL				
PERSONNEL SERVICES:				
Administration	\$ 64,217	\$ 64,217	\$ 40,719	\$ 23,498
Workers compensation	205	205	217	(12)
Unemployment compensation	74	74	189	(115)
Employee retirement	3,628	3,628	2,298	1,330
Employee insurance	4,153	4,153	5,262	(1,109)
Payroll taxes	4,913	4,913	3,081	1,832
Total Personnel Services	77,190	77,190	51,766	25,424
SUPPLIES AND MATERIALS:				
Educational and training	300	300	-	300
Total Supplies and Materials	300	300	-	300
CONTRACTUAL SERVICES:				
Business and travel	300	300	231	69
Contractual/fee services	25,000	25,000	26,000	(1,000)
Total Contractual Services	25,300	25,300	26,231	(931)
TOTAL TREASURY AND FINANCIAL	\$ 102,790	\$ 102,790	\$ 77,997	\$ 24,793

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

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2010

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
TAX APPRAISAL AND COLLECTIONS				
CONTRACTUAL SERVICES:				
Contractual/Fee Services	\$ 38,000	\$ 38,000	\$ 40,229	\$ (2,229)
Total Contractual Services	38,000	38,000	40,229	(2,229)
TOTAL TAX APPRAISAL AND COLLECTIONS	\$ 38,000	\$ 38,000	\$ 40,229	\$ (2,229)
MUNICIPAL COURT				
PERSONNEL SERVICES:				
Clerical	\$ 51,230	\$ 51,230	\$ 57,242	\$ (6,012)
Overtime	1,000	1,000	316	684
Workers compensation	166	166	130	36
Unemployment compensation	151	151	515	(364)
Employee retirement	2,951	2,951	2,894	57
Employee insurance	10,940	10,940	11,844	(904)
Payroll taxes	3,996	3,996	4,344	(348)
Total Personnel Services	70,434	70,434	77,285	(6,851)
SUPPLIES AND MATERIALS:				
Educational and training	200	200	50	150
Total Supplies and Materials	200	200	50	150
CONTRACTUAL SERVICES:				
Business and travel	750	750	249	501
Legal fees	6,000	6,000	6,000	-
Contractual/fee services	13,200	13,200	13,200	-
Collection agency fees	4,000	4,000	16,039	(12,039)
State Fee	130,000	130,000	165,165	(35,165)
Omni base fee	2,500	2,500	1,950	550
On Line / Credit Card Fees	4,000	4,000	5,265	(1,265)
Memberships/subscriptions	100	100	236	(136)
Total Contractual Services	160,550	160,550	208,104	(47,554)
TOTAL MUNICIPAL COURT	\$ 231,184	\$ 231,184	\$ 285,439	\$ (54,255)
LIBRARY SERVICES				
CONTRACTUAL SERVICES				
Contractual and fee basis services	\$ 42,500	\$ 42,500	\$ 42,500	\$ -
Total Contractual Services	42,500	42,500	42,500	-
TOTAL LIBRARY SERVICES	\$ 42,500	\$ 42,500	\$ 42,500	\$ -

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

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2010

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>PARKS/RECREATION SERVICES</u>				
MAINTENANCE OF BUILDINGS/LAND				
Building and grounds	\$ 10,000	\$ 10,000	\$ 8,776	\$ 1,224
Total Maintenance of Buildings/Land	10,000	10,000	8,776	1,224
MAINTENANCE OF EQUIPMENT/MACHINERY				
Playground equipment	1,000	1,000	166	834
Total Maintenance of Equipment/Machinery	1,000	1,000	166	834
CONTRACTUAL SERVICES				
Contractual and fee basis services	46,000	46,000	46,000	-
Total Contractual Services	46,000	46,000	46,000	-
TOTAL PARKS/RECREATION SERVICES	\$ 57,000	\$ 57,000	\$ 54,942	\$ 2,058
<u>COMMUNITY DEVELOPMENT</u>				
PERSONNEL SERVICES:				
Operations and maintenance	\$ 10,607	\$ 10,607	\$ -	\$ 10,607
Part-time	15,393	15,393	-	15,393
Workers compensation	127	127	217	(90)
Unemployment compensation	25	25	-	25
Employee retirement	599	599	-	599
Employee insurance	1,601	1,601	-	1,601
Payroll taxes	1,989	1,989	-	1,989
Total Personnel Services	30,341	30,341	217	30,124
SUPPLIES AND MATERIALS:				
Educational and training	500	500	520	(20)
Total Supplies and Materials	500	500	520	(20)
CONTRACTUAL SERVICES:				
Insurance	547	547	559	(12)
Business and travel	500	500	1,145	(645)
Contractual/fee services	22,287	22,287	23,868	(1,581)
Economic Development	15,000	15,000	14,550	450
Memberships and subscriptions	400	400	100	300
Miscellaneous expense	1,200	1,200	1,200	-
Total Contractual Services	39,934	39,934	41,422	(1,488)
TOTAL COMMUNITY DEVELOPMENT	\$ 70,775	\$ 70,775	\$ 42,159	\$ 28,616

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

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2010

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
STREET AND GROUNDS MAINTENANCE				
PERSONNEL SERVICES:				
Administration	\$ 14,238	\$ 14,238	\$ 15,298	\$ (1,060)
Operations and maintenance	66,456	66,456	69,867	(3,411)
Overtime	7,250	7,250	5,026	2,224
Uniforms and clothing	300	300	300	-
Workers compensation	6,281	6,281	7,201	(920)
Unemployment compensation	78	78	375	(297)
Employee retirement	4,969	4,969	5,181	(212)
Employee insurance	14,036	14,036	17,320	(3,284)
Payroll taxes	6,728	6,728	6,654	74
Total Personnel Services	120,336	120,336	127,222	(6,886)
SUPPLIES AND MATERIALS:				
Tires and tubes	2,000	2,000	180	1,820
Minor tools and apparatus	1,000	1,000	583	417
Chemical and mechanical	500	500	-	500
Safety supplies	250	250	83	167
Other supplies	250	250	29	221
Total Supplies and Materials	4,000	4,000	875	3,125
MAINTENANCE OF BUILDINGS/LAND:				
Streets and alleys	39,750	39,750	15,723	24,027
Storm sewers and drainageways	39,750	39,750	38,851	899
Total Maintenance of Buildings/Land	79,500	79,500	54,574	24,926
MAINTENANCE OF EQUIPMENT/MACHINERY:				
Machinery and heavy equipment	5,000	5,000	15,164	(10,164)
Automotive equipment	2,500	2,500	1,366	1,134
Shop equipment	1,000	1,000	542	458
Minor tools and equipment	1,000	1,000	52	948
Signal and sign system	5,000	5,000	741	4,259
Communication equipment	250	250	138	112
Total Maintenance of Equipment/Machinery	14,750	14,750	18,003	(3,253)
CONTRACTUAL SERVICES				
Leases and rentals	3,000	3,000	-	3,000
Insurance	3,281	3,281	3,338	(57)
Total Contractual Services	6,281	6,281	3,338	2,943
TOTAL STREET AND GROUNDS MAINTENANCE	\$ 224,867	\$ 224,867	\$ 204,012	\$ 20,855

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

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2010

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
COMMUNICATION CENTER				
PERSONNEL SERVICES:				
Operations and maintenance	\$ 123,948	\$ 123,948	\$ 113,719	\$ 10,229
Overtime	21,000	21,000	23,035	(2,035)
Part-time	5,928	5,928	-	5,928
Uniforms and clothing	500	500	386	114
Workers compensation	461	461	390	71
Unemployment compensation	404	404	911	(507)
Employee retirement	8,190	8,190	7,882	308
Employee insurance	28,375	28,375	25,466	2,909
Payroll taxes	11,542	11,542	10,226	1,316
Total Personnel Services	200,348	200,348	182,015	18,333
SUPPLIES AND MATERIALS:				
Office supplies	500	500	752	(252)
Data processing supplies	350	350	452	(102)
Photo/audio/video	150	150	-	150
Emergency medical services	75	75	-	75
Janitorial supplies	100	100	-	100
Educational and training	150	150	80	70
Total Supplies and Materials	1,325	1,325	1,284	41
MAINTENANCE OF EQUIPMENT/MACHINERY:				
Office equipment	500	500	270	230
Communication equipment	750	750	859	(109)
Total Maintenance of Equipment/Machinery	1,250	1,250	1,129	121
CONTRACTUAL SERVICES:				
Communication services	2,500	2,500	2,164	336
Business and travel	350	350	235	115
Data processing maintenance	500	500	-	500
Memberships and subscriptions	600	600	219	381
Total Contractual Services	3,950	3,950	2,618	1,332
TOTAL COMMUNICATION CENTER	\$ 206,873	\$ 206,873	\$ 187,046	\$ 19,827

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

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2010

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
POLICE OPERATIONS				
PERSONNEL SERVICES:				
Administration	\$ 62,021	\$ 62,021	\$ 64,406	\$ (2,385)
Clerical	56,555	56,555	58,584	(2,029)
Operations and maintenance	521,396	521,396	597,108	(75,712)
Overtime	50,000	50,000	38,717	11,283
Uniforms and clothing	6,500	6,500	3,631	2,869
Workers compensation	21,136	21,136	24,076	(2,940)
Unemployment compensation	1,670	1,670	3,451	(1,781)
Employee retirement	38,848	38,848	43,702	(4,854)
Employee insurance	89,864	89,864	110,876	(21,012)
Payroll taxes	52,599	52,599	57,051	(4,452)
Total Personnel Services	<u>900,589</u>	<u>900,589</u>	<u>1,001,602</u>	<u>(101,013)</u>
SUPPLIES AND MATERIALS:				
Office supplies	5,000	5,000	5,034	(34)
Data processing supplies	300	300	263	37
Photo/audio/video	500	500	450	50
Laboratory supplies	2,000	2,000	798	1,202
Postage and delivery	700	700	656	44
Tires and tubes	7,000	7,000	5,443	1,557
Motor vehicle supplies	30,000	30,000	39,980	(9,980)
Emergency medical supplies	250	250	31	219
Minor tools and apparatus	750	750	898	(148)
Janitorial supplies	1,400	1,400	1,216	184
Chemical and mechanical	100	100	-	100
Safety supplies	3,500	3,500	3,622	(122)
Educational and training	2,500	2,500	6,861	(4,361)
Other supplies	12,000	12,000	8,046	3,954
Community resource supply	200	200	175	25
Evidence processing	500	500	23	477
Evidence supplies	400	400	525	(125)
CID supplies	300	300	117	183
Total Supplies and Materials	<u>67,400</u>	<u>67,400</u>	<u>74,138</u>	<u>(6,738)</u>
MAINTENANCE OF BUILDINGS/LAND:				
Buildings and grounds	6,000	6,000	7,034	(1,034)
Total Maintenance of Buildings/Land	<u>6,000</u>	<u>6,000</u>	<u>7,034</u>	<u>(1,034)</u>

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

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2010

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>POLICE OPERATIONS (cont'd)</u>				
<u>MAINTENANCE OF EQUIPMENT/MACHINERY:</u>				
Office equipment	\$ 1,000	\$ 1,000	\$ 151	\$ 849
HVAC equipment	-	-	316	(316)
Automotive equipment	21,000	21,000	30,614	(9,614)
Minor tools and equipment	500	500	214	286
Communication equipment	1,000	1,000	795	205
Outdoor warning system	10,000	10,000	(6,916)	16,916
Other maintenance	100	100	-	100
Total Maintenance of Equipment/Machinery	<u>33,600</u>	<u>33,600</u>	<u>25,174</u>	<u>8,426</u>
<u>CONTRACTUAL SERVICES:</u>				
Communication services	16,000	16,000	18,711	(2,711)
Insurance	18,653	18,653	18,818	(165)
Advertising	2,500	2,500	2,235	265
Business and travel	3,000	3,000	3,895	(895)
Custody support services	100	100	47	53
Legal Fees	1,000	1,000	-	1,000
Contractual/fee services	45,000	45,000	51,030	(6,030)
Utility services	15,000	15,000	11,638	3,362
Data processing maintenance	3,000	3,000	1,000	2,000
Memberships and subscriptions	750	750	908	(158)
Total Contractual Services	<u>105,003</u>	<u>105,003</u>	<u>108,282</u>	<u>(3,279)</u>
<u>CAPITAL OUTLAY:</u>				
Machinery and equipment	1,700	1,700	762	938
Other equipment	7,000	7,000	17,909	(10,909)
Motor vehicles	31,000	31,000	31,537	(537)
Other improvements	-	-	21,183	(21,183)
Total Capital Outlay	<u>39,700</u>	<u>39,700</u>	<u>71,391</u>	<u>(31,691)</u>
TOTAL POLICE OPERATIONS	\$ <u>1,152,292</u>	\$ <u>1,152,292</u>	\$ <u>1,287,621</u>	\$ <u>(135,329)</u>
<u>ANIMAL CONTROL</u>				
<u>PERSONNEL SERVICES:</u>				
Operations and maintenance	\$ 25,813	\$ 25,813	\$ 26,855	\$ (1,042)
Overtime	500	500	-	500
Uniforms and clothing	250	250	70	180
Workers compensation	573	573	521	52
Unemployment compensation	60	60	182	(122)
Employee retirement	1,487	1,487	1,545	(58)
Employee insurance	4,835	4,835	4,978	(143)
Payroll taxes	2,013	2,013	2,054	(41)
Total Personnel Services	<u>35,531</u>	<u>35,531</u>	<u>36,205</u>	<u>(674)</u>

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

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2010

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>ANIMAL CONTROL (cont'd.)</u>				
<u>SUPPLIES AND MATERIALS:</u>				
Tires and tubes	\$ 600	\$ 600	\$ 600	\$ -
Motor vehicle supplies	200	200	-	200
Minor tools and apparatus	500	500	20	480
Chemical and mechanical supplies	100	100	45	55
Safety supplies	150	150	-	150
Educational and training	150	150	-	150
Total Supplies and Materials	1,700	1,700	665	1,035
<u>MAINTENANCE OF BUILDING:</u>				
Building and grounds	300	300	116	184
Total Maintenance of Equipment/Machinery	300	300	116	184
<u>MAINTENANCE OF EQUIPMENT/MACHINERY:</u>				
Automotive equipment	1,000	1,000	1,340	(340)
Minor tools and equipment	75	75	-	75
Communication equipment	120	120	-	120
Total Maintenance of Equipment/Machinery	1,195	1,195	1,340	(145)
<u>CONTRACTUAL SERVICES:</u>				
Insurance	547	547	559	(12)
Business and travel	150	150	-	150
Custody support services	500	500	105	395
Contractual and fee based services	9,000	9,000	8,385	615
Memberships and subscriptions	50	50	-	50
Total Contractual Services	10,247	10,247	9,049	1,198
TOTAL ANIMAL CONTROL	\$ 48,973	\$ 48,973	\$ 47,375	\$ 1,598
<u>FIRE OPERATIONS</u>				
<u>PERSONNEL SERVICES:</u>				
Part-time	\$ 66,000	\$ 66,000	\$ 68,580	\$ (2,580)
Uniforms and clothing	1,000	1,000	467	533
Workers compensation	1,815	1,815	1,432	383
Unemployment compensation	-	-	954	(954)
Payroll taxes	5,049	5,049	5,246	(197)
Total Personnel Services	73,864	73,864	76,679	(2,815)
<u>SUPPLIES AND MATERIALS:</u>				
Office supplies	100	100	352	(252)
Photo, audio & video supplies	100	100	202	(102)
Motor vehicle supplies	6,000	6,000	5,484	516
Educational and training	3,500	3,500	3,500	-
Total Supplies and Materials	9,700	9,700	9,538	162
<u>MAINTENANCE OF BUILDINGS/GROUNDS</u>				
Buildings and grounds	4,000	4,000	3,480	520
Total Maintenance of Buildings/Grounds	4,000	4,000	3,480	520
<u>MAINTENANCE OF EQUIPMENT/MACHINERY:</u>				
Automotive equipment	5,000	5,000	3,970	1,030
Safety and medical equipment	5,000	5,000	5,000	-
Total Maintenance of Equipment/Machinery	10,000	10,000	8,970	1,030

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

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2010

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>FIRE OPERATIONS (cont'd)</u>				
CONTRACTUAL SERVICES:				
Communication services	\$ 500	\$ 500	\$ 611	\$ (111)
Insurance	766	766	1,255	(489)
Business and travel	2,500	2,500	2,491	9
Contractual/fee services	8,000	8,000	8,883	(883)
Memberships and subscriptions	<u>1,000</u>	<u>1,000</u>	<u>60</u>	<u>940</u>
Total Contractual Services	<u>12,766</u>	<u>12,766</u>	<u>13,300</u>	<u>(534)</u>
TOTAL FIRE OPERATIONS	<u>\$ 110,330</u>	<u>\$ 110,330</u>	<u>\$ 111,967</u>	<u>\$ (1,637)</u>
<u>SANITATION</u>				
CONTRACTUAL SERVICES:				
Contractual/fee services	\$ 551,122	\$ 551,122	\$ 508,855	\$ 42,267
Sales tax	<u>43,000</u>	<u>43,000</u>	<u>43,892</u>	<u>(892)</u>
Total Contractual Services	<u>594,122</u>	<u>594,122</u>	<u>552,747</u>	<u>41,375</u>
TOTAL SANITATION	<u>\$ 594,122</u>	<u>\$ 594,122</u>	<u>\$ 552,747</u>	<u>\$ 41,375</u>
TOTAL EXPENDITURES - BUDGET BASIS	<u>\$ 3,242,509</u>	<u>\$ 3,242,509</u>	3,405,249	<u>\$ (162,740)</u>
Financial Statement Adjustments:				
Transfers on expenditures paid in other funds			41,823	
Decrease in accrued expenses			<u>(65,216)</u>	
TOTAL EXPENDITURES - GAAP BASIS			<u>\$ 3,381,856</u>	

CITY OF WHITEHOUSE, TEXAS
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
SEPTEMBER 30, 2010

	<u>1970 SERIES GENERAL OBLIGATION SEWER BOND</u>	<u>GENERAL OBLIGATION NOTES</u>	<u>2004 SERIES CERTIFICATES OF OBLIGATION</u>	<u>2003 SERIES REFUNDING BOND</u>	<u>2006 SERIES REFUNDING FUND</u>	<u>1996 SERIES GENERAL OBLIGATION BOND</u>	<u>TOTAL</u>
<u>ASSETS</u>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
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	83,304	-	-	-	-	-	83,304
TOTAL ASSETS	<u>\$ 121,513</u>	<u>\$ 2,631</u>	<u>\$ 3,050</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 127,194</u>
 <u>LIABILITIES AND FUND BALANCE</u>							
<u>LIABILITIES</u>							
Due to General Fund	<u>\$ 15,366</u>	<u>\$ 20,296</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,684</u>	<u>\$ 104,346</u>
Total Liabilities	<u>15,366</u>	<u>20,296</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,684</u>	<u>104,346</u>
 <u>FUND BALANCE</u>							
Fund Balance	<u>106,147</u>	<u>(17,665)</u>	<u>3,050</u>	<u>-</u>	<u>-</u>	<u>(68,684)</u>	<u>22,848</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 121,513</u>	<u>\$ 2,631</u>	<u>\$ 3,050</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 127,194</u>

CITY OF WHITEHOUSE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

DEBT SERVICE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2010

	1970 SERIES GENERAL OBLIGATION SEWER BOND	GENERAL OBLIGATION NOTES	2004 SERIES CERTIFICATES OF OBLIGATION	2003 SERIES REFUNDING BOND	2006 SERIES REFUNDING FUND	1996 SERIES GENERAL OBLIGATION BOND	TOTAL
<u>REVENUES</u>							
Current and delinquent taxes	\$ 15,935	\$ 143,227	\$ 65,800	\$ 113,938	\$ 234,694	\$ 102,862	\$ 676,456
Interest income	882	-	-	-	-	-	882
Total Revenues	16,817	143,227	65,800	113,938	234,694	102,862	677,338
<u>EXPENDITURES</u>							
Debt Service:							
Bond principal	25,000	-	25,000	112,000	115,000	90,000	367,000
Note principal	-	81,446	-	-	-	-	81,446
Interest and fees	635	4,791	40,800	1,938	119,694	12,862	180,720
Total Expenditures	25,635	86,237	65,800	113,938	234,694	102,862	629,166
Revenues Over (Under) Expenditures	(8,818)	56,990	-	-	-	-	48,172
<u>OTHER FINANCING SOURCES (USES)</u>							
Transfers in	-	20,952	-	-	-	-	20,952
Transfers out	-	(80,230)	-	-	-	-	(80,230)
Total Other Financing Sources (Uses)	-	(59,278)	-	-	-	-	(59,278)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(8,818)	(2,288)	-	-	-	-	(11,106)
Fund Balance (Deficit), October 1, 2009	114,965	(15,377)	3,050	-	-	(68,684)	33,954
FUND BALANCE (DEFICIT), SEPTEMBER 30, 2010	\$ 106,147	\$ (17,665)	\$ 3,050	\$ -	\$ -	\$ (68,684)	\$ 22,848

CITY OF WHITEHOUSE, TEXAS
COMBINING STATEMENT OF NET ASSETS
UTILITY FUND
SEPTEMBER 30, 2010

BUSINESS-TYPE ACTIVITIES

	OPERATING FUND	CAPITAL PROJECTS FUNDS					DEBT SERVICE	TOTAL UTILITY FUND
		2001 SERIES	2003 SERIES	2006 SERIES	2007 SERIES	2008 SERIES		
ASSETS								
Current Assets:								
Cash and certificates of deposit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,278	\$ 13,278
Due from other funds	325	-	-	-	-	-	-	325
Accounts receivable (Net)	536,218	-	-	-	-	-	-	536,218
Total Current Assets	536,543	-	-	-	-	-	13,278	549,821
Restricted Current Assets:								
Temporarily Restricted								
Customer deposits	152,910	-	-	-	-	-	-	152,910
Total Restricted Current Assets	152,910	-	-	-	-	-	-	152,910
Noncurrent Assets:								
Restricted Assets:								
Temporarily Restricted								
Cash for construction	-	-	-	645,814	-	-	-	645,814
Total Restricted Assets	-	-	-	645,814	-	-	-	645,814
Water rights - Lake Columbia	230,000	-	-	-	-	-	-	230,000
Bond Issue Costs (Net)	112,079	-	-	-	22,218	-	-	134,297
Capital Assets:								
Land	25,000	-	-	-	-	-	-	25,000
Easements	7,800	-	-	-	-	-	-	7,800
Buildings	324,633	-	-	-	-	-	-	324,633
Water and sewer system	22,439,310	-	-	-	-	-	-	22,439,310
Machinery & equipment	942,290	-	-	-	-	-	-	942,290
Construction in progress	-	-	-	1,287,123	-	-	-	1,287,123
Less: Accumulated depreciation	(5,362,026)	-	-	-	-	-	-	(5,362,026)
Total Capital Assets (net of accumulated depreciation)	18,377,007	-	-	-	1,287,123	-	-	19,664,130
Total Noncurrent Assets:	18,719,086	-	-	-	1,955,155	-	-	20,674,241
Total Assets	\$ 19,408,539	\$ -	\$ -	\$ -	\$ 1,955,155	\$ -	\$ 13,278	\$ 21,376,972

(continued)

53

CITY OF WHITEHOUSE, TEXAS
COMBINING STATEMENT OF NET ASSETS
UTILITY FUND
SEPTEMBER 30, 2010

	BUSINESS-TYPE ACTIVITIES							TOTAL UTILITY FUND
	OPERATING FUND	CAPITAL PROJECTS FUNDS					DEBT SERVICE	
	2001 SERIES	2003 SERIES	2006 SERIES	2007 SERIES	2008 SERIES			
LIABILITIES								
Current Liabilities:								
Accounts payable	\$ 24,219	\$ -	\$ -	\$ -	\$ 71,801	\$ -	\$ -	\$ 96,020
Deferred revenue	5,667	-	-	-	-	-	-	5,667
Due to other funds	42,004	-	-	-	-	-	102,554	144,558
Total Current Liabilities	71,890	-	-	-	71,801	-	102,554	246,245
Current liabilities payable from restricted assets:								
Customer deposits	159,915	-	-	-	-	-	-	159,915
Accrued interest	-	-	-	-	-	-	95,919	95,919
Notes payable	4,345	-	-	-	-	-	-	4,345
Revenue bonds payable	595,000	-	-	-	75,000	-	-	670,000
Total current liabilities payable from restricted assets	759,260	-	-	-	75,000	-	95,919	930,179
Noncurrent Liabilities:								
Notes payable	4,981	-	-	-	-	-	-	4,981
Revenue bonds payable	14,674,000	-	-	-	1,740,000	-	-	16,414,000
Total Noncurrent Liabilities	14,678,981	-	-	-	1,740,000	-	-	16,418,981
Total Liabilities	15,510,131	-	-	-	1,886,801	-	198,473	17,595,405
NET ASSETS								
Invested in capital assets, net of related debt	3,098,681	-	-	-	-	-	-	3,098,681
Restricted net assets:								
Restricted for construction	-	-	-	-	68,354	-	-	68,354
Total restricted net assets	-	-	-	-	68,354	-	-	68,354
Unrestricted	799,727	-	-	-	-	-	(185,195)	614,532
Total Net Assets	\$ 3,898,408	\$ -	\$ -	\$ -	\$ 68,354	\$ -	\$ (185,195)	\$ 3,781,567

CITY OF WHITEHOUSE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
UTILITY FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2010

BUSINESS-TYPE ACTIVITIES

	OPERATING FUND	CAPITAL PROJECTS FUNDS					DEBT SERVICE	ELIMINATIONS	TOTAL UTILITY FUND
		2001 SERIES	2003 SERIES	2006 SERIES	2007 SERIES	2008 SERIES			
OPERATING REVENUES									
Water sales	\$ 1,796,691	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,796,691	
Sewer charges	719,147	-	-	-	-	-	-	719,147	
Assessment revenue	-	-	-	-	-	27,258	-	27,258	
Tax revenue	-	-	-	-	-	581,652	-	581,652	
Charges for other services	88,711	-	-	-	-	-	-	88,711	
Total Operating Revenues	2,604,549	-	-	-	-	608,910	-	3,213,459	
OPERATING EXPENSES									
Utility administration	558,023	-	-	-	52	-	-	558,075	
Customer service	112,022	-	-	-	-	-	-	112,022	
Water operations	245,115	-	-	-	-	-	-	245,115	
Sewer operations	212,335	-	-	-	-	-	-	212,335	
Water supply	309,008	-	-	-	-	-	-	309,008	
Depreciation	544,556	-	-	-	-	-	-	544,556	
Total Operating Expenses	1,981,059	-	-	-	52	-	-	1,981,111	
Operating Income (Loss)	623,490	-	-	-	(52)	-	608,910	1,232,348	
NON-OPERATING REVENUES (EXPENSES)									
Interest and fiscal charge expense	-	-	-	-	-	-	(787,492)	(787,492)	
Amortization of bond issue costs	(1,027)	(1,850)	(5,797)	(2,549)	(2,290)	(2,927)	-	(16,440)	
Interest income	484	-	-	-	3,613	-	882	4,979	
Total Non-Operating Revenue (Expenses)	(543)	(1,850)	(5,797)	(2,549)	1,323	(2,927)	(786,610)	(798,953)	
Income before transfers	622,947	(1,850)	(5,797)	(2,549)	1,271	(2,927)	(177,700)	433,395	
Transfers in	288,596	4,977,894	5,069,066	2,527,041	-	3,009,383	783,805	85,225	
Transfers out	(16,186,181)	-	-	-	(91,931)	-	(608,000)	(315,552)	
Total Transfers	(15,897,585)	4,977,894	5,069,066	2,527,041	(91,931)	3,009,383	175,805	(230,327)	
Change in Net Assets	(15,274,638)	4,976,044	5,063,269	2,524,492	(90,660)	3,006,456	(1,895)	203,068	
Net Assets, October 1, 2009	19,173,046	(4,976,044)	(5,063,269)	(2,524,492)	159,014	(3,006,456)	(183,300)	3,578,499	
Net Assets, September 30, 2010	\$ 3,898,408	\$ -	\$ -	\$ -	\$ 68,354	\$ -	\$ (185,195)	\$ 3,781,567	

CITY OF WHITEHOUSE, TEXAS
COMBINING STATEMENT OF CASH FLOWS
UTILITY FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2010

Increase (Decrease) in Cash and Cash Equivalents

BUSINESS-TYPE ACTIVITIES

OPERATING FUND	CAPITAL PROJECTS FUNDS					DEBT SERVICE	ELIMINATIONS	TOTAL UTILITY FUND
	2001 SERIES	2003 SERIES	2006 SERIES	2007 SERIES	2008 SERIES			
CASH FLOWS FROM OPERATING ACTIVITIES:								
Cash received from customers and users	\$ 2,544,414	\$ -	\$ -	\$ -	\$ -	\$ 608,910	\$ -	\$ 3,153,324
Cash paid to suppliers for goods and services	(902,078)	-	-	(52)	-	-	-	(902,130)
Cash paid to employees for services	(541,592)	-	-	-	-	-	-	(541,592)
Net cash provided by (used in) operating activities	1,100,744	-	-	(52)	-	608,910	-	1,709,602
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES								
Advances to other funds	-	-	-	-	-	(8,820)	-	(8,820)
Transfers in	4,673	-	-	336	-	836,975	(70,266)	771,718
Transfers out	(1,028,234)	(3,606)	-	-	(13)	-	70,266	(961,587)
Net cash provided by (used in) non-capital financing activities	(1,023,561)	(3,606)	-	336	(13)	828,155	-	(198,689)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Purchases or construction of capital assets	(7,044)	-	-	(1,230,793)	-	-	-	(1,237,837)
Interest paid	-	-	-	-	-	(816,669)	-	(816,669)
Principal paid on note	(4,673)	-	-	-	-	-	-	(4,673)
Principal payment on bonds made by Debt Service Fund	90,000	231,000	105,000	70,000	112,000	(608,000)	-	-
Principal paid on bonds	(90,000)	(231,000)	(105,000)	(70,000)	(112,000)	-	-	(608,000)
Net cash used in capital and related financing activities	(11,717)	-	-	(1,230,793)	-	(1,424,669)	-	(2,667,179)
CASH FLOWS FROM INVESTING ACTIVITIES:								
Interest earned on investments	484	-	-	3,613	-	882	-	4,979
Net cash provided by investing activities	484	-	-	3,613	-	882	-	4,979
Net increase (decrease) in cash	65,950	(3,606)	-	(1,226,896)	(13)	13,278	-	(1,151,287)
Cash, beginning of period	86,960	3,606	-	1,872,710	13	-	-	1,963,289
Cash, end of period	\$ 152,910	\$ -	\$ -	\$ 645,814	\$ -	\$ 13,278	\$ -	\$ 812,002
Reconciliation of cash to Schedule 6:								
Cash - current asset	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,278	\$ -	\$ 13,278
Cash - restricted current asset	152,910	-	-	-	-	-	-	152,910
Cash - restricted non-current asset	-	-	-	645,814	-	-	-	645,814
Total cash, end of period	\$ 152,910	\$ -	\$ -	\$ 645,814	\$ -	\$ 13,278	\$ -	\$ 812,002

56

CITY OF WHITEHOUSE, TEXAS
COMBINING STATEMENT OF CASH FLOWS
UTILITY FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2010

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	2008 SERIES				
Reconciliation of Operating Income (Loss) To Net Cash Provided By (Used In) Operating Activities:									
Operating income (loss)	\$ 623,490	\$ -	\$ -	\$ -	\$ (52)	\$ -	\$ 608,910	\$ -	\$ 1,232,348
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:									
Depreciation expense	544,556	-	-	-	-	-	-	-	544,556
Increase in accounts receivable	(70,792)	-	-	-	-	-	-	-	(70,792)
Decrease in accounts payable	(7,167)	-	-	-	-	-	-	-	(7,167)
Increase in deferred revenue	5,667	-	-	-	-	-	-	-	5,667
Increase in customer deposits	4,990	-	-	-	-	-	-	-	4,990
Total adjustments	477,254	-	-	-	-	-	-	-	477,254
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 1,100,744	\$ -	\$ -	\$ -	\$ (52)	\$ -	\$ 608,910	\$ -	\$ 1,709,602

CITY OF WHITEHOUSE, TEXAS

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

UTILITY OPERATING FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2010

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>REVENUES</u>				
Charges for services:				
Water sales	\$ 1,668,325	\$ 1,668,325	\$ 1,773,223	\$ 104,898
Sewer charges	691,280	691,280	711,738	20,458
Tap and connect fees	18,540	18,540	20,357	1,817
Penalties	62,674	62,674	68,354	5,680
Interest and rent	<u>1,500</u>	<u>1,500</u>	<u>484</u>	<u>(1,016)</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES - BUDGET BASIS	 <u>\$ 2,442,319</u>	 <u>\$ 2,442,319</u>	 2,574,156	 <u>\$ 131,837</u>
Financial Statement Adjustments:				
Debt Service Fund payment of principal on bonds and note			94,673	
Other transfers			193,923	
Increase estimate for uncollectible accounts			(13,609)	
Water and sewer usage for September 2009 billed in subsequent month			(216,153)	
Water and sewer usage for September 2010 billed in subsequent month			<u>260,639</u>	
TOTAL REVENUES AND OTHER FINANCING SOURCES - GAAP BASIS			 <u>\$ 2,893,629</u>	

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

UTILITY OPERATING FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2010

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
UTILITY ADMINISTRATION				
PERSONNEL SERVICES:				
Administration	\$ 94,620	\$ 94,620	\$ 101,583	\$ (6,963)
Uniforms and clothing	500	500	-	500
Workers' compensation	381	381	347	34
Unemployment compensation	67	67	189	(122)
Employee retirement	5,855	5,855	5,842	13
Employee insurance	9,696	9,696	10,291	(595)
Payroll taxes	7,927	7,927	7,636	291
Total Personnel Services	119,046	119,046	125,888	(6,842)
SUPPLIES AND MATERIALS:				
Office supplies	1,500	1,500	930	570
Data processing supplies	1,000	1,000	924	76
Postage and delivery service	1,500	1,500	2,189	(689)
Motor vehicle supplies	14,000	14,000	14,645	(645)
Educational and training	300	300	250	50
Other supplies	1,000	1,000	455	545
Total Supplies and Materials	19,300	19,300	19,393	(93)
MAINTENANCE OF BUILDINGS/LAND:				
Buildings and grounds	3,000	3,000	3,256	(256)
Total Maintenance of Buildings/Land	3,000	3,000	3,256	(256)
MAINTENANCE - EQUIPMENT/MACHINERY:				
Office equipment	750	750	688	62
HVAC equipment	500	500	-	500
Total Maintenance - Equipment/Machinery	1,250	1,250	688	562
CONTRACTUAL SERVICES:				
Communication services	5,500	5,500	5,692	(192)
Insurance	20,999	20,999	20,462	537
Advertising	500	500	110	390
Business and travel	250	250	363	(113)
Legal fees	2,500	2,500	1,450	1,050
Contractual and fee basis service	20,000	20,000	22,595	(2,595)
Utility services	319,000	319,000	306,347	12,653
Data processing maintenance	12,000	12,000	12,505	(505)
Utility billing - dataprose	24,000	24,000	25,666	(1,666)
On-Line / credit card fees	9,500	9,500	12,513	(3,013)
Document shredding	500	500	520	(20)
Memberships and subscriptions	600	600	575	25
Total Contractual Services	415,349	415,349	408,798	6,551
TOTAL UTILITY ADMINISTRATION	\$ 557,945	\$ 557,945	\$ 558,023	\$ (78)

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

UTILITY OPERATING FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2010

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
CUSTOMER SERVICE				
PERSONNEL SERVICES:				
Clerical	\$ 48,464	\$ 48,464	\$ 53,205	\$ (4,741)
Operations and maintenance	28,548	28,548	25,947	2,601
Overtime	5,000	5,000	2,644	2,356
Uniforms and clothing	300	300	-	300
Worker's compensation	2,131	2,131	2,039	92
Unemployment compensation	190	190	669	(479)
Employee retirement	4,634	4,634	4,651	(17)
Employee insurance	15,657	15,657	14,493	1,164
Payroll taxes	6,274	6,274	6,209	65
Total Personnel Services	111,198	111,198	109,857	1,341
SUPPLIES AND MATERIALS				
Other supplies	300	300	200	100
Total Supplies and Materials	300	300	200	100
CONTRACTUAL SERVICES				
Insurance	1,640	1,640	1,676	(36)
Business and travel	250	250	289	(39)
Total Contractual Services	1,890	1,890	1,965	(75)
TOTAL CUSTOMER SERVICE	\$ 113,388	\$ 113,388	\$ 112,022	\$ 1,366
WATER OPERATIONS				
PERSONNEL SERVICES:				
Operations and maintenance	\$ 106,153	\$ 106,153	\$ 115,160	\$ (9,007)
Overtime	10,000	10,000	8,511	1,489
Uniforms and clothing	2,000	2,000	1,451	549
Workers' compensation	4,627	4,627	4,989	(362)
Unemployment compensation	240	240	938	(698)
Employee retirement	6,563	6,563	7,116	(553)
Employee insurance	22,855	22,855	28,816	(5,961)
Payroll taxes	8,886	8,886	9,034	(148)
Total Personnel Services	161,324	161,324	176,015	(14,691)
SUPPLIES AND MATERIALS:				
Tires and tubes	2,000	2,000	1,887	113
Water meter supplies	20,000	20,000	10,744	9,256
Minor tools and apparatus	1,500	1,500	838	662
Chemical and mechanical supplies	10,000	10,000	9,831	169
Botanical and agricultural supplies	500	500	-	500
Educational and training	1,500	1,500	1,154	346
Other supplies	750	750	168	582
Total Supplies and Materials	36,250	36,250	24,622	11,628
MAINTENANCE - BUILDING/LAND:				
Buildings and grounds	5,000	5,000	1,931	3,069
Chlorination facilities	5,000	5,000	2,991	2,009
Water system	25,000	25,000	23,882	1,118
Meters and settings	7,000	7,000	3,169	3,831
Other	30,000	30,000	11,145	18,855
Total Maintenance - Building/Land	72,000	72,000	43,118	28,882

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

UTILITY OPERATING FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2010

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
WATER OPERATIONS (cont'd)				
MAINTENANCE - EQUIPMENT/MACHINERY:				
Machinery and heavy equipment	\$ 10,000	\$ 10,000	\$ 8,056	\$ 1,944
Auto equipment maintenance	1,500	1,500	597	903
Safety and medical equipment	300	300	103	197
Communication equipment	500	500	-	500
Total Maintenance - Equipment/Machinery	12,300	12,300	8,756	3,544
CONTRACTUAL SERVICES:				
Leases and rentals	1,500	1,500	-	1,500
Insurance	1,640	1,640	1,676	(36)
Business and travel	1,000	1,000	110	890
Contractual and fee basis service	5,000	5,000	4,522	478
Regulatory inspection fee	2,000	2,000	5,587	(3,587)
Total Contractual Services	11,140	11,140	11,895	(755)
TOTAL WATER OPERATIONS	\$ 293,014	\$ 293,014	\$ 264,406	\$ 28,608
WASTEWATER OPERATIONS				
PERSONNEL SERVICES:				
Operations and maintenance	\$ 76,892	\$ 76,892	\$ 86,149	\$ (9,257)
Overtime	7,000	7,000	9,202	(2,202)
Uniforms and clothing	1,500	1,500	1,000	500
Workers' compensation	2,113	2,113	1,605	508
Unemployment compensation	117	117	404	(287)
Employee retirement	2,517	2,517	5,525	(3,008)
Employee insurance	15,869	15,869	18,845	(2,976)
Payroll taxes	6,418	6,418	7,102	(684)
Total Personnel Services	112,426	112,426	129,832	(17,406)
SUPPLIES AND MATERIALS:				
Laboratory supplies	1,000	1,000	-	1,000
Tires and tubes	2,000	2,000	1,750	250
Minor tools and apparatus	2,000	2,000	770	1,230
Janitorial supplies	100	100	393	(293)
Chemical and mechanical supplies	25,000	25,000	23,627	1,373
Safety supplies	1,000	1,000	738	262
Educational and training	1,500	1,500	333	1,167
Total Supplies and Materials	32,600	32,600	27,611	4,989
MAINTENANCE - BUILDING/LAND:				
Building and grounds	2,000	2,000	402	1,598
Sanitary sewers	15,000	15,000	8,303	6,697
Lift stations	25,000	25,000	15,657	9,343
Other	30,000	30,000	-	30,000
Total Maintenance - Building/Land	72,000	72,000	24,362	47,638

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

UTILITY OPERATING FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2010

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>WASTEWATER OPERATIONS (cont'd.)</u>				
<u>MAINTENANCE - EQUIPMENT/MACHINERY:</u>				
Machinery and heavy equipment	\$ 10,000	\$ 10,000	\$ 5,874	\$ 4,126
Automotive equipment	1,500	1,500	282	1,218
Shop equipment	1,000	1,000	2,186	(1,186)
Communication equipment	250	250	101.00	149
Total Maintenance - Equipment/Machinery	<u>12,750</u>	<u>12,750</u>	<u>8,443</u>	<u>4,307</u>
<u>CONTRACTUAL SERVICES:</u>				
Leases and rentals	500	500	-	500
Insurance	1,094	1,094	1,089	5
Business and travel	1,500	1,500	-	1,500
Contractual and fee basis service	20,000	20,000	14,653	5,347
Regulatory inspection fee	6,500	6,500	6,345	155
Total Contractual Services	<u>29,594</u>	<u>29,594</u>	<u>22,087</u>	<u>7,507</u>
TOTAL WASTEWATER OPERATIONS	<u>\$ 259,370</u>	<u>\$ 259,370</u>	<u>\$ 212,335</u>	<u>\$ 47,035</u>
<u>WATER SUPPLY</u>				
<u>CONTRACTUAL SERVICES:</u>				
Contractual and fee basis service	\$ 300,132	\$ 300,132	\$ 302,824	\$ (2,692)
Total Contractual Services	<u>300,132</u>	<u>300,132</u>	<u>302,824</u>	<u>(2,692)</u>
TOTAL WATER SUPPLY	<u>\$ 300,132</u>	<u>\$ 300,132</u>	<u>\$ 302,824</u>	<u>\$ (2,692)</u>
<u>UTILITY DEBT SERVICE</u>				
<u>DEBT SERVICE:</u>				
G.O. bonds principal	\$ 25,000	\$ 25,000	\$ 25,000	\$ -
Revenue bonds principal	375,200	375,200	375,200	-
G.O. interest	625	625	625	-
Revenue bonds interest	300,039	300,039	300,039	-
Due to other funds	152,808	152,808	77,901	74,907
Total Debt Service	<u>853,672</u>	<u>853,672</u>	<u>778,765</u>	<u>74,907</u>
TOTAL UTILITY DEBT SERVICE	<u>\$ 853,672</u>	<u>\$ 853,672</u>	<u>\$ 778,765</u>	<u>\$ 74,907</u>
TOTAL EXPENSES - BUDGET BASIS	<u>\$ 2,377,521</u>	<u>\$ 2,377,521</u>	<u>\$ 2,228,375</u>	<u>\$ 149,146</u>
<u>Financial Statement Adjustments:</u>				
Amortization			1,027	
Depreciation			544,556	
Record transfers to other funds			249,469	
Record transfer of completed capital projects funds			15,157,947	
Reclassify capital expenditures			(7,044)	
Decrease in accrued expenses			(6,063)	
TOTAL EXPENSES AND TRANSFERS - GAAP BASIS			<u>\$ 18,168,267</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, 2010

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Property taxes	\$ 750,587	\$ 581,652	\$ (168,935)
Project assessments	-	27,258	27,258
Interest income	-	882	882
Transfers in	<u>675,237</u>	<u>836,975</u>	<u>161,738</u>
TOTAL REVENUES - BUDGET BASIS	\$ <u>1,425,824</u>	1,446,767	\$ <u>20,943</u>
Transfer of interest costs on construction projects		<u>(53,170)</u>	
TOTAL REVENUES - GAAP BASIS		\$ <u>1,393,597</u>	
EXPENSES			
Bond principal:			
1995 Certificates of Obligation	\$ 90,000	\$ 90,000	\$ -
2003 Certificates of Obligation	167,000	167,000	-
2006 Certificates of Obligation	105,000	105,000	-
2007 Certificates of Obligation	70,000	70,000	-
2008 Certificates of Obligation	112,000	112,000	-
2007 Refunding	64,000	64,000	-
Bond interest:			
1995 Certificates of Obligation	4,950	4,950	-
2001 Certificates of Obligation	300,000	297,534	2,466
2003 Certificates of Obligation	24,005	24,005	-
2006 Certificates of Obligation	104,895	104,858	37
2007 Certificates of Obligation	79,920	79,920	-
2008 Certificates of Obligation	110,372	110,336	36
2007 Refunding	193,682	193,682	-
Administrative fees	<u>-</u>	<u>1,383</u>	<u>(1,383)</u>
TOTAL EXPENSES - BUDGET BASIS	\$ <u>1,425,824</u>	1,424,668	\$ <u>1,156</u>
Transfer of interest costs on construction projects		<u>(53,170)</u>	
Change in accrued interest on bonds		<u>23,994</u>	
TOTAL EXPENSES - GAAP BASIS		\$ <u>1,395,492</u>	

CITY OF WHITEHOUSE, TEXAS

SCHEDULE OF CHANGES IN GOVERNMENTAL CAPITAL ASSETS - BY SOURCE

FISCAL YEAR ENDED SEPTEMBER 30, 2010

	<u>TOTAL</u>	<u>LAND</u>	<u>BUILDINGS</u>	<u>INFRASTRUCTURE</u>	<u>MACHINERY & EQUIPMENT</u>		<u>CONSTRUCTION</u>
					<u>AUTOS</u>	<u>OTHER</u> <u>EQUIPMENT</u>	<u>IN</u> <u>PROGRESS</u>
Governmental assets - October 1, 2009	\$ 11,442,599	\$ 128,782	\$ 2,430,676	\$ 7,033,460	\$ 836,138	\$ 1,013,543	\$ -
EXPENDITURES FROM GOVERNMENTAL FUNDS:							
<u>GENERAL FUND</u>							
Street Improvements	87,594	-	-	87,594	-	-	-
Police Vehicle	23,370	-	-	-	23,370	-	-
Building-City Hall	64,865	-	64,865	-	-	-	-
Machinery & Equipment	47,081	-	-	-	-	47,081	-
<hr/>							
GOVERNMENTAL ASSETS - SEPTEMBER 30, 2010	<u>\$ 11,665,509</u>	<u>\$ 128,782</u>	<u>\$ 2,495,541</u>	<u>\$ 7,121,054</u>	<u>\$ 859,508</u>	<u>\$ 1,060,624</u>	<u>\$ -</u>

49

CITY OF WHITEHOUSE, TEXAS

SCHEDULE OF CHANGES IN GOVERNMENTAL LONG-TERM DEBT

FISCAL YEAR ENDED SEPTEMBER 30, 2010

	TOTAL	NOTES PAYABLE	GENERAL OBLIGATION BOND PRINCIPAL					COMPENSATED ABSENCES	COMPENSATORY TIME PAYABLE
			1970 SEWER	1996 SERIES	2003 SERIES	2006 SERIES	2004 SERIES		
Governmental fund debt, October 1, 2009	\$ 4,823,791	\$ 140,615	\$ 25,000	\$ 290,000	\$ 112,000	\$ 2,805,000	\$ 1,300,000	\$ 129,437	\$ 21,739
ADDITIONS									
Compensatory time payable	2,383	-	-	-	-	-	-	-	2,383
Total Additions	2,383	-	-	-	-	-	-	-	2,383
RETIREMENTS									
Bond principal:									
1970 Sewer System General Obligation	25,000	-	25,000	-	-	-	-	-	-
1996 Street Construction General Obligation	90,000	-	-	90,000	-	-	-	-	-
2003 Refunding Bonds	112,000	-	-	-	112,000	-	-	-	-
2006 Limited Tax Refunding Bonds	115,000	-	-	-	-	115,000	-	-	-
2004 Certificates of Obligation	25,000	-	-	-	-	-	25,000	-	-
Total Bond Retirements	367,000	-	25,000	90,000	112,000	115,000	25,000	-	-
Notes Payable:									
Capital One									
Police Vehicles	18,101	18,101	-	-	-	-	-	-	-
Trucks	21,368	21,368	-	-	-	-	-	-	-
Austin Bank									
Ford F150 Truck	4,673	4,673	-	-	-	-	-	-	-
Backhoe	12,759	12,759	-	-	-	-	-	-	-
Vehicles	25,483	25,483	-	-	-	-	-	-	-
Motorcycle	3,735	3,735	-	-	-	-	-	-	-
Total Note Retirements	86,119	86,119	-	-	-	-	-	-	-
Compensated absences	28,985	-	-	-	-	-	-	28,985	-
GOVERNMENTAL FUND DEBT, SEPTEMBER 30, 2010	\$ 4,344,070	\$ 54,496	\$ -	\$ 200,000	\$ -	\$ 2,690,000	\$ 1,275,000	\$ 100,452	\$ 24,122

65

CITY OF WHITEHOUSE, TEXAS

SCHEDULE OF REVENUE AND GENERAL OBLIGATION BONDS AND NOTES PAYABLE

FISCAL YEAR ENDED SEPTEMBER 30, 2010

	ISSUE DATE	MATURITY	BOND NUMBERS AND INTEREST RATE		BOND/NOTE PRINCIPAL			OUTSTANDING 9-30-10	BOND/NOTE PRINCIPAL AND INTEREST REQUIREMENTS YEAR ENDING 9-30-11			BOND/NOTE INTEREST TO BE PROVIDED IN FUTURE YEARS
			BONDS ISSUED	INTEREST RATE	BALANCE 10-1-09	ISSUED CURRENT YEAR	CURRENT YEAR RETIREMENTS		PRINCIPAL	INTEREST	TOTAL	
BONDED INDEBTEDNESS:												
BUSINESS TYPE ACTIVITIES												
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	\$ 75,000	\$ 425,000	\$ 500,000	\$ 1,506,945
2006-Water & Sewer Certificates of Obligation	4/1/06	Payable serially in varying amounts to 2-15-26	4.20%	2,800,000	2,550,000	-	105,000	2,445,000	110,000	100,380	210,380	810,705
2007 Tax Refunding Bonds	7/15/07	Payable serially in varying amounts to 2-15-27	4.52%	4,359,000	4,317,000	-	64,000	4,253,000	85,000	190,315	275,315	1,533,184
2007-Water & Sewer Certificates of Obligation	5/15/07	Payable serially in varying amounts to 2-15-26	4.32%	2,000,000	1,885,000	-	70,000	1,815,000	75,000	76,788	151,788	669,600
2008-Water & Sewer Certificates of Obligation	3/12/08	Payable serially in varying amounts to 2-15-28	3.70%	3,100,000	3,039,000	-	112,000	2,927,000	116,000	106,153	222,153	976,411
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	90,000	-	90,000	-	-	-	-	-
		\$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	811,000	-	167,000	644,000	209,000	18,139	227,139	15,079
		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				<u>22,594,000</u>	<u>17,692,000</u>	<u>-</u>	<u>608,000</u>	<u>17,084,000</u>	<u>670,000</u>	<u>916,775</u>	<u>1,586,775</u>	<u>5,511,924</u>

CITY OF WHITEHOUSE, TEXAS

SCHEDULE OF REVENUE AND GENERAL OBLIGATION BONDS AND NOTES PAYABLE

FISCAL YEAR ENDED SEPTEMBER 30, 2010

	ISSUE DATE	MATURITY	BOND NUMBERS AND INTEREST RATE	BONDS ISSUED	BOND/NOTE PRINCIPAL			OUTSTANDING 9-30-10	BOND/NOTE PRINCIPAL AND INTEREST REQUIREMENTS YEAR ENDING 9-30-11			BOND/NOTE INTEREST TO BE PROVIDED IN FUTURE YEARS
					BALANCE 10-1-09	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	\$ 25,000	\$ -	\$ 25,000	\$ -	\$ -	\$ -	\$ -	-
1996 General Obligation Bonds	11/15/96	Payable serially in varying amounts to 9-30-12										
		\$45,000	6.65%	1,000,000	290,000	-	90,000	200,000	95,000	8,006	103,006	2,756
		\$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	1,300,000	-	25,000	1,275,000	25,000	41,736	66,736	289,926
2006 Limited Tax Refunding Bonds	10/15/06	Payable serially in varying amounts to 2-15-26	4.80%	3,140,000	2,805,000	-	115,000	2,690,000	120,000	114,325	234,325	958,800
2003 Texas Limited Refunding Bonds	3/19/03	Payable serially in varying amounts to 9-30-10										
		\$100,000	2.48%	529,000	112,000	-	112,000	-	-	-	-	-
		\$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>4,532,000</u>	<u>-</u>	<u>367,000</u>	<u>4,165,000</u>	<u>240,000</u>	<u>164,067</u>	<u>404,067</u>	<u>1,251,482</u>
Total Bonded Indebtedness				<u>29,063,000</u>	<u>22,224,000</u>	<u>-</u>	<u>975,000</u>	<u>21,249,000</u>	<u>910,000</u>	<u>1,080,842</u>	<u>1,990,842</u>	<u>6,763,406</u>

67

CITY OF WHITEHOUSE, TEXAS

SCHEDULE OF REVENUE AND GENERAL OBLIGATION BONDS AND NOTES PAYABLE

FISCAL YEAR ENDED SEPTEMBER 30, 2010

ISSUE DATE	MATURITY	BOND NUMBERS AND INTEREST RATE	BONDS ISSUED	BOND/NOTE PRINCIPAL			OUTSTANDING 9-30-10	BOND/NOTE PRINCIPAL AND INTEREST REQUIREMENTS YEAR ENDING 9-30-11			BOND/NOTE INTEREST TO BE PROVIDED IN FUTURE YEARS	
				BALANCE 10-1-09	ISSUED CURRENT YEAR	CURRENT YEAR RETIREMENTS		PRINCIPAL	INTEREST	TOTAL		
NOTES PAYABLE:												
Austin Bank:												
Backhoe	3/16/06	03/16/11	4.95%	24,051	-	12,760	11,291	11,291	581	11,872	-	
2008 Ford F150	10/10/08	09/02/08	3.3%	13,999	-	4,673	9,326	4,345	322	4,667	172	
Vehicles	7/8/2008	07/08/11	3.5%	51,893	-	25,483	26,410	26,410	939	27,349	-	
Motoreycle	7/18/2008	07/18/12	3.5%	11,203	-	3,734	7,469	3,734	266	4,000	133	
Capital One:												
Police vehicles	6/12/07	6/12/2010	4.5%	18,101	-	18,101	-	-	-	-	-	
Trucks	1/3/07	1/3/2010	4.5%	21,368	-	21,368	-	-	-	-	-	
				140,615	-	86,119	54,496	45,780	2,108	47,888	305	
Total Notes Payable - Governmental Fund Debt												
TOTAL DEBT				\$ 29,063,000	\$ 22,364,615	\$ -	\$ 1,061,119	\$ 21,303,496	\$ 955,780	\$ 1,082,950	\$ 2,038,730	\$ 6,763,711

OTHER REPORTS

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

To the City Council
City of Whitehouse, Texas

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Whitehouse, Texas, as of and for the year ended September 30, 2010, which collectively comprise the City of Whitehouse, Texas' basic financial statements and have issued our report thereon dated January 13, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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 yearend, the City had eight employees that exceeded the maximum limit which amount to approximately a \$40,272 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.



Certified Public Accountants

Tyler, Texas
January 13, 2011